

teaching note

A Case for Change, Market Segmentation and Brand Management

Summary

The Emerald Isle brand encompasses a diverse group of hotels, each hotel operating somewhere within the broad midscale sector in the 2-3 AAA Diamond range of the hospitality marketplace. Some Emerald Isle hotels offer a product experience comparable to brands in the lower midscale. Other Emerald Isle hotels may offer a product experience in the mid-midscale comparable Hampton Inn or Holiday Inn Express. Still other Emerald Isle hotels have physical attributes in the upper midscale like Marriott Courtyard or Hilton Garden Inn.

Emerald Isle hotels is unlike other franchise companies, their contractual agreement includes a membership relationship and their property owners own a portion of the brand. This organizational structure is utilized to enhance the ownership mentality/relationship and have every hotel responsible for the brands success. Emerald Isle members are required to meet the minimum standards but may go above them based on the type of guests and demands of their market. Like other franchised brands Emerald Isle also provides for its members a global reservation system, brand sales & marketing, robust website, revenue management, training, product procurement, award winning rewards program and brand wide quality management.

This diversity within the brand should be a source of strength for Emerald Isle a positive attribute that makes Emerald Isle unique. No other brand is positioned to offer accommodations to a midscale traveler at whatever price point or experience they are looking for in each individual stay. That combined with the size of Emerald Isle's brand (5000 hotels in over 115 countries), and the fact that Emerald Isle has the widest distribution in the marketplace, gives Emerald Isle an opportunity for brand recognition among customers that is unparalleled in the midscale market. Support for this concept is provided in the research by O'Neill & Mattila (2010) on segmenting the brands in alignment with guest preferences and segments.

In 2010 the time period of this case study, despite Emerald Isle's advantages, the brand is losing customers, hotels and is shrinking in size. It goes without saying that each Emerald Isle hotel must deliver on the basic brand promise of service, quality and value. However, all too often, customer expectations are not being met, and consumers are increasingly hesitant to book an Emerald Isle hotel because they don't know what to expect in terms of comfort and amenities. When Emerald Isle hotels do not meet customer expectations, they make customers more hesitant to stay with them. This diminishes guest loyalty and RevPAR potential for every member.

At the same time, Emerald Isle is losing good hotels. Emerald Isle hotels in the upper midscale market can't achieve the same RevPAR as

their competitors, so some of them choose to leave the brand. Emerald Isle hotels in the lower midscale market feel pinched by the cost of meeting the brands broad design standards, costs they can't recover in their markets, so some of them choose to leave the brand. Losing good hotels diminishes the brand. Emerald Isle has seen 50-55 hotels self-terminate (leave the brand) every year for the past few years.

In 2010 the hotel brand, was rated as the most important value driver in consumer business and is a priority for the lodging industry. Future travelers will be far more influenced by a brand and loyal guests are likely to stay more often and spend more at Emerald Isle hotels. Hotel brands at this point have been defined in narrow terms, focusing on image and consistency of experience with little consideration for innovation to gain the customers interest. Emerald Isle's descriptor program was an innovative strategy focused on providing clarity for the guest on what the brand stood for, the characteristics for each option and what value the guest would receive for the price paid. Furthermore, as outlined in the case this applied to all Emerald Isle's customer base including leisure, business and corporate meeting planners.

The result of the descriptor program was full implementation by the Emerald Isle brand, domestically and internationally in 5000 hotels in over 115 countries. It is considered to be one of the most significant and game changing brand management programs within the hospitality industry. Since the implementation and success of the descriptor program, Emerald Isle has evolved into 10 brands covering all three segments of the mid-market. The evolution from one brand to 10 brands corresponds with the hotel brand portfolio strategy (HBPS) research of Wang and Chung (2014) and Aaker (2004) in achieving performance goals by leveraging market risks among brands, creating synergy, clarify unique roles and potential increases in cost efficiency.

Target Audience

This case study is suitable for undergraduate and graduate students in hospitality & tourism, brand management, marketing and lodging operations courses. The intention of the case is to make students aware of the dynamic issues facing a brand and how it must adapt to stay relevant and appealing to its evolving consumer.

Learning Outcomes

Based on this fictitious example, students will be able to:

- Understand the theory and reasons why hotel brands need to evolve and stay current, creating a unified, visual and behavioral, organizational identity for differentiation amongst its competitors.
- Comprehend the factors involved in managing a brand from the stakeholder and customer perspective to segment the mar-

- ket and satisfy the specific customer expectations.
- Be aware of the outside resources/consultants utilized to form the direction and evolution of the brand based on research findings.
- Analyze the brand data and evaluate the value of the proposed solution.
- Compare/contrast successes of other lodging brands utilizing comparable approaches.

Lesson Plan

Prior to the lesson, students (undergraduate or graduate) will be asked to read the case study and additional resources as assigned in addition to course curriculum on the topic area (brand, strategic, hospitality or marketing management). There are multiple ways that this case can be utilized, over a multi class period, as a semester long project or as a two-part series covering the Emerald Isle descriptor program and then utilization of current market conditions and brands that are utilizing a similar strategy.

Discussion Topics for in class lecture include:

1. How has the hotel mid-market evolved and changed?
 - Expansion of the mid-market segment to include three distinct levels (upper, mid, lower)
 - Designer properties emerging as trendy & focused on providing facilities that are considered essential for the millennial traveler.
 - Essential hotel elements include, centrally located property, clean rooms, free HSIA, apps and accessibility via various technological platforms (PwC, 2016).
2. Changes in the hotel guest
 - Evolution of guest to include 5 traveling generations (variations in needs, wants & desires)
 - Desire to participate in the service experience
 - Increased international visitors
 - More reliance on technology and capabilities
3. Changes and advances in technology that have impacted hotels.
 - New products and trends that have shaped the current environment of the hotel industry
 - Mobile check-in, fast HSIA, enhanced app technology and digital room keys
 - Smart and efficiently designed guest rooms, reimagined public spaces, and creative updates around food and beverage.

Instruction

This case study can be instructed in a variety of ways including a multiple class format or provided as a semester long project.

1. Over a 6-class period, the case could be introduced in the

first class, additional classes could cover the 8 case questions provided and then the final class could be used to surmise the results and outcome.

2. The case can be adapted to provide in a course long project format, where students work outside the classroom on the topic areas and then present their findings in a group presentation.
 - In the course long project format, students can be required to prepare a written report answering the 8 case questions. Included in this report, students would also provide examples of the descriptor program (market segmentation) and how this concept has been utilized with other brands.
 - Students could also be required to research the discussion topics listed and expand on how these areas have changed and impacted the hotel industry. The results could be provided in a report format or have the student groups present the topic and results in class.
 1. How hospitality brands are changing and evolving based on customers preferences?
 2. How has the hotel mid-market evolved and changed?
 3. What changes have occurred in the hotel guest and their preferences?
 4. What changes and advances in technology have impacted hotel brands and their relationship with the guests?

Topic Extensions

Discussion/lecture can focus on the changes and trends in the hotel industry (resource links provided) driving the adoption of new brands for Emerald Isle and other hotel brands. Also, the five key disciplines of branding that are being utilized by hotels to be able to compete and gain market share in the changing hotel industry (Neumeier, 2006).

- Differentiate
- Collaborate
- Innovate
- Validate
- Cultivate

Research by King (2015) provides a review of research centered on brand management, Krisnawati et al (2015) provides the conceptual theory development on brand image and Jones et al (2013) provides clarity and consensus on the emerging boutique and lifestyle hotels.

Assessment

Based on the professor's preference, students will be required to provide the following:

1. Students will provide a presentation on the case study in-

- cluding relevant pictures/materials to support their opinion/ findings.
2. Students will also provide a written report answering the 8 questions from the case study, supporting their answers with relevant research and citations.
 3. Grading rubric
 - Overall case report = 125 points
 - Discussion questions = 65 points
 - BW's strategy, options and examples of current brands = 20 points
 - Group presentation = 20 points
 - Peer review = 10 points
 - Writing & grammar = 10 points
 4. Optional requirement, students report on one of the 3 discussion topics areas to be presented in class or in a report assignment to be turned in.

Answers to Case Study Questions

1. What are the primary concerns for the Emerald Isle brand?
 - Emerald Isle is losing customers, and the brand is shrinking.
 - Customer expectations are not being met, and consumers are increasingly hesitant to book an Emerald Isle hotel because they don't know what to expect in terms of comfort and amenities.
2. Will the existing brands enhance the new offerings?
 - Yes! the Emerald lse brand currently has a good reputation, with an excellent customer loyalty base to build on. The goal is to enhance the guest loyalty of the brand and increase patronage through the new proposed segments
 - a. What are the key factors for consideration?
 - Consumer impression of the brand was slipping from a middle midscale to a lower midscale brand
 - The more Emerald Isle hotels a customer stayed at, the less likely that customer was to remain loyal to Emerald Isle.
 - With all the diversity of the hotels operating under a single brand, they noted that it is difficult to set customer expectations for each hotel.
 - The brand was losing good hotels and good hotels were declining to join the Emerald Isle brand.
3. What is the goal of implementing brand descriptors?
 - Setting customer expectations about each hotel stay, so they know what they are getting when they book and arrive at the hotel.
- Ensuring that the guests needs, wants and desired are aligned with the hotel product that they choose to book.
 - a. Will the new offering enhance an existing brand?
 - Yes! It will provide increased clarity on the brands product offerings and enable the guest to select the brand that best fits their needs, wants and desires.
3. How would these descriptors affect the brands reputation and guest loyalty?
 - Increased reputation based on alignment of expectations and reduction of confusion on hotel product.
 - Increased loyalty based on consistency of product, experience and "halo effect" from previous satisfaction with other EI hotels.
 - Increased loyalty leads to higher guest satisfaction scores on social media channels, and greater word of mouth advertisements to family and friends.
 - 82% of travelers said that descriptors would help to better set their expectations Increased guest satisfaction and the ability to better set guest expectations will increase consumer and client consideration for the entire brand.
 - 75% of travelers said they would be likely to stay at an Emerald Isle in the future if they adopted descriptors.
 - a. Is there a compelling reason to generate a new brand?
 - Yes! Without the proposed changes the brand will continue to lose customers based on slipping consumer impression of the brand, 2) less likely that customer was to remain loyal to Emerald Isle, based on previous stays, 3) difficulty to set customer expectations for each hotel based on one brand, 4) good hotels are leaving the brand and good hotels were declining to join the Emerald Isle brand.
4. What concerns would the individual hotel owners have of the program?
 - Initial cost and change in guest perception of the brand.
 - Training and familiarization of staff to updates in hotels/ brand.
 - Consistency in product, based on the three tiers and clear lines of differentiation.
5. What is the program cost and the cost to each hotel?
 - \$6,500 per hotel.
 - \$3,500 for design reviews and appeals.

- \$3,000 for employee training.
 - An additional \$20,000 for “Preferred or Premier” hotels
6. What other hotel or hospitality brands have utilized a same or similar marketing strategy?
- The use of the descriptor strategy is widespread in the hospitality industry, specifically in the following segments.
 - Airlines
 - Seats – window, middle & aisle
 - Class – first class, business class & coach
 - Loyalty program – platinum, gold & silver
 - Car rental
 - Car class – economy, full size, SUV & luxury
 - Restaurant
 - Meal type – breakfast, lunch & dinner
 - Restaurant type – fast casual, family style, casual dining & fine dining
7. Should Emerald Isle implement this program, if not what are some other options?
- The Emerald Isle brand should absolutely implement the program and adopt the new descriptors for the brands hotels. The cost of the program not significant and the results from a potential revenue and guest impact are significant. There are many other hotel brands that have used this strategy including Marriott, Hilton, Intercontinental Hotel Group (IHG) and Best Western.
 - The Alternative would be to remain on the same course and continue to see their market share, guest loyalty and quality hotels leave the brand.

Optional Readings Assigned

Changes in Guest and Hotels

- Deloitte (2017). 2017 travel and hospitality industry outlook. Deloitte Center for Industry Insights. Retrieved from <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/consumer-business/us-cb-2017-travel-hospitality-industry-outlook.pdf>
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