Global
Real Estate Center

Vol. 2

Ernst & Young
Quality In Everything We Do

Global Hospitality Insights

Branding

The United States

A brand is an emotional contract that creates a bond with a person. It is more than a name or a logo, it is the product of experiences that a company creates internally and externally. A brand is a pledge to deliver consistency and a certain value and level of quality. A brand is an intangible business asset that affects every decision made within a company. Hotel branding, as with all corporate branding is a vital component to the success of a hotel company. Approximately 80 percent of the hotels within the United States are branded and currently, brands are emerging and expanding rapidly throughout the world. The strength of the hotel brand within the business world as a whole is exhibited in the CoreBrand Corporate Branding Index, a ranking of 1.200 branded companies by U.S. business executives. According to CoreBrand, two hotel companies are represented in the top 100 while seven are in the top 500 brands. The top hotel brands are ranked among such brands as McDonalds, Visa, and Toyota.

As mega hotel companies such as Marriott, Starwood, and Hilton continue to expand around the globe, an increasing number of newcomers are entering the domestic scene in hopes of dis-

The Top Hotel Companies: Brand Power Ranking* Overall Corporate Brand Ranking

	1st Quarter 2005	1st Quarter 2006
1. Marriott International, Inc.	47	37
2. Hilton Hotels Corp.	54	70
3. Host Marriott	227	283
4. Wyndham	274	285
5. Harrah's Entertainment	286	305
6. MGM Mirage	300	333
7. Starwood Hotels & Resorts Worldwide	460	455
8. Caesars Entertainment	605	638

* The Brand Power Ranking is derived from an annual survey of more than 12,000 top business decision-makers from U.S. businesses and is based on familiarity and favorability, comparing 1,200 companies that are tracked by CoreBrand.

Source: Corporate Branding Index®

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tinguishing themselves within the vibrant U.S. lodging market. U.S consumers are increasingly seeking lodging that provides a look, feel, and comfort that meets or exceeds the quality level of their own homes. Today, consumers have the opportunity to extend the lodging experience by purchasing many of the branded hotel products for their own homes. In a market where having a loyalty program is no longer a differentiator, but not having one is a detractor, the brands are aggressively seeking ways to differentiate themselves and appeal to their desired target markets. Many of the new brands have been designed with an emphasis on increased style, comfort, and energy to appeal to the guest's desire for personal experience and quality over pure functionality when traveling. Branding has been an active positioning strategy for mixed-use projects that include hotel and residential components. Developers believe that a premium can be obtained on residential sale price through an affiliation with a well recognized lodging brand.

How do brands accommodate innovation and consumers' changing lifestyle?

Several new brands designed to cater to lifestyle preferences of various traveler segments have recently emerged. These new lodging brands have moved away from the "cookie cutter" approach taken by the traditional lodging "mega-brands" and instead aim to transcend the product-centered customer relationship to develop an emotional and long-term bond with travelers. The new lodging "lifestyle brand" takes a similar approach to that adopted by successful retail brands. They focus not only on guests' basic product needs and preferences, but also on creating a unique lodging experience that ties into guests' way of life, self-image, and interests.

Which hotel segments are following the "lifestyle" trend?

The emergence of the "lifestyle brand" is a trend that has been resonating through almost all segments within the lodging industry. The upper upscale and luxury segment has seen the greatest emergence of new brands. Kor Hotel Group's Viceroy and Tides, and Kimpton's Hotel Palomar and Hotel Monaco, fuse desirable locations with distinctive design and innovative ways of accommodating guests' needs and desires. InterContinental Hotels Group's Hotel Indigo and Starwood Hotels & Resorts' new Aloft brand are examples of brands that are positioned within the select service segment.

As the affluent continue to become increasingly wealthy, the super luxury segment is evolving to satisfy this tier of guests as well. Hotel companies such as Ritz-Carlton are expanding to include a new "above luxury" brand called the Reserve. Starwood Capital's latest effort involves the creation of a "six-star" brand, Crillon, focused on the super luxury segment. West Pace Hotels Group has introduced Capella, a 6-star, superluxury brand, focusing on small resorts. New brands are continuing to be launched at a rapid pace as the growth of luxury brands turns from a commodity orientation and places greater emphasis on the experience.

In the mid-priced segment, the extended-stay product is experiencing a strong influx of new brands. Mid-tier Choice Hotels has entered the "lifestyle" boutique sector with Cambria Suites while Hyatt intends to convert Amerisuites into the stylish Hyatt Place. Starwood Hotels & Resorts has recently entered the extended-stay segment with its new upper upscale brand Extended Stay by Westin.

How is the power of the brand extended through retail?

In an effort to create a stronger bond with their guests, hotels must demonstrate the ability to monitor lifestyle trends and cater to guests' preferences. Brands are being challenged to retain brand standards while avoiding the perception of homogenization. Today's hotels have broadened the approach in which they are addressing consumer ways and brands are appearing everywhere, in multiple layers, from the bathroom amenities and shower fixtures to the hotel restaurant. In fact, brands are even surfacing on intangible items such as oxygen, which some hotels are bottling, branding, and offering in minibars.

Using design to excite the traveler, hotels are no longer limiting guests' satisfaction with hotel products to the guestroom. Evolving from the redesign of the bed, guests are now able to replicate what they see and what they like from the guestroom into their own home. Brand standards are not compromised but rather strengthened by enabling guests to bring the brand home. Conceptualized when Westin turned Heavenly into a franchise and began selling their beds and accessories on-line in 2001, Starwood also implemented the tactic in their other hotel brands such as W Hotels. Hilton Hotels Corp. and Marriott International have recently followed suit. Reinforcing design and the power of the brand through retail programs where products are individually branded, guests can purchase everything from apparel and music to bedding and furniture via in-room catalogues or the Internet. Branding has been further extended with labels such as celebrity chefs being associated with hotel restaurants and high-end cosmetic products being associated with spas. It is clearly a "brand-new" day for the U.S. lodging industry! ■

Asia

Improved infrastructure and increasing affluence, coupled with new air-service agreements and the proliferation of low-cost carriers is anticipated to support the growth of the hotel industry in China. There will be an expanded opportunity for leading hotel operators to partner with experienced hotel real-estate owners and brands to increase presence in up-and-coming cities. We can also expect the introduction of new brands and new concepts into the region, as the industry addresses the changing needs of the different market segments.

Expansion into China is a priority for many large international hotel companies across all market segments. Marriott International expects to have 75 hotels in China within 10 years. Currently, Starwood has 25 hotels in China and continues its aggressive expansion momentum with 25 additional hotels and resorts under construction under its Westin, Sheraton, W Hotels, Le Meridien and Four Points by Sheraton brands. Shangri-La plans to focus on China with the announcement of more than 15 projects in 2005 and intentions to develop its Trader brand in China.

The growth in domestic travel is large and anticipated to expand as the standard of living and disposable income increase. Many brands are incorporating strategies to unlock the potential of domestic tourism by developing the budget hotel sector. Accor was the first international hotel group to pioneer this sector, bringing a European model and adapting it to local conditions. The CEO of Super 8 Hotels China was awarded two national Chinese tourism awards in 2005 and the company surpassed its own growth targets while establishing a widely known and prestigious brand.

Only until a few years ago, the “best” hotels in Tokyo were known to be those domestically managed and operated hotels located in or adjacent to the Marunouchi financial district. These hotels provided traditional Japanese-style services in equally traditional facilities. However, they have recently been replaced by Western-style hotels including Grand Hyatt in Roppongi, the Westin Hotel in Ebisu, and Park Hyatt in Shinjuku. In addition, Tokyo expects the opening of Peninsula, Ritz-Carlton and other international hotels in the near future. Today, the Western-style hotels considerably lead the traditional Japanese-style hotels in both occupancy and average daily room rates.

There are several reasons that are often suggested for this recent trend, including:

- The increasing number of Japanese who travel internationally has resulted in familiarity with Western hotel management companies
- The increasing number of foreign hotel guests in Tokyo
- The casual style of services offered by Western-style hotels versus the services offered by the domestic hotels (which are viewed by some as being too formal)
- The younger Japanese generation’s love for Western products
- The fashionable and trendy ambience and entertainment value offered by Western hotels

But most of all, this trend is due to the internationally managed hotels’ ability to remain in touch with the ever-changing appetite and preferences of today’s hotel guests and to these hotels’ ability to modify their services, amenities, and facilities on a timely basis. To combat this trend, an increasing number of domestic luxury hotel operators are upgrading in order to strengthen their competitiveness with the internationally managed hotels. Such competition and improvements are sure to benefit the Tokyo lodging market as a whole. ■

Asia-Pacific

In today’s environment of increased globalization, hotel operators are faced with a number of brand management challenges. The increased use of the Internet by consumers and businesses around the world is having a profound effect on the production, marketing, and distribution practices of the tourism industry. In Australia and around the world, the Internet is increasingly being used to research, promote, book, and pay for tourism products and services. A multitude of hotel brands in the Asia-Pacific region have initiated unique ways to successfully manage their brands and adapt to changing market demands.

Within the Asia-Pacific region, Accor is one of the largest and fastest-growing hotel groups. Accor’s Ibis economy hotel brand has developed an innovative program to provide customers with the facilities that they really require rather than extras that only serve to raise costs and prices. To achieve this, they have introduced a number of operational innovations that distinguish the brand from its competitors, including multi-

The Caribbean

Long a bastion for independent hotels and all-inclusive properties, the Caribbean is increasingly becoming more varied and more branded. For its size, the Caribbean is unique in its wide variety of nations, cultures, and destinations. This is reflected in an equally diverse presence of local and global brands, more than most regions offer. From large Spanish chains such as Sol Meliá and Iberostar, and familiar global brands including Marriott and Starwood, to Asian boutique brands such as Aman and Raffles, brands from around the world are represented in the Caribbean. All-inclusive resorts still thrive, particularly in Cuba and the Dominican Republic, though there is a trend away from this format in new development. Though the majority of hotel inventory remains independent, most of projects in the development pipeline are planned to be affiliated with brands.

Branding is markedly more predominant at the upper end of the service spectrum in the Caribbean, particularly for mixed-use resorts, given the greater economic impact associated with these projects through high-value tourism and their highly-amenitized nature. With the cost of importing supplies and skilled labor to an island destination at a premium, there is an absence on many smaller islands of a real mid-priced sector as we have in many other regional markets. Indeed, discerning relative quality levels at all can be a challenge when rating systems differ markedly island to island – another reason underlying the trend towards branding.

The impact that the right brand can have on complementary uses (condominiums, villas, etc.) can be dramatic. Premiums on price per square foot on luxury real estate can be upwards of 25 percent to 50 percent versus unbranded product of a similar nature. In combination with access to high-end amenities such as golf, spas, and recreational facilities, the impact of a brand can be powerful in mixed-use developments. Conversely, the effect can be minimal if the hotel is misaligned with the associated real estate products' quality level and/or there is little underlying economic support for a hotel component. Recently, there has been a movement to establish the Caribbean as a brand identifier under which owners and operators can promote their individual hotels and destinations. The brand addresses the region as a whole and serves as a pledge to visitors that they can expect a certain level of accommodation, service, and excitement when they visit the region. ■

task job responsibilities for all reception staff, no frills "round-the-clock" food service where guests are encouraged to pick up their meals from the lobby restaurant, and luggage trolleys that allow customers to transport luggage to and from their room themselves.

The InterContinental Hotels Group, another prominent brand in the region has also introduced a number of initiatives to adapt to the changing market demand and keep their brand current and desirable. InterContinental's Priority Club provides a number of loyalty-based innovations, including the collection of points or airline miles, redemption points instantly for hotel stays, and the ability to earn and redeem points in over 3,600 locations.

Other key players within the region include global brands such as Hilton, Hyatt, and Sheraton. Hyatt has responded to the changing market demands and the more technologically advanced guest by recently introducing a collection of new products and services designed to reduce inconveniences for their guests. The company created Web Check in, and E-Concierge, an online tool designed that will allow guests to plan and organize the perfect stay with destination activities. Fast Board allows travellers to print airline boarding passes in the hotel lobby. ■

Middle East

The surge in economic growth and increased focus on tourism development throughout the Middle East over the past few years has led most of the world's internationally recognized brands, as well as newly created brands, to establish a presence in the region.

Dubai Holding is one of the largest real estate and hotel developers in the Middle East and has established the luxury hotel brand Jumeirah. The success of the brand has been so strong that Jumeirah has begun to focus on development and acquisition opportunities throughout the Middle East, as well as internationally.

Other regional companies like Emaar and Nakheel, who traditionally have focused primarily on residential mixed-use developments, recently launched hotel brands and management subsidiaries. For example, Emaar Hotels & Resorts has partnered with the fashion designer Armani to develop designer-styled, luxury hotels throughout the Middle East, as well as internationally. In addition, Versace and Missoni have expressed interest in developing boutique hotels in Dubai. Nakheel Hotels & Resorts has also entered into a branding partnership with the Trump Organization to develop and manage a series of Trump-branded hotels in Dubai.

As more high-end/luxury lodging supply is anticipated to be completed over the next few years, the mid-market/budget segment of the market, which primarily has been non-branded, is anticipated to increase significantly. Rotana's Centro, Holiday Inn Express, Marriott Courtyard, YOTEL, and Premier Travel Inn are the current branded mid-market/budget brands anticipated to be developed across the Middle East over the next few years. ■

India

The premium segment of India's hospitality sector has been the main arena for brands and it has a mix of indigenous as well as foreign brands. Some of the largest hotel chains in India are ones that have strong Indian brands that have acquired an overseas presence as well. On the other hand, the share of foreign brands in the premium segment (five-star and above) has also been on an uptrend and could rise even further, as most of the large global operators have significant expansion plans for India. Moreover, though the presence of foreign brands has in the past been largely limited to the five-star and five-star deluxe categories, the market is now perceived by various global operators as being ready for supporting some of the luxury and super-luxury segment brands as well.

With respect to foreign brands, there seems to be an increasing level of separation of ownership and management, with more hotel developers opting for management contracts (vis-à-vis pure franchise arrangements) with global operators, a preferred option for several of the large operators and brand franchisors as well. This, along with the efforts of the large Indian chains to clearly segment the market with different brands and sub-brands, is likely to lead to an increasing level of brand standardization in the Indian market.

A key segment where branding has not, in the past, managed to take off is the budget hotel segment. Most of the budget hotels in India have been independently owned and have not been part of a branded chain. However, given the potential of the budget hotel segment, large players are entering it and the share of the branded sector in this area is set to rise. This would also imply a greater role for branding in the relatively smaller cities of India in the near future and thus a more pervasive role of branding in the Indian hospitality sector. ■

Latin America

South America's lodging market has been historically dominated by independent, family-operated hotels. Volatile economies, distance from source markets, and language barriers are only a few reasons why international hotel brands have traditionally shied away from countries south-of-the-border. In the past decade, however, operators have come to realize that there are phenomenal opportunities to bring their operational knowledge, marketing reach, and brand recognition to raise the professional level of the industry. As both domestic and international tourism have significantly grown throughout the region and as lodging customers are demanding higher, more consistent, lodging standards, there has been an increasing need for internationally branded hotels. Brands provide the consistency of quality and service that customers demand – hence the recent proliferation of hotel chains throughout South America. Operators have come primarily from Europe, represented by well-known industry players such as Accor, InterContinental, Melia, and Radisson, among others. U.S.-based chains (e.g., Hyatt, Hilton, Marriott) have lagged behind their European counterparts, but have also been more discriminating in selecting their destinations. They have opted for either capital cities or other large metropolitan areas, rather than secondary or tertiary markets.

In recent years, as South American economies have demonstrated signs of growth and countries have shown political stability, there has been significant interest from international lodging operators in the region. Given the need to quickly establish market presence, and to also have the necessary critical mass to develop centralized and efficient operations, hotel chains have focused mostly on the large markets of Brazil and Argentina. As such, growth opportunities still remain in less-developed markets such as Colombia, Venezuela, and Chile.

Relative to market segments, international hotels have mostly focused on the upscale range of the market; however, given current market fundamentals, propelled primarily by strong growth in domestic business and leisure travel, strong opportunities remain to penetrate the limited-service and mid-scale segments with well-known, internationally recognized brands. ■

Russia

Hotel branding in Russia plays distinctly different roles by location and by class of hotel. For Moscow and St. Petersburg, as the principal cities of the country, branding is important and very beneficial for the upper classes of hotels. In other regions, and for the more limited-service classes, branding is not yet prevalent or particularly beneficial. For all classes here, as some domestic travelers are not familiar with the brands, the names have little impact. It is the reservation networks of the brands that bring the value, as they can significantly influence foreign visitors at the upper levels of quality, and that influence is starting to spread to domestic travelers.

Several local Russian brands are in the process of being created and are seeking locations to build their image, particularly on multi-city chains. For international brands, Marriott has dominated the Moscow market with four locations, followed by early-comers Radisson SAS, Kempinski, Le Meridien, Sheraton, and Novotel. Later, Hyatt and, most recently, Swissotel have entered in the market. In St. Petersburg, Rocco Forte, Radisson and Kempinski were the first international operators, followed by Orient Express with a recent purchase, but the hotels they manage do not carry the brand in their name, indicating the lack of local importance given to branding.

Along with the expansion of existing brands, Hilton has concluded a management contract for a new hotel to be located on the upper floors of the tallest building in Europe, which is being constructed in Moscow. Expressing strong interest in entering the Russian market are Four Seasons, Ritz Carlton, Mandarin Oriental, and InterContinental. Russia comes from a history of restricted travel, but as individual incomes increase, and the preference develops for domestic travel to hotels (instead of the residences of personal acquaintances), recognizable brand association is rapidly becoming more important. The field is now wide open in Russia and the brands, whether existing or newly built, that can capture the loyalty of the increasing number of travelers will benefit greatly. ■

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EYG No. DF0007