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THE HOSPITALITY INDUSTRY: STRATEGIC REASONS TO PURSUE, OR NOT, A SOFT BRAND AFFILIATION

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The Hospitality Industry: Strategic Reasons to Pursue, or Not, a Soft Brand Affiliation

Abstract

This study of independent Portuguese hotels' positioning strategies regarding adopting, or not, a soft brand affiliation seeks to determine what motivates this choice. Surveyed hotels were asked to enunciate the benefits and disadvantages associated with their strategic decision, and other difficulties experienced in their business. The results indicate that international brand awareness and the hotel owners' long-term goals are the core factors affecting the choice. In practice, we conclude that there isn't a 'one size fits all' strategy. Nevertheless, affiliated hotels experience an operational advantage over non-affiliated ones stemming from the affiliating organization's accumulated experience in sales, distribution channels and marketing resources.

Key words: hospitality industry, positioning strategy, soft brand affiliation, Portugal

1. Introduction

In an increasingly connected world, it is vital for independent hotels to establish themselves in the market, and often there comes a time to decide how to support their differentiation strategy. Hoteliers can: (1) decide to become a management company, signing a long-term contract with a hotel operator whereby they manage the hotel's day-to-day operations; (2) decide to pursue a soft brand affiliation, thus establishing a short-term partnership with an affiliating organization whereby both work together towards the success of the operation. This option allows the hotelier to keep its independent status and control over daily operations; or, finally, (3) decide to stay non-affiliated, i.e. being a 'pure' independent hotel, thus developing the business on their own in accordance with their own goals while counting solely on their resources.

A soft brand affiliation consists of a short-term partnership between an independent hotel and an affiliating organization lasting 3 to 5 years, subject to renewal. The affiliating organization is a company that has a wide brand portfolio of independent hotels in several countries and via the partnership provides "support with revenue management, reservation management, sales and marketing, branding, rewards programs, quality assurance, and purchasing" (Sullivan, 2013). This minimizes many operational issues assailing some hoteliers.

The hospitality industry's dynamics have changed substantially in the last thirty years. Whereas once being brand affiliated was essential to ensure international exposure, nowadays the scenario is quite different due to the easy accessibility to information and the wide availability of online services. Moreover, hotels are currently able to diversify their international and national exposure by using different online channels, which decreases the appeal of being brand affiliated. Furthermore, nowadays, the hospitality service goes beyond providing rooms for guests. It now encompasses offering a whole array of additional activities and services provided to further improve the guests' experience, with the aim of increasing their satisfaction and loyalty.

Bearing in mind the large array of soft brand affiliations available in the market, hotels can chose the ones that better fit their purposes, whether it is to focus on individual guests, business travelers or events. The most successful are the "Preferred Hotel Group, Leading Hotels of the World, [Design Hotels] and Small Luxury Hotels of the World [which] have an infrastructure in place to support hotels that want to maintain their independence while leveraging the expertise and support services of a global brand" (Sullivan, 2013). Ultimately, this partnership provides hotels with varied resources while allowing them to maintain their independent status, in exchange for a membership fee. This fee often entails an annual payment (approximately 20,000€ to 50,000€), a percentage of room revenue (close to 3%), of marketing and reservation fees (close to 2.5%), of the loyalty programs (close to 5%), plus extra charges for workshops and other brand activities (Serlen and The Lodging Staff, 2014).

This study will assess the motivations behind the hoteliers' decision to pursue, or not, a soft brand affiliation, as well as the advantages and disadvantages associated with each strategic decision. We begin by describing the industry's background in order to ascertain the importance of our research question. Subsequently, a literature review addresses studies already performed regarding our issue, followed by the analysis of the results. This last topic encompasses a description of the methodology we have used to analyze the internal consistency of the hotels' operations, after which we present the study's results and discuss their managerial applications. Lastly, we briefly conclude.

In sum, paraphrasing Shakespeare, the (research) question is to be or not to be (brand affiliated), bearing in mind that hoteliers must try to develop a sustainable organization with something unique to offer, so as to differentiate themselves from current and future market players.

2. Industry Background

The hospitality industry has, in recent decades, increased its role in many countries on account of its important spillover effects in contributing to economic and social progress along with its direct contribution to GDP creation and employment, consequently strengthening national economies (Cut-Lupulescu, Dincu and Borlovan, 2014). Regarding Portugal, in 2014, the direct contribution of Travel and Tourism to GDP was €10.4bn (5.9% of GDP), and its total (direct and indirect) contribution was €27.3bn (15.7% of GDP). Moreover, Travel and Tourism also directly sustain 7.4% of total employment, accounting for 337,000 jobs, and its total contribution to employment, including jobs indirectly supported by the industry, was 18.4% (831,500 jobs) (World Travel and Tourism Council, 2015; Knoema, 2015). Considering this scenario, in 2014 Portugal had a total of 1,723 establishments of which 71% were hotels. These numbers increased to 1,729 establishments in 2015, 73% being hotels (Deloitte, 2015; 2014). All in all, these numbers demonstrate the importance of the industry to the Portuguese economy, which in turn highlights the importance of properly managing hotels. An important part of doing so lies in the decision of whether or not to become brand affiliated, which is the research question we try to elucidate.

3. Literature Review

This particular industry has been growing recently as has its role in the economic and social progress of national economies (Cut-Lupulescu, Dincu and Borlovan, 2014). More broadly, this industry's dynamics have also been changing. Whereas once more traditional independent small outlets dominated, now multinational chains and brand affiliated hotels do (O'Neill and Carlbäck, 2010; Lomanno, 2010; Bailey, 2007; Bailey and Ball, 2006; Cai and Hobson, 2004). Moreover, players in the industry seek high returns on invested capital, focusing on performance indicators such as ADR (Average Daily Rate), RevPAR (Revenue per Available Room) and NOI (Net Operating Income), as well as on the results of branding strategies to increase customer acquisition and retention. Bearing in mind the current market conditions, it is extremely important for hotels to be consistent and to follow a well-devised branding strategy in order to differentiate themselves, stay relevant, desired and "evoke a presence or image in the minds of customers" (Kaufman, Curtis and Upchurch, 2011).

In order to maximize the chance of success in this industry, it is crucial that hotels be efficiently configured, meaning that all operational activities should be organized to maximize value creation followed by its capture. More specifically, it is vital that they leverage their resources and unique capabilities to create a competitive advantage, ensure their resources are contributing to the enhancement of the hotel's results and tailor their business strategy to the market the hotel operates in, thus magnifying the chances for thriving in it (Collis and Montgomery, 1998). As is the case with any business, having a coherent and detailed strategic plan with a clear vision for the future helps to increase the probability of success by allowing companies to be better prepared to both engage and adapt to the business environment at hand (Edgar and Nisbet, 1996).

Furthermore, many studies have concluded that in the hospitality industry the six key factors to ensure success are "location, location, location" (Bull, 1994) and "flag, flag, flag" (Taylor, 1995). The latter refers to the increasing importance of branding which carries an intangible value that is regarded by stakeholders as a key measuring factor. This is especially important considering that it is meant to add value to hotel properties by allowing them to obtain higher operational revenues (O'Neill and Carlbäck, 2010), which facilitates access to the capital market that rewards hotels that focus on the consumer (Cline, 1996). Moreover, having a branding strategy is essential to attract guests and increase long-term customer loyalty (Bailey and Ball, 2006; Cai and Hobson, 2004). Doing so decreases the customers' price sensitivity, thus enabling the brand owner to capitalize on the brand's value by charging premium prices (O'neill and Xiao, 2006), especially when considering that the "value of a brand chiefly resides in the minds of customers and is based primarily on customers' brand awareness, their perceptions of its quality, and their brand loyalty" (Aaker, 1991, cited in O'neill and Xiao, 2006). Naturally, this information drives the hotels' management teams to take into consideration that in order to maximize the hotel's market value, first they must enhance brand quality by ensuring a positive brand image, quality of service and of management (O'neill and Xiao, 2006), as well as acknowledge that the existence of complementary services further helps to leverage their brand name and service satisfaction (Kaufman, Curtis and Upchurch, 2011).

More specifically, when defining which strategy to pursue hotels can choose between staying non-affiliated or becoming brand affiliated. Both strategies have advantages and disadvantages. Taking a closer look at market trends, one observes the current trend of independent family firms being incorporated into "larger organizations for reasons such as growth and development, or just to survive in times when competition [becomes] fiercer" (Carlbäck, 2012). However, some independent hotel owners decide against affiliation due to their desire to build something that stays in the family and is developed solely by them, while working alongside the family members and experiencing the challenge of the business, the subsequent social life, the freedom and the long-run financial gains (Carlbäck, 2012; Andersson, Carlsen and Getz, 2002; Schulze, Lubatkin, Dino and Buchholtz, 2001). Plus, in the aforementioned 2002 study, business owners state that "enjoying the job is more important than making lots of money and they would rather keep the business modest and under control, than too big".

On the one hand, one study indicated that independent hotels are often family-owned, with some analysts having the perception that they are more efficiently run (Abdellatif, Amann and Jaussaud, 2010; Astrachan, 2010; Jensen and Meckling, 1976). This is so on account of them enjoying stronger employee loyalty. In turn, this arises from employees feeling part of the 'hotel family' and seeing the impact their actions have on daily operations, consequently showing an increased commitment throughout the training process and during the course of their employment (Ottenbacher, Shaw and Lockwood, 2008). This intuitively leads one to believe that independent hotels minimize agency problems and associated costs, considering that the interests of the owner and the manager are aligned due to them being one and the same. Additionally, issues such as shirking, low motivation or making self-interested decisions (Ang, Cole and Wuh Lin, 2000) are limited by the degree of control and incentives the owner exerts over his employees and the resources spent in monitoring them.

On the other hand, being brand affiliated comes with a full set of useful tools and resources to do appropriate and targeted market research since a lot of accumulated knowledge and experience in the business can be made available by the affiliating organization to a brand affiliated hotel. Moreover, these large operations possess skills to develop and maintain efficient and advanced reservation systems, effective management programs, loyalty programs, global distribution systems, and effective marketing programs with heightened brand awareness, while also having strong purchasing power (O'Neill and Carlbäck, 2010). As a consequence of this expertise, brand affiliated hotels are better equipped to adjust to any market fluctuation in demand, and to spot any pending market opportunity or threat (Schulze, Lubatkin, Dino and Buchholtz, 2001), thus benefiting from the maximization of the (positive) impact of future innovations and from an enhanced responsiveness to new market trends (Ottenbacher, Shaw and Lockwood, 2008).

All in all, in order to properly decide whether or not to become brand affiliated, one must perform an extensive scenario analysis, assess whether or not one can sustain a competitive advantage with the resources at one's disposal (Oh and Kim, 2004), while paying close attention to occupancy rates, ADR, RevPAR and NOI. All so as to ensure that the benefits outweigh the costs associated with being brand affiliated (Schulze, Lubatkin, Dino and Buchholtz, 2001). Additionally, the decision also depends on the type of entrepreneur and on his/her plans for the future of his/her hotel (Carlbäck, 2012). Moreover, O'Neill and Carlbäck (2010) found that both brand affiliation and individual brands matter and the factor that determines which matters more in different cases is how corporate strategies are developed and followed through, which, they say, is consistent with research conducted by O'Neill and Mattila (2004). Finally, it is also clear that "large organizations with muscle have an advantage [in] develop[ing] a loyalty card, sales and marketing channels, managerial tools and systems, something the independent hotelier will not be able to do easily. But this will [demand] a fee and royalty structure that will not be acceptable for all. [So] the results show that the entrepreneur must identify ambitions and mind set and then choose strategies based on this analysis" (Carlbäck, 2012).

4. Analysis of the Results

4.1. Methodology

This study is based to a large extent on a questionnaire presented to a set of six Portuguese independent luxury hotels: three non-affiliated (hotels A, B and C) and the remainder (hotels D, E and F) affiliated. The hotel sample is diverse encompassing hotels that differ in size and in the number of years that they have been operating. Hotels A and E are relatively new as they have been operating for 5 and 2 years, respectively. In contrast, hotel D has been operational for 85 years. Moreover, hotels B, E and F are smaller in size on account of having less than 50 rooms, as opposed to hotels A, C and D that have more than 100 rooms. Nevertheless, they have several aspects in common, namely their operational difficulties and ways of coping with them.

The questionnaire's full content is present in Annex III, and is based on the interviewed hotels' answers. The following models are then employed to make sense of the information collected from the six hotels: the Triangle of Corporate Advantage model applied to single business companies, in this case independent hotels; the Resource Based View model where the VRINNO criteria of being Valuable, Rare, Inimitable, Non-substitutable, Non-transactionable And Organizationally embedded are applied; and the Porter's 5 Forces model. The following subsections will present the conclusions reached.

4.2. Results

4.2.1. Results Common to All (Six) Hotels

Establishing a business in any industry is very challenging. Therefore, it is essential that the business be well structured, organized and thought-through, so as to be able to succeed. We first apply the Triangle of Corporate Advantage model to assess the consistency of each hotel's operational structure. Although this model is often applied to multi-business companies to assess the existence of corporate advantage we make use of it in this study to understand the (in)existence of an interdependent relationship between resources, the business and the hotel's organization. Essentially, hotels should be configured such that the three 'triangle sides' of the model (business, resources and structure, systems and processes) are "aligned in the pursuit of a vision, and motivated by appropriate goals and objectives" (Collis and Montgomery, 1998) to maximize, potentially positive, market results. Thus, hotels should be configured such that their critical resources translate into a competitive advantage, which then theoretically allows for the strengthening of their market position in an attractive business. Plus, to leverage said resources, there must exist a fit between the hotel's structure, systems and processes so that value is added and then appropriated by the hotel (Collis and Montgomery, 1998). From the answers gathered, one can conclude that, organizationally speaking, the six hotels share common characteristics.

Firstly, they have their systems, structure and processes similarly organized and well designed to run their business.[1] Although, somewhat surprisingly, most don't attach much importance to the feedback given by their employees even though doing so could benefit their operations for two reasons. The first is that they would become aware of possible service improvement suggestions, and secondly they could have the ability to improve the employer-employee relationship.

Moreover, all six operate in a relatively attractive business. This was established by using Porter's 5 Forces Model to assess the attractiveness of the hospitality industry.[2] Overall, there is a low threat of substitute products or services; a medium to low bargaining power of suppliers; medium to high bargaining power of buyers; a high and increasing threat of new entrants; and a high rivalry among existing competitors. In sum, although there are forces that put a cap on the industry's profits, considering the scope of the competition, it is still possible

[1] See Annex III, sections i and ii, question group 4 for further details.
[2] See Annex II for further details.

to earn profits and to grow the business, which is reflected in the hotels' positive evolution of EBITDA results. Based on the confidential data disclosed, hotels A and C are a growing business, which is reflected in the positive evolution of their EBITDA. Particularly, hotel A experienced a 52.49% growth and hotel C experienced a 158.98% growth from 2013 to 2014. Conversely, hotel D faced an EBITDA variation of -514.81% from 2011 to 2012, which was then mitigated by a positive variation in 2014.

Thirdly, in the questionnaire, hotels enunciated up to three resources that, in their opinion, give them a competitive advantage.[3] By using the Resource Based View model one can check if resources are indeed a source of competitive advantage by fulfilling the VRINNO criteria, which not all have met. The location of the hotels cannot entirely be considered a competitive advantage, because all the hotels have similar characteristics in that respect, thus not obeying the inimitable criteria. Neither do the human resources, on account of their imitable and substitutable character. As a whole, however, the three resources enunciated by each hotel do have altogether an effect that yields to a certain extent a competitive edge.

Lastly, according to the responses given in the questionnaire, the hotels seem to be in agreement regarding which factors affect their performance the most.[4] The top 5 factors are the national economic performance, international events, potential entrance of new competitors, new technological developments and others related to a country's security and air links. Moreover, apart from business related reasons, there is another factor that may be limiting the three (B, C and D) hotels' ability to fully maximize results: the lack of an officially documented and strong guiding vision, which does not guarantee that their actions are correctly steered to what they want to achieve. Plus, the vision should be allied with the setup of goals and objectives that, in turn, should lead to its fulfillment. Only then can their

[3] See Annex III, sections i and ii, question 9. b for further details.
[4] See Annex III, sections i and ii, question 19 for further details.

actions be meaningful, as well as informative to employees and potential investors. On the contrary, hotels A, E and F have their vision written in official documents. Still, their established goals and objectives are, in most cases, solely oriented towards short-term operational results, lacking the metrics to support the vision and challenge the hotel in the long-term.

Having discussed how hotels attempt to ensure a successful operation, let's move towards the operational specificities of running them. From the information gathered, some major issues affect the hotels' operations, which are associated with the sales channels and establishing strong brand awareness.

Regarding the first issue, there is a large and increasing array of channels, namely Online and Offline Travel Agents (OTAs), Distribution Marketing Organizations (DMOs), Internet Distribution Systems (IDSs) and hotels' own reservation systems. This diversity of booking sources makes it necessary for hotels to skim through them by choosing only the ones that can have a positive incremental impact on their reservation revenues, while concomitantly requiring a great deal of negotiation of fee rates. Conversely, hotels must attempt not to be too dependent on the services of one single channel so as to mitigate its bargaining power. From the data collected, hotels point out the creation of new sales channels, the need to maintain those platforms updated with current content, the struggle to access all the markets available where other competitors are already at play and, especially, the costly fees charged by those channels as the major difficulties associated to sales channels.

Based on their answers, we have concluded that they attempt to overcome such challenges by thoroughly "evaluating the potential of each channel", understanding the tradeoff between the fees to be paid and the incremental revenues to be earned, putting in action "an aggressive marketing and sales program" to minimize their dependency, constantly "monitoring results" and, above all else, exerting a lot of "continuous negotiation".[5] Hotel C, in particular, states that "being punctual in the payment of the contract helps a lot in being heard and in having a bit of leverage". Additionally, all of the hotels surveyed have 23% to 40% of their reservations coming from their own efforts (hotel's site, e-mail and telephone). This percentage being less than 50% may potentially result in an unbalance. Naturally, the remainder of the reservations (60% to 77%) derives from OTAs, with the online channels bringing in the most bookings, which underscores the hotels' need to limit their dependency on these channels.[6] They thus mention that they try to diversify the sources of their reservations, and state that they try to hold their ground in negotiating the payment fees.

Concerning the issue of brand awareness, the major difficulties enunciated by the hotels surveyed are the "large capital requirements" demanded to advertise the brand, the need to "develop relevant content to sustain it", and the huge "size of the market" to be reached, involving an untapped number of potential hotel clients. The hotels from the sample deal with these issues by "select[ing] only the best distribution, communication and marketing channels", developing their "own customer relationship management (CRM) programs" and upholding their "good service". Moreover, according to the survey conducted, the most commonly used social media platforms are Facebook (6 hotels out of 6 in our sample), Instagram (5/6), Twitter (3/6) and Youtube (2/6). The first channel is deemed to be the one with the most "global reach and more effective in divulging information", and the second represents a complementary platform to "broadcast the hotel's facilities" allied to the clients' ability to share their experience, thus publicizing the hotel to their followers. Affiliated hotels further deal with this issue by becoming a member of an affiliating organization with a well-known global brand. In doing so, they enjoy the immediate benefit of having a seal of approval on their customer service and facilities since these organizations have extensive

[5] See Annex III, sections i and ii, questions 21 to 24 for further details.
[6] See Annex IV, sections i and ii for further details.

specific requirements that they demand hotels to comply with, upon being accepted into their portfolio. Moreover, they benefit from being under the affiliating organization's marketing umbrella, which further promotes the hotel, both nationally and internationally, through several initiatives, namely the participation in newsletters, books, and magazines.

Lastly, the data collected from the six hotels contains the three main statistical performance indicators for 2014: the Average Daily Rate (ADR) that measures the average rate paid for rooms rented over the period; the Occupancy Rate that measures the percentage of rooms that the hotel was able to rent over the time period; and the Revenue per Available Room (RevPAR) that measures the revenues earned per room rented whilst taking into consideration all hotel rooms both rented and unrented.[7] Considering the small sample size and the limited time horizon, we cannot make inferences. We instead regard the data as merely suggestive. In order to make appropriate comparisons one needs to control for quality, so we assume that hotels with the same number of stars have the same level of quality. Thus, our sample comprises two groups of hotels that possess the same quality level: (1) hotels A, B, D and F, and (2) hotels C and E.

Considering the first group, the ADR results between non-affiliated hotels (A and B) and affiliated (D and F) indicate a minute difference of revenue earned per room rented. Non-affiliated and affiliated hotels obtain similar results. However, taking into account size, we observe that the small affiliated hotel F earned a higher ADR than the small non-affiliated hotel B, 180€ vs 165€ per room rented. Both big hotels, non-affiliated (A) and affiliated (D), earned the same ADR 150€. In terms of RevPAR, the results are similar among large hotels, which display quite similar revenue per available room. In contrast, there is a clear discrepancy between small hotels (99€ vs 144€), which benefits the affiliated hotel F. Finally, the occupancy rates show that affiliated hotels experience higher occupancy rates (58% and

[7] See Annex IV, sections i and ii for further details.

80%) than non-affiliated (50% and 60%). Moreover, in comparing similarly sized hotels, we see that there is a small difference of 8% between the occupancy rates of the big non-affiliated and affiliated hotels. This statistic displays a more marked discrepancy among the small hotels, where hotel F's bookings were 20% higher than hotel B's. In sum, the statistics' aggregate results seem to indicate a clear benefit from affiliation, not in terms of the "price axis" (ADR and RevPAR) but regarding the "quantity axis" (occupancy rate). Finally, regarding the second group of hotels, C and D, the scarcity of data precludes relevant comparisons insofar as the hotels' sizes differ as do their number of years operating.

4.2.2. Non-affiliated hotels

Regarding hotels A, B and C, two of which are family businesses (A and C), the questionnaire leads us to conclude that none would be willing to affiliate because of their owner's personal agenda. All want to stick to their management style, i.e. keep the tradition of being run solely by family members.[8] Hotel A particularly believes that "there is room in the market for an improved management style that can offer unique experiences, whilst assuring an authentic product". Moreover, both family run hotels strongly underline "the quality of the product" they are offering, which they trust to "successfully sustain their operations". Nevertheless, they do acknowledge difficulties associated with the strategy they pursue, such as "being at a disadvantage at hotels' fairs and congresses" when compared to hotel chains, struggling with "sales networking and promotion activities", having a "limited access to big markets" due to financial restrictions, and ultimately having to "bear the consequences of their own management decisions, both positive and negative".

4.2.3. Affiliated hotels

Hotels D, E and F are affiliated. They organize their operations in accordance with the focus they give to certain client groups and the message they want to convey, which, in turn, is in

[8] See Annex III, section i, question 27 for further details.

accordance with the type of soft brand affiliation they have chosen. These hoteliers list the "incremental international exposure", the added "strength to compete against other powerful brands" in the market, the boost given by the affiliation regarding "marketing and communication campaigns", the access to "new technological opportunities" and the ability to reach new markets and, consequently, potential new clients as benefits from affiliating. However, they too point out difficulties, which they voiced in the questionnaire, mainly related to the "high costs" these affiliations impose, with their fees representing, on average, 7% to 10% of the hotels' profits, and the way they might eventually be narrowing the way they are presented to clients, which highlights the fact that affiliation entails not only positive but also negative consequences.[9]

Naturally, these hoteliers consider the benefits of affiliation to outweigh the disadvantages, especially considering that the affiliating organization maintains "daily communication" with them and often "suggests [their] participation in programs and events". Particularly, if they are new to the market, the affiliating organization further boosts their exposure by having the hotel be present in their newsletter as well as other promotional initiatives.[10] Moreover, it offers special tariffs for the affiliating organization's clients, encouraging them to explore new places, which boosts the affiliated hotels' demand. It also helps them to be at "price parity" with others, allows them to maximize client loyalty and to keep up with current market trends. Moreover, it makes room for the two partners to "share the results earned", as well as face and react to market challenges together.

4.3. Discussion

Based on these results, one may conclude there are both upsides and downsides to each strategic decision, and that the choice to affiliate is not necessarily better than not doing so.

[9] See Annex III, section ii, questions 20 and 21 for further details.
[10] See Annex III, section ii, question 34 for further details.

Considering the performance statistics, our study indicates that affiliated hotels benefit in terms of occupancy rates. However, we could not conclude that affiliation further improves the other performance statistics or the financials of a hotel. Importantly, hoteliers have to have their operation well-established and be operationally prepared before deciding which strategy to pursue, since there are a lot of requirements to fulfill and maintain in order to be accepted by a brand affiliating organization.

Looking at the hotels guests' origin it is possible to observe that all are very dependent on foreign guests: 74% to 94% come from outside of Portugal. Most clients come from Europe, specifically France, United Kingdom, Germany and Spain, as well as North America.[11] However, our results do not allow us to conclude that affiliation is the culprit in bringing in more foreign clients on account of lack of differentiated data on the matter, which means that non-affiliated hotels can be as good as affiliated hotels in attracting foreign guests. On the other hand, our data does not contradict, even less invalidate the fact that brand affiliation enhances hotels' international exposure, especially considering that affiliating organizations already benefit from strong global brand awareness and from strong client loyalty, which, consequently, makes them open to new destinations and hotels to visit.

In sum, on the one hand, having no affiliation allows for a freer and more personal management style, but it prove to be more demanding. It requires the hoteliers to have a strong guiding vision for their hotel, a clear sense of purpose and specific goals to achieve. They need to be equipped to deal on their own with any market occurrences, thus requiring the hotel to have strong teams in every department, especially in the marketing and sales departments that require a lot of proactivity, creativity, negotiation and determination. Moreover, capital needs to be allocated to upholding the infrastructure, introducing systems to

[11] See Annex III, sections i and ii, question 18 for further details.

manage the hotel, advertising the hotel's product both nationally and internationally, and paying every contract with distributors, suppliers, staff as well as other legal requirements.

On the other hand, upon affiliating the hotelier benefits from a large and experienced pool of resources the affiliating organization possesses. Plus, there are substantial opportunities for sharing which allow the hotelier to learn from experienced players in the market, who convey useful advice to further improve strategy and tactics. There is, in a sense, an enhancement of their market exposure without having to actually develop the associated skills over time. This proves to be desirable in the short-term, because it gives them an edge over other players and allows them to save on marketing expenses, insofar as a lot of marketing actions are launched by the affiliating organization. More specifically, the affiliating organization does help to consolidate the hotel's reservations through having it be present in promotional activities, namely hotel fairs where reservations are made in bulk for certain hotel group members. Nevertheless, if the hotelier does not develop certain skills on its own, in the long-term being affiliated can have a perverse effect: the hotelier may become too dependent and be unprepared to stand alone in the market, should the partnership cease.

In any case, all must accept the consequences inherent to their choice, both positive and negative, and strive to keep improving over time. As expected, running a business implies forward thinking, establishing an effective structure and a strong internal organization, being aware of upcoming challenges, as well as ensuring some degree of flexibility to the whole operation, so that it can adapt.

There are certain limitations to be considered in the interpretation of these findings. First, there is a bias in the sample which is composed of Portuguese hotels only. Another issue is the size of the sample, encompassing solely 6 luxury hotels. On the plus side, they are very diverse in their size and in the number of years they have operated, implying that they are at different stages of learning and accumulated knowledge. As a downside, despite the fact that confidentiality of the data was formally assured, most did not disclose all the information requested in the questionnaire, limiting the analysis and hindering comparisons and the establishment of proper correlations.

Conclusion

This study has not yielded a conclusive answer regarding which positioning strategy should be adopted, due to limited data availability to properly establish a correlation between the decision to affiliate and the hotel's consequent performance. However, with hindsight, this is perhaps neither an unexpected, nor an uninteresting result. After all, if one strategy dominated the other, hotels would all follow it. The answer to our research question as to many other questions in the management field is that the best strategy depends on the circumstances surrounding the business. Essentially, the choice between affiliating, or not, comes down to the owner's motivations and goals for the business, namely the ambition to create and/or pursue a family legacy, the target segment to attract or the international exposure and the position they want to achieve in the market. Naturally, this decision leads to different paths for hoteliers that have long been in the market as well as for those who are new to it, since each path will create different challenges. Whatever the decision, it is crucial for hoteliers to leverage their resources and to be prepared to meet new upcoming trends.

From a strategic standpoint, both have the potential to be successful as long as focus is put into differentiating hotels from one another, through offering unique experiences and ensuring a high-quality service. Our results prove that it is possible for hotels to successfully stand alone in the market. Yet, hoteliers must be willing to face all the challenges and demands that come with being non-affiliated. This choice requires them to set a specific and clear path to pursue, configure their hotel to be apt to meet the relevant demand and obtain the necessary means (financial and otherwise) to sustain the chosen path. Specifically, bearing in mind that the world is increasingly connected and that consumers have easy access to information, hotels benefit from developing customer relationship management programs to leverage their relationship with clients. This would not only make it possible to better tailor the service to the clients' needs, but also enhance client loyalty and retention. Additionally, the human workforce behind the operations must be motivated to actively pursue the hotelier's goal, while meeting the clients' requirements.

Being a member of a global brand does offer a set of valuable opportunities to be explored by hotels on account of it granting affiliated hoteliers an edge to overcome several market challenges without them having to develop certain resources on their own. Firstly, leveraging the affiliating organization's marketing expertise allows hotels to enhance brand awareness at both national and international level, reaching potentially untapped markets. Moreover, this can also be used to promote a hotel by alluding to Portugal's natural beauty, beaches, historic monuments, cultural places and, particularly, safety, considering the often turbulent state of affairs in other European countries. Secondly, the affiliating organization may become a source of reservations at least during the first stages of a hotel's development up until its brand is well-established. Thirdly, considering the number of years these global brands have been operating, they offer management advice and networking connections that prove useful. And lastly, affiliated hoteliers enjoy the established loyalty of the affiliating organization's customers, thus creating opportunities to benefit from it. However, an important thing to keep in mind is that it is crucial for hoteliers to sustain a positive networking relationship with their affiliating organization to guarantee its continuous support, in particular when other hotels in the affiliating organization's portfolio are located in countries considered to be more attractive, trendier or more profitable.

Whatever the reasons to pursue a soft brand affiliation, there are clear benefits to both new and established hotels. For the former, it can be appealing to become affiliated in the early stages because doing so clearly creates the opportunity to develop a long lasting business relationship from inception to conception, and then onwards. For the latter, there are opportunities to learn from, even if they maintain the partnership for a limited time period.

Should hoteliers want to stand alone they must be ready to face an array of issues related to having to develop their own competencies while going against reputable established competitors (some of which are affiliated). Additionally, they also have to properly structure their hotel to ensure they can support their vision over time. Moreover, they have to spend capital to advertise their product, so as to increase brand awareness, to uphold the infrastructure and to develop relationships with suppliers and distributors *vis-à-vis* which initially they might have low bargaining power. Furthermore, they face the challenge of choosing, and then negotiating with several sales and distribution channels, as well as having to create and strengthen their marketing activities to stand out and make their uniqueness be noticeable.

Looking into the future, one can anticipate the upcoming challenge associated with the presence of the millennials, who currently outnumber the baby boomers. Hoteliers need to think forward to adjust their operations to meet this tech-savvy population, with health and wellness concerns, that is on a reasonable budget searching for unique and thus memorable experiences, having at their disposal a large array of platforms to voice their opinions, which can make or break a business. Future research should look into the capabilities that brand affiliated hotels have to face this generation versus non-affiliated hotels to ascertain whether the extensive availability of the affiliating organization's marketing resources is a make or break factor in the business. Another relevant future research question would be to assess if non-affiliated hotels are equally apt at developing their own resources and leveraging them into real time marketing strategies targeted to their desired clients.

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