



Critical success factors for new lodging brands

The global lodging industry has experienced strong growth over the past 12 months, laying the groundwork for an emerging trend of launching new hotel brands worldwide.

The competitive environment for new hotel brands may be better than ever thanks to technology integration within the industry, which has leveled the playing field. New entrants now coexist with long-established global players in an online world of transparent pricing, social media marketing and digital reputations.

Alongside this paradigm shift in technology, hoteliers are developing brands that cater to a new set of demographic and psychographic customer profiles. Millennial travelers – those born roughly between 1980 and 2000 – and older affluent but young-minded travelers are the primary targets of today's brand developers. These travelers seek experiential products and brands that reflect their personal values.

Accordingly, new brands from established or newly formed companies are departing from the "home away from home" philosophy of hospitality, favoring hotels that feature smaller guestrooms emphasizing functional design, public spaces designed to stimulate social interaction, amenities and offerings that promote wholesome and healthy lifestyles, enhanced technology throughout properties, the integration of local cultural elements into the guest experience, and affordable luxury design and service levels.

Across the globe, newly launched brands are targeting market opportunities at different chain scales. In North America and Europe, most are seeking to capture travelers at the middle to upper price tiers.

You can see a similar trend toward the middle price tier in the Middle East. Luxury brands have traditionally dominated the hotel landscape in Dubai; however, as Dubai's government has waived the municipality fee on each room night for three- and four-star hotel developments, market participants have now been incentivized to introduce brands within lower to middle price tiers and focus on developing lifestyle lodging offerings.

Across Asia, development of new brands has been most prominent in China, where they have the opportunity to build long-term brand equity in a market with little existing brand loyalty. New brand development is prominent across all price tiers but is slightly more concentrated in the upper level.

As more lodging products are launched in today's competitive global market, new contenders must understand the most important aspects for developing, successfully launching and positioning



themselves for growth. Here are several critical success factors for growing and developing new hotel brands:

- ▶ **Analyze the market for opportunity gaps.** When developing a brand, identify unfulfilled demand needs by chain scale, geography and market positioning.
- ▶ **Understand your target customer segments and stay relevant to them. Customers do not buy a “stay”; they buy a feeling and want to share your belief.** New brands are establishing themselves in increasingly niche markets. Allocating resources to understand and anticipate a target segment’s lifestyle and lodging preferences is crucial. It’s also important to identify the innovators and early adopters – your key target segments when launching a new brand or product.
- ▶ **Ensure that the foundation of your differentiating concept translates into unique guest experiences.** A focused brand promise is key to delivering a signature guest experience. Successful brands infuse their values into each aspect of the guest stay to create a product that is perceived and valued as truly unique.
- ▶ **Identify whether the best route to address your target customer segment is through developing a new brand or extending an existing brand.** Leveraging existing brands to address a customer niche can work to accelerate growth but is not always the appropriate choice. You can contrast the W and Waldorf-Astoria brands, which are excellent examples of how both these routes can be used.

- ▶ **Lead with a purpose-driven brand and build a culture based on your purpose.** Brands and organizations that have an aspirational and humanistic purpose in place internally and infused in all customer touch points enjoy the benefit of having all stakeholders – from sales representatives and IT staff to C-suite executives – galvanized around the same belief.
- ▶ **Plan the long-term execution of the brand appropriately.** Successful brand developers consider their development business model, including greenfield versus brownfield as well as franchising, management contracts, JVs or ownership. For example, a company can focus on greenfield to manage quality, but brownfield conversions – especially in Europe – will accelerate growth.

To achieve a successful brand launch in today’s environment, brand developers need to keep pace with the trends and dynamics of the market. With technology disseminating information faster than ever before, customer preferences and insights need to be anticipated to evolve a brand ever more rapidly. The successful lodging brands of tomorrow will invest to understand key differentiating market and customer insights and move forward with concept and experience development today in order to stay relevant in the long term.