

Strategic Importance of ‘Brand’ in Tourism and Hotel Industry^{1∞}

*Kate Glavor**

*Niko Koncul**

Abstract: This paper deals with brand, mark or a stamp on a product or a service as a process of registration of the identity. Brand on a product or service in a form of a symbol carries a signal to its consumer that it is genuine and authentic and it meets the quality standard set by its producer or supplier. In the modern day society brand has become a strategically significant instrument of marketing policy of the suppliers on one hand and a driving force of demand on the part of consumers on the other. It has become an indispensable tool of marketing strategy.

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Brand and Brand Implimentation

Brand, mark or a stamp on a product or a service is a process of registration of the identity. Brand on a product or service in a form of a symbol carries a signal to its consumer that it is genuine and authentic and it meets the quality standard set by its producer or supplier. In the modern day society brand has become a strategically significant instrument of marketing policy of the suppliers on one hand and a driving force of demand on the part of consumers on the other. It has become an indispensable tool of marketing strategy.

Branding process implies physical representation and consistent application of brand identity through visual (signage, uniforms, liveries, interior design, branded merchandise, etc.) and verbal carriers. The brand implementation – a continuous and consistent application process of the brand’s image in all business units, all communication channels and all media – is thus adapting to the ongoing changes within markets, stakehold-

* Kate Glavor and Niko Koncul are at Department of Business and Economics, University of Dubrovnik, Dubrovnik, Croatia.

ers, technologies and socio-cultural environments. This refers to marketing and branding as a unified whole. In that respect, brand implementation must be seen as a continuous process, one which will require controlling the brand's image and presence in the face of changing requirements from the markets or one's own company structure².

Brand implementation emerged as a discipline in the 1990s when brand owners recognized the need for consistency across branded estates. Traditionally, brand implementation was handled by various parties, including shop-fitters, interior designers and sign companies. Lack of centralized project management led to inconsistencies, while information dissymmetry meant suppliers had too much control over brand issues. Brand implementation was thus emerged as an umbrella term for all aspects of the application and maintenance of physical brand assets.

Brand implementation is now a critical discipline focused on binding the relationship between the target audience and the brand. This allows brand implementation firms to identify the best possible manufacturing solution for each project.

Branding as a Marketing Strategy

Marketing is the process of communicating the value of a product or service to the customers. While from a societal point of view, it is the link between a society's material requirements and its economic patterns of response; from an organizational aspect it is a set of processes for creating, delivering and communicating value to customers, and managing customer relationships in ways that benefits the company and society.

A firm in the market economy survives by producing goods that persons are willing and able to buy. Consequently, ascertaining consumer demand is vital for a firm's future viability and even existence as a going concern. Many companies today have a customer focus. This implies that the company focuses its activities and products on consumer demands. Generally, there are three ways of doing this: the customer-driven approach, the market change identification approach and the product innovation approach.

In frequently used consumer-driven approach, consumer wants are the drivers of all strategic marketing decisions. No strategy is pursued until it passes the test of consumer research. Every aspect of a market offering, including the nature of the product itself, is driven by the needs of potential consumers.

The field of marketing strategy encompasses the strategy involved in the management of a given product. A given firm may hold numerous products in the marketplace, spanning numerous and sometimes wholly unrelated industries. Accordingly, a plan is required in order to effectively manage such products. Evidently, a company needs to weigh up and ascertain how to utilize its finite resources. Moreover, a product may be reaching the end of its life-cycle. Thus, the issue of divest, or a ceasing of production, may be made. Each scenario requires a unique marketing strategy.

A marketing strategy differs from a marketing tactic in that a strategy looks at the longer term view of the products, goods, or services being marketed³.

Since 1980s to present day 'branding' is the main company philosophy and marketing is considered to be an instrument of branding philosophy. It is a part of loyalty marketing, based on strategic management, in which a company focuses on growing and retaining existing customers through incentives. Branding, product and loyalty marketing are all part of the customer proposition – the subjective assessment by the customer of whether to purchase a brand or not based on the integrated combination of the value they receive from each of these marketing disciplines.

The discipline of customer loyalty marketing has been around for many years, but expansions from it merely being a model for conducting business to becoming a vehicle for marketing and advertising have made it omnipresent in consumer marketing organizations since the mid- to late-1990s.

Strategic Importance of Brand in Tourism

In tourism market, a 'tourist product' refers to a variety of services packaged in single term 'supply' or 'offer'. It can refer to (1) a compound product consisting of various products and services; (2) intangible product (invisible and without physical form); (3) immobile and inseparable from its location; (4) not purchased and consumed at the same place; and (5) non-storable.

A traditional tourism product embraces boarding, lodging, catering, sightseeing, travel and transport of tourists, tourist information and publicity, tourists' activities, cultural activities and manifestations and tourism assets and infrastructure.

What makes a 'tourist product' a subject to a 'brand' or 'trade mark' is the fascination for it, creativity and emotions. Branding plays an important role in such product strategy. For its development, we require long term investments in image building and promotion. Strong brands have loyal clients. Their loyalty is reflected in their spur of demand for it and rejection of alternative offerings. Some frequently used terms in branding strategy are: (a) Mark: name, logo, sign or design (or a combination); (b) Brand name; (c) Brand symbol; (d) Registered trade mark; (e) Trade name.

Four major reasons why 'tourism product' require branding⁴ could be traced: (a) repeated returning of the guests that depends upon their level of satisfaction and recognition of a brand; (b) to avoid confusion among the users as there are various kinds of tourist service providers (e.g. hotels, cruising companies, tour operators, car rentals etc.); (c) imminence of the choice of brand because every marketing strategy rests upon elements such as product, prices, promotion and distribution; and (d) for attaining higher value of a product in tourism which is not an easy task. Therefore, it is desirable to adopt a particular brand.

Note that customer loyalty in tourism is difficult to achieve even when they are highly satisfied with the product/service. Customers are frequently motivated by their curiosity and excitement and spirit of adventure and thus look for new alternatives of tourist destinations. Not only that there is a very fast expanding brand market, it is difficult for the service providers, to create a loyalty towards a particular brand.

Brands are created to develop a sense of loyalty and consciousness among the buyers towards a product. In the life cycle of hotel industry and in face of a severe competition on the market, for its survival it is essential to develop strong brands. While maintaining a high quality of service is essential, equally important is the brand itself which depends upon a variety of factors.

Providing an appropriate or a known name is of great significance for it makes it possible to easily identify service, guarantees a certain quality – an element of hotels image, reduces price comparisons, highlights the name and quality of service, signifies hotel as a product. The consumers feel less shaky while using the service if they recognize the brand name and have a positive attitude towards it.

Importance of Brand in Hotel Industry

A hotel brand is a name that is created in the minds of the customers as a result of provided service, its verbal promotion by satisfied guests or by media publicity. The main components of hotel brand, alongside with its name are: product brand, standards of the brand, infrastructure of marketing and sale, loyal customers of the brand, size and global distribution of the brand in the market, security of investments and development of brands.

The ‘brand standards’ include the name as well as the business excellence, the uniqueness of hotel brand and the level of quality. Thus brand signifies differing levels of hotel quality, type, mark, types of product/service that are supposed to be identified by the customers. The hotel quality with the help of a brand is ranked, classified, categorized, defined, identified, named, characterized and marketed. Hotel brand is thus synonym for the class of quality and on that very basis differentiates the guests. It is for this reason that brand remains dominant force behind the hotel business.

Usually, hotels are branded by a symbol, logotype, and registered symbol within the system of hotel standards. The most important unifying factor of a hotel brand is its employees. Brand always characterizes what has already been tested as best. Thus, the brand in itself is an index of quality. In modern world, a hotel is a simple lodging place until it is known as Best Western, Holiday Inn, Hilton, Intercontinental, Kempinski, Marriot, Radisson, Regent, Ritz, Sheraton, etc.

A hotel brand can also be considered as a unique and registered trademark guaranteed product or enterprise which satisfies the needs and desires of its esteemed guests and visitors. A hotel brand is and is created as a symbol that is trustworthy, whose quality is relied upon, and that it promises an appropriate life style, status and purchasing power of the selected market segment of hotel guests. Recognition of hotel brands is subject to patent laws as brands are subject to sale, fees, compensations, using rights, franchises fees, royalties etc. All these modes are regulated by detailed contracts that elaborate the use of brand name, logotype of hotel group, symbols of identity (advertisements, jingles, spokesperson, packaging etc), image, goodwill,

business procedures and standards, management of quality control, marketing, sales, reservations, global distribution etc.

Over and above various products that offer an object, hotel is basically a service provider. This is the reason, why the service of hotel employees and their specific training is part and parcel of the trade mark. Since, various services and products are provided in a hotel, it is not important how much is offered but how is it provided. Accordingly, a number of decisions have to be made at various levels of management.

A successful word class hotel system consists of (a) companies that constructs and develops hotel objects, (b) companies that manage the hotels; (c) franchise companies that develop hotel chain but neither are the owners or managers of the hotels.

Hotel chains represent a system of associated companies that have common interests and do function locally, nationally, regionally or globally. These usually and consists of a number of objects. It is estimated that over sixty percent of all World's hotel capacity belongs to some or the other hotel chain. An individual hotel can be an affiliate either on the basis of ownership and management, by leasing, by franchise, by management contract or as a marketing venture.

While the hotel chains have certain advantages, they are not immune to problems as well. As advantage one can claim economies of scale such as in finance, marketing, procurements, management, technical and administering services, and in diversification of risks. However, the problems may concern to vertical and horizontal communications, complex supervision mechanisms and the related costs.

Hotel brand relies on the standard knowledge, experience, know-how, organization, employees ready to cater the needs of selected tourist market segment, etc. Though brand expansion is dependent on the remembrance, experience, satisfaction gained by the customers from the service; the experience from the past also shows that expansion of the hotel brand has been motivated by (a) the desire of the owners/managers to have a diversified portfolio, (b) the satisfaction of the business leaders to justify growth, rationalization, mergers and acquisitions; (c) the fact that creation of a new brand is more profitable than renovating the existing hotel.

The top 10 hotel brands in the world (2008) are:

Table 1. Hotel Groups Ranking

Hotel Groups Ranking	No. of Hotels	No. of Rooms
1. IHG	3949	585 094
2. Wyndham Worldwide	6544	550 576
3. Marriot International	2901	517 909
4. Hilton Hotels	2959	497 365
5. Accor	3857	459 494
6. Choice International	5516	445 254
7. Best Western	4035	308 636
8. Starwood Hotels and Resorts	897	274 535
9. Carlson Hospitality	971	148 551
10. Global Hyatt	720	138 503

Source: www.hotel-online.com (02.09.2010)

Five different types of hotel ownership models are prevalent in practice today⁵: (a) monolithic (e.g. Hilton group); (b) umbrella (managed by groups having some generic attributes but embrace differing segments); (c) endorsement (brand having limited generic attributes and offering marketing and reservation service); (d) co-branding loose (e.g. Arabele) and strong (e.g. Sheraton, Radisson & SAS) affiliations; (e) multiple (that includes a wide range of grouping of brands).

The Case of Croatian Hotels

Croatia stands at a high 24th position (2007) on the world's top tourist destinations list, with a tourist income of around 10 billion US\$ (which constitutes roughly 1 per cent of world's tourist proceeds). According to the UNWTO statistics, the number of guest arrivals in 2008 was estimated at 9.3 million⁶.

The identity of Croatian tourism is reflected in country's overall tourism offer of product/service/activity at the destinations. Adriatic destinations in Istria, Kvarner, Dalmatia, and Dubrovnik are dominantly characteristic for Croatian tourism. Lately, increased competition on the domestic market has led to improving the quality of tourist product and its supply. Restaurateurs and hoteliers have a large contribution in this process. The demand and supply equilibrium is managed by the marketing techniques and strategies. Hotel bookings are the major source of Croatian tourism.

The key factor in the success of a brand is the private ownership of hotels. Leasing, franchise and marketing affiliations follow. The transition process of ownership of hotels in Croatia has been preceded by branding in some cases and this has facilitated the consolidation process in the tourism sector attracting foreign direct investments in tourism.

The market reality in Croatia is that the guests are interested to have the prior knowledge of hotel product that they are going to buy. In the absence of clearly defined quality standards in international tourist market for hotels, the vacuum is being filled up by the established international brands.

Major part of accommodation capacity in Croatia (roughly 45 per cent) is in private homes and a part (23 per cent) in tourist camps. Hotels constitute only a small part of the total capacity (13 per cent). Such a capacity structure is the result of the seasonal character of tourism. Croatian hotels started developing in the 1960s. By 2008, 565 Croatian hotels had some 98 700 beds. Around 48 per cent hotels were 3 star hotels⁷. The number of luxury hotels is relatively very small and most are located in Zagreb, Dubrovnik and sparsely on the Adriatic coast. Only 15 per cent capacity belongs to the international brands. One can observe three major obstacles why expansion of brands in Croatian hotel sector had been slow. These being the ownership structure, inappropriate human capital and poor management of existing hotels.

From the future perspective, there is hope that with the expansion of Croatian tourism in the next decade, more and more international brands will come in the market and invest in new/existing objects, raise the quality and attract more customers.

Table 2. International Hotel Brands in Croatia

Hotel company	Hotel brand	Destination	Number of objects	Number of accommodation units
Sol Melia Hotels	Sol	Umag	5	2.522
Starwood Hotels	Westin, Sheraton, Four Points by Sheraton, Le Meridien	Zagreb, Split	3	1.354
Falkensteiner Hotels	Falkensteiner	Zadar, Punat	4	987
Vienna International Hotels & Resorts	Vienna International Hotels & Resorts	Opatija, Mali Lošinj	4	352
Adriastar Hotels & Resorts	Adriastar	Supetar, Orebić, Omiš, Lopud	4	696
Iberostar Hotels	Iberostar	Cavtat, Dubrovnik	3	680
The Leading Hotels of the World Ltd.	The Leading Hotels of the World	Hvar, Rovinj	2	178
Rezidor SAS Hospitality	The Regent Radisson Blue Hotels and Resorts	Zagreb Dubrovnik Split	3	668
Arcotel Hotels	Arcotel Allegra	Zagreb	1	151
Hilton Group	Hilton	Dubrovnik	1	147
Rixos Hotels & Resorts	Rixos	Dubrovnik	1	254
Kempinski Hotels	Kempinski hotel Adriatic	Savudrija	1	286
World Hotels AG	World Hotels	Opatija	1	94
Best Western International Inc.	Best Western Premier Best Western Art Hotel	Zagreb Split	2	138
Small Luxury Hotels of the World	Small Luxury Hotels of the World	Hvar	1	54

Source: adjusted from www.web.efzg.hr/dok/TUR//04_Ugostiteljska_djelatnost.hr (10.09.2010.)

Conclusion

The success of tourism as an activity and the business success of European and World hotels in the past have largely depended upon the competition and branding strategy. Brand management is the key element in creativity and quality improvement of every tourist product, especially in case of hotels. Marketing strategy that recognises the value and significance of customer loyalty towards the brand, leads to such successes. The key factor in any brand strategy is to ensure the implementation of the highest possible international quality standards of product/service. For making tourism a

Croatian brand all the actors in the Croatian tourist business must strive hard to expand the brands and raise the quality.

NOTES

[∞] This short research paper is based on the Master thesis written and defended by Ms. Kate Glavor at the University of Dubrovnik on 27 December 2010. The thesis was supervised by Doc. dr.sc. Niko Koncul.

¹ Misof, G. (2007), 'Brand Implementation: Managing and Controlling Brand Identity', Transform Awards. (<http://communicatemagazine.co.uk/component/content/article>).

² Aaker, D.A and G.S. Day (1986) 'The Perils of High Growth Markets', *Strategic Management Journal*, pp. 409-421.

³ Pančić-Kombol, T (1995), 'Imidž i marka hotela', *Tourism and Hospitality Management*, 1(2):384.

⁴ Cunill, O. M. (2006), *The Growth Strategies of Hotel Chains: Best Business Practices by Leading Companies*, Harworth Hospitality Press, pp. 152.

⁵ UNWTO (2010), *World Tourism Barometer*, 6(2):11.

⁶ Karamarko, N. (2010), 'System of Tourist destination Mngement as a Croatian Industry', *Tourism and Hospitality Management*, pp. 955-956.

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