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BRAND VS. INDEPENDENT

Brand Value Is Manifested in Many Ways

Some hotel operators may judge the value of their franchise relationship solely on the value of bookings generated through their central reservations system. However, in a marketplace ruled by competition, the value of being associated with a franchised brand is revealed in many additional ways.

Brand awareness, for example, is a key benefit. Consumers look for brands upon which they depend to meet their expectations for service and product quality, right down to specific amenities. A strong brand differentiates a hotel and creates a compelling purchase proposition. Creating meaningful consumer awareness can be both difficult and costly in a highly competitive market.

Brands engender trust, which is important because consumers want to feel confident about their purchases. When making reservations, consumers look for trusted hotel brands. In fact, trust often supercedes convenience for consumers choosing hotel rooms. Staying at a hotel is an emotional decision. The brand lets the consumer know what they can expect. If your brand is unknown, then consumers do not feel that they have enough information to trust your value proposition. Many of the successful hotel brands have built their reputation and consumer trust through decades of marketing and hotel operations.

Leveraging scale is another key benefit of a chain. Brand awareness, for example, increases as a function of chain size. The larger the chain, the more consumers know the brand. With nearly 2,000 properties, for example, frequent travelers around the world recognize the Days Inn brand. Independents cannot duplicate that kind of awareness. The fact is, branded hotels benefit from larger national advertising, marketing and publicity budgets because of the size of their system.

A franchise offers the power of partnership as both parties are working toward a common goal. A franchisor can leverage its scale to negotiate distribution partnerships, navigate a franchisee through the online distribution channel and assist a hotel in gaining valuable business from corporations and other organizations with traveling needs. By combining efforts, valuable expertise and systems can be acquired that are often times too expensive for a single hotel.

Branded hotels also benefit from being part of a brand

Web site that is maintained by the franchisor and generates more consumer visits because of the chain's size and brand appeal to consumers. In addition, loyalty programs are becoming increasingly more important. A franchise has the power to create bigger and better programs that will increase customer retention and add incremental revenue to a hotel. An independent hotel simply cannot achieve the same results because they are not able to leverage their size to create a compelling customer proposition.

For example, Cendant's Hotel Group launched its TripRewards loyalty program in December 2003. The program outclasses other hotel loyalty programs with superior features, including more than 50 major-brand partners that will offer TripRewards points. The program started off with more than 2 million members and is running a major marketing campaign that includes television, print and direct mail to further accelerate membership.

The program was designed to drive business to Cendant's franchised hotels by attracting first-time guests and building the loyalty of existing customers. TripRewards provides a compelling incentive for business travelers to stay at the company's nine hotel brands. Research consistently proves that travelers double to quadruple their use of a brand after enrolling in a loyalty program.

A common misconception is that the Internet and consumer access to information undermines the value of a brand. The reality is that a brand adds value and trust in any reservation forum. The brand stands for a service and product promise. The brand value translates to the Internet as well. If all other appearances are the same when a customer is comparison-shopping for a hotel, the consumer will feel more comfortable with the brand because they know what to expect.

Finally, being part of a brand means that there are robust reservations and support systems. For example, many banks will require a flag because it means less risk and a higher potential for success. In addition, there are many barriers to entry that a brand can help overcome, including helping to find financing and land.

Typically, the ongoing fees that are paid for a franchise are small compared to the services provided. The biggest return on investment comes in having the consumer know who you are in a crowded marketplace.

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