

case study

A Comparative Study of Hotel Brand Building in the U.S.A. and China

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Introduction

China, an emerging hotel market, has a population of above 1.36 billion people (NBSC, 2013). The size of this market arouses the interests of international hotel groups. Many international hotel groups endeavor to grab a slice of this booming market. The competition in the Chinese hospitality industry is becoming intense. Compared with its U.S. and European counterparts, Chinese hoteliers and companies find that international branded hotels can secure a greater margin than local non-branded hotels. The importance of brand building has been realized by both entrepreneurs and government officials in China, but neither group knows the appropriate methods and procedures for brand building. Based on the pressure of the government, Chinese tourism and hotel groups have started their hotel brand building journey, but it's a long journey before these brands become international brands. How does one build a hotel brand that has exuberant vitality and can endure through time? Learning from mature brands could be a feasible and best practice for Chinese hoteliers.

Literature Review

The American Marketing Association (AMA) defines brand as a name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers (AMA, 2015). Arnold suggests that branding has to do with the way customers perceive and buy things (Arnold, 1992:2). Aaker (1991:15) regards the brand as equity, and defines the brand equity as "a set of brand assets and liabilities linked to a brand, its name and symbol that add to, or subtract from the value provided by a product or service to a firm and/or to that firm's customer". The above-mentioned definitions of brands are from different perspectives. A brand can be regarded as the symbol (AMA, 2015), the customer's psychology and behavior (Arnold, 1992:2), and the equity (Aaker, 1991:15) etc... Considering that there are so many definitions about brands, how do we define this term? In contrast to the abundant brand definitions, little research specifically defines a hotel brand. Some researchers perceive that adding the adjective "hotel" to a "brand" definition is sufficient for it to become hotel brand terminology.

The term hotel brand, originates and differentiates from a brand definition. First, a hotel brand is a service brand. Although a hotel has

tangible assets, such as the building, lobby, guest rooms, etc..., consumers pay for the intangible services attached to tangible facilities instead of physical products. Second, a hotel brand is customer-experience-oriented brand. For fast moving consumer goods, a brand can be regarded as a symbol; but for the hotel service brand, a brand is beyond the symbol or other visual identifications. It is based upon the customer's stay experience and reflects the interactions between a hotel and its guests. Third, a hotel brand is a strategic equity whose value accrues over time. The value of a time-honored hotel brand is much more important than the physical assets of a hotel. In sum, a hotel brand can be defined as the hotel's strategic equity that originates from the recognition and loyalty of customers, as consequences of a customer's good stay experiences.

The brand building process makes an unknown brand into a famous and acceptable brand for a target market and is the initial phase of brand management. It is reported that the Fiesta Inn brand embarked upon "a very fundamentally solid strategy for building the brand – target a customer segment, develop a brand promise and delivery of particular salience to that segment, and move to achieve 'top of mind' status as the provider of choice to that segment" (Conen, 2006:1). To achieve 'top of mind' status as the provider of choice to one specific segment is not an easy thing. Only through brand building and daily brand management, can this goal be achieved.

The definition of hotel brand building is determined from the hotel's practices. Hotel brand building refers to a sequence of stages which include the brand positioning, the brand communication and the brand standardization to make an unknown hotel brand become famous. Occupying some place in the target customer's mind is a main goal of brand building. Among the sub-process of brand building, brand positioning is the most important. The specific tasks of brand positioning are defining the competition framework, especially defining the main rivalries and target customers, and discerning the similarities and differences compared with the major competitors. The visual identification of a brand attracts the customer's attention and helps a brand to be positioned in the customer's mental mode.

PESTEL and SWOT Analysis Framework

PESTEL and SWOT analysis framework are popular and useful strategic analysis tools. PESTEL analysis is originated from an environmental scanning tool (ETPS) proposed by Aguilar (1967) and widely

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used in the analysis of the macro environment which companies are operating in. PESTEL denotes six dimensions of macro environment, i.e., P for Political, E for Economic, S for Social, T for Technological, E for Environmental and L for Legal. SWOT analysis framework was popularized by Wehrich (1982). SWOT is an acronym for Strengths, Weaknesses, Opportunities and Threats. Identification of Strengths, Weaknesses, Opportunities and Threats is very important because it results directly in the strategic positioning and the strategic goal setting of an organization. SWOT analysis helps hotel brand management executives to identify the key internal and external factors seen as important to building an enduring brand. The SWOT analysis is best used with PESTEL analysis because the PESTEL analysis provides thorough and analyzed information about the external factors for further SWOT analysis. The opportunities and threats that exist in the macro environment can be identified through PESTEL analysis.

Preliminary Analysis on the Hotel Branding of China and US: Based on representative cases

Overview of China's Hotel Brands

Analysis of the list of the Top 60 Hotel Groups which operate in China (CTHA, 2014) indicates that the most influential hotel brands in China have focused on low end markets and the upscale markets. The three largest hotel groups all evolved from economy hotel groups. In the upscale market, the hotel brands of the state-owned hotel groups and the subsidiaries of the real estate companies typically gain more brand awareness. China's hotel groups have been too ambitious in their brand building processes and have ignored a formal process

including a hotel brand positioning statement which requires much time to develop. Launching multiple brands without due diligence is risky business for China's hotel groups.

Brand Exemplar

To compare the differences of brand building techniques of China and the U.S., representative hotel groups are selected. Three selection criteria are used: (1) whether the hotel company or group's brand spectrum cover the full range of markets; (2) whether the hotel company or group's signature brand is focused on the upscale market; and finally (3) whether the information about the company or group's brand building is accessible. The first criterion is related to the demand for a hotel branding's experience. The second criterion is based on the assumption of brand equity which accrues over time and will gain return from the sales eventually. The customers of the economy hotels value the functionality of a hotel and are price-sensitive, but the guests of upscale hotels are more willing to pay the premium for a hotel brand. Through the screening, Marriott International could be selected as the representative of U.S. hotel groups and the Beijing Tourism Group-Hotels (BTGH) as the China hotel groups.

Introduction of the Marriott International (U.S.A.) and the Beijing Tourism Group-Hotels (China)

Marriott Corporation, founded as Hot Shoppes, Inc. in 1927, later expanded their enterprise into a chain of [restaurants](#) and [hotels](#). The first Marriott hotel was opened in 1957. Marriott International was formed in 1993 when [Marriott Corporation](#) split into two companies- Marriott International and [Host Marriott Corporation](#) (Wikipedia,

Table 1

PESTEL analyses of U.S. in 1980's and China in 2010's

Macro Situations	U.S. in 1980's	China in 2010's
Political	The Republican Party in power and the Reagan years: the new conservatism and a new world order.	The Communist Party in power and the Xi Jinping years: anti-corruption campaign and the Chinese dream.
Economic	The decline of economy during 1981-1982 and recovery from 1983; Budget and trade deficits soar; The increase of the middle class group.	Maintain medium-to-high speed of economic growth; The increase of national disposable income; The increase of the middle class group.
Social	The increase of white-collar workforce; Rise of "Yuppies"; Rise in Latino and Asian immigration.	The Post-80s and Post-90s generations stereotyped as the "young emperors" become the leading purchasing power.
Technological	The development of the microcomputer; The TCP/IP Internet was born.	The widespread use of mobile internet technology and on-line social networks.
Environmental	The increase of environmental public awareness and the development of environmental organizations.	The increase of environmental public awareness and the government's commitment to environmental issues.
Legal	Well-functioning legal system.	Improving the legal system.

2015). Marriott's brand spectrum covers all levels of the markets, from the luxury to self-service lodging. These brands are built up by Marriott, co-build with partners, or acquired. The brand development process of Marriott can be classified into the following stages. The first stage (1950's-1970) is the signature brand building stage, characterized by building and managing the "Marriott" brand. The next stage (1980's) is the brand extension period, and Marriott entered lower moderate lodging segment, and endorse the "Marriott" brand on "courtyard", "Fairfield Inn" and "Residence Inn". The third stage (1990's) is the full-range-brand stage. Marriott acquired the luxury hotel brands to enrich its brand portfolio. The fourth stage(2000's) is the lifestyle hotel band stage, Marriott began to build "Bulgari", "Edition" and "Autograph" brand which meet the customer's unique stay experience(Marriott, 2015).

Beijing Tourism Group-Hotels (BTGH) is affiliated with Beijing Tourism Group (BTG) which was established in 1998, and is one of the largest tourism groups in China now. BTG holds 60% of BTGH shares (BTGH, 2014) and operates business in all tourism sectors, including lodging, dining and cuisines, transportation, travel, shopping and entertainment. BTGH focuses on lodging businesses and established three hotel management companies operating different types of hotel brands, i.e., 1) BTG-Jianguo Hotel & Resorts Management Company for the upscale brand, 2) BTG-Jinglun Hotel Management Company for the selected service hotel brands, and 3) Shindom Inn Management Company for the economical hotel brands respectively. Before 2010, BTGH mainly developed its signature brand "Jianguo" hotel brand, and during 2010's, BTGH began to extend its "BTG" brand to more diversified market segments.

PESTEL and SWOT Analysis of the Marriott International (U.S.A.) and the Beijing Tourism Group-Hotels (China)

A review of the development stages of U.S. and China's hotel groups and the evolving processes of Marriott International and BTG Group, reveals that the third stage of brand building (1980's) of Marriott is roughly comparable to BTG Hotel's brand building in 2010's. The two groups are similarly moving from the signature brand building stage to the brand extension stage during the above-mentioned period. PESTEL analyses of the two countries are depicted in Table 1.

The threats and opportunities that exist in the macro environment are concluded in PESTEL analysis. Except for the macro environment, the industry environment and the micro environment of business are taken into account in it. Although the political, economic, social, technological, environmental and legal factors of China in 2010's is not absolutely identical with U.S. in 1980's, there exists many similarities between them, e.g. the booming of middle class and the increase of white-collar workforce, among other factors. Figures 1 and 2, SWOT ANALYSIS OF MARRIOTT in the 1980's and SWOT analysis of BTG-Hotel in the 2010's respectively, are presented and discussed below.

Based on the SWOT analysis (Figures 1 and 2) observations can be made concerning:

1. Brand strategy. Identify why Marriott opted to build or acquire brands to enter into the moderate lodging segment, while BTG opted to build luxury hotel brands.
2. Brand building techniques. Identify how many brand building techniques the two groups have adopted? Why have the two groups adopted different brand building techniques?
3. Driving force of the brand building. Identify the reasoning for

Figure 1
SWOT Analysis of Marriott in the 1980's

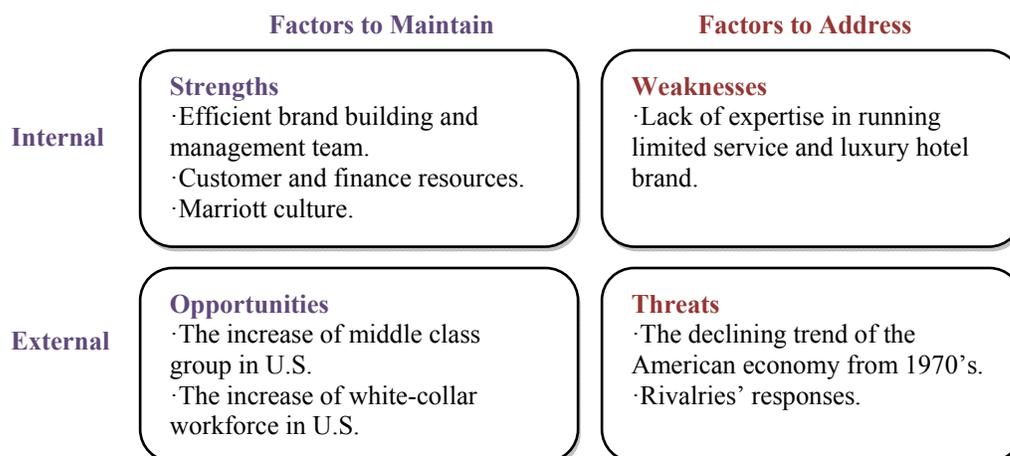
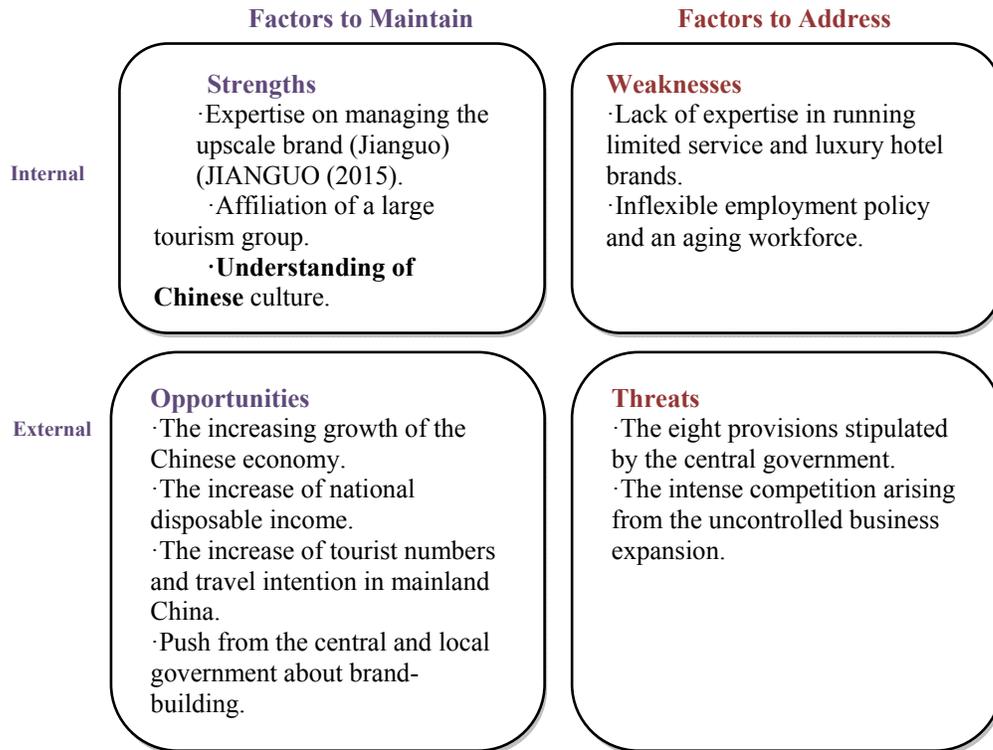


Figure 2

SWOT analysis of BTG-Hotel in the 2010's



why Marriott's branding strategy is market-driven and BTG's branding strategy is government-driven?

Discussion and Business Dilemma

Comparison of Hotel Brand Building: Marriott International (U.S.A.) and the Beijing tourism group-hotels (China)

Good brand positioning is based on the insights of target market segmentations and through brand building and continuous brand management; a brand name is synonymous with a product/service category. Marriott's hotel brands are well positioned, and many of them have become the synonym for hotel category, e.g., Ritz-Carlton is a synonym for luxury hotel, Courtyard by Marriott is a synonym for selected service hotel, etc... BTG also proposes the position statements for their existing and new brands (BTG, 2015; BTGH, 2015).

Through the text analysis of brand name and brand positioning statements, the following conclusions can be discussed:

1. **The internationalization and extension capacity of the hotel brand name.** Except for the Marriott Hotel brand which is named after the founder's name, the hotel brand name of Marriott has English terms which arouse brand associations of the customers' minds; while the hotel brand name of BTG rarely has English

meaning. Most of BTG's hotel brands are just the Pinyin of Chinese characters. It will limit the hotel brand's internationalization.

2. **The differentiation and distinction of the same group's brands.** If one company owns multiple brands, the more brands it possesses, the more difficult to locate every brand geared to specific market segmentation. Partly because Marriott has built or acquired so many hotel brands, although it endeavors to differentiate every brand's niche market in its brand positioning statements, several brands still remain easily confused.
3. **The functional or emotional benefits transfer.** Both Marriott and BTG convey the functional and emotional benefits to customers. In comparing the Marriott and BTG's brand positioning statements, it can be found that the brand positioning statements of Marriott are more customer-centered, while the BTG are more hotel-centered. For example, the brand positioning statement of Courtyard by Marriott is "providing a smart, dynamic and focused travel experience to help guests maximize their time on the road" (Marriott, 2015), while Tangram's brand positioning statement is "The smart hotel: PEACE & QUIET; STOP & SHOP; PLUG & PLAY" (BTG, 2015) which focus on the product/service characteristics.

Business Dilemma

China's middle class is emerging and increasing exponentially. Accompanied by the increase of national disposable income and the emergence of the middle class, Chinese people have more money and time to travel around in China or abroad. Chinese tourism and hotel company/groups must orient themselves to middle class customers and investigate their consumption needs. A large Chinese population gives the hotel development companies huge opportunities. Therefore, brand building orientation and strategies must be changed in China. Given that the people living in cosmopolitan China have new needs, aspirations and desires for a better life which include travel, work, entertainment and more, they have different lodging needs.

One can note that Chinese state-owned tourism or hotel groups rely on the policies of government and consequently their businesses and operations are interfered with by government officials. It can be argued that the government's voices are often magnified and the needs of customers are neglected selectively. As a consultant you will need to answer the question: Why would China need to modify its existing business model? Your task is to prepare a presentation to Chinese hotel executives that provide recommendations for Chinese hotel companies to develop and establish successful hotel brands.

As the consultant for a development project you have been asked to research, document and share branding recommendations with hotel groups in China. Your theme is: Change brand building orientation! A change from government-oriented to market-oriented processes has been suggested and review of the comparison of Marriott and BTG will be a sound starting point.

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