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A Positioning Analysis of Hotel Brands - Based on Travel-Manager Perceptions

Abstract

A hotel brand's unique selling proposition—the argument it makes to convince travelers to book its hotels instead of someone else's properties—is known as its market position. The position comprises the bundle of attributes that the hotel offers in an effort to meet guests' wants and needs.

Keywords

hotel industry, market share, marketing, competitive strategy, branding

Disciplines

Hospitality Administration and Management | Marketing | Tourism and Travel

Comments

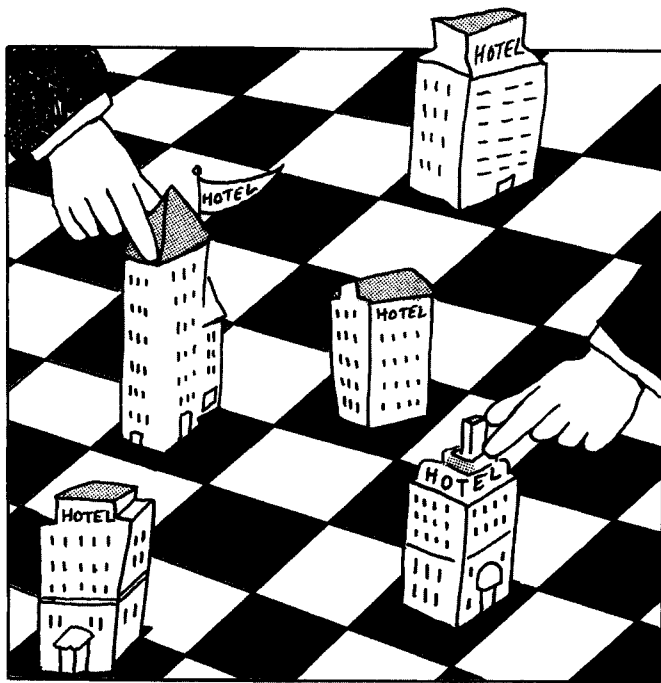
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A Positioning Analysis of Hotel Brands—

Based on Travel-Manager Perceptions

by *Chekitan S. Dev,*
Michael S. Morgan, and
Stowe Shoemaker



Hotels attempt to establish a unique market position in an effort to boost market share. In the end, however, position is in the eye of the customer. Identifying that position is an essential element in determining the effectiveness of a hotel's marketing strategy.

A hotel brand's unique selling proposition—the argument it makes to convince travelers to book its hotels instead of someone else's properties—is known as its market position. The position comprises the bundle of attributes that the hotel offers in an effort to meet guests' wants and needs.

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A hotel brand's position can be viewed from two perspectives, that of the brand's management and that of the guests. The brand's management must have a firm concept of the hotel's intended position, and its promotional efforts must articulate not only what the brand offers but how its offerings are distinct from those of other brands.

In the final analysis, however, a brand's position is determined by its customers. A hotel company might offer a luxury-level package of services and amenities in an effort to attract business travelers, for instance. If the resulting room rate is higher than corporate travel managers are willing to pay, that brand is in reality not positioned for the bulk of business travelers. Instead it may attract only those who are price insensitive, or it may attract luxury-oriented leisure guests. In another example, if a hotel has positioned itself as the most effective and efficient conference hotel in the market, customers will expect their meetings to occur flawlessly. Should that not occur, the hotel's position—from the customer's point of view—will in reality be "an okay conference hotel" or worse.

Customers' perceptions of a hotel brand's position can be subdivided into specific attributes that can, in turn, be depicted graphically on coordinate axes known as perceptual maps. Likewise, the position of an individual hotel or brand can be graphed, to allow a comparison of the brand's position in relation to those of competitors and to demonstrate any changes in the brand's position over time. In this article, we demonstrate how such a perceptual map can show the way a hotel brand's customers view the chain and, further, how that map can assist in determining a hotel's competitive set. The maps we discuss were constructed using data drawn from surveys of travel managers and travel

agents published in 1990, 1991, and 1992.

Positioning

Each hotel booking represents a purchase decision that is based on the customer's perception of the attributes represented by that brand. In the case of corporate travel offices, the customer is the person who makes the booking, regardless of who actually stays at the hotel. Those attributes are both tangible (the physical property) and intangible (services offered).¹ Typical attributes might include a low price, convenient location, a frequent-traveler program, or a helpful and courteous staff. The package of attributes offered by the brand constitutes its market position, which is usually viewed in relation to other brands. Brands that have similar bundles of attributes are considered to be in the same competitive set.²

The part of the position that derives directly from the product's physical attributes is its objective position.³ The fact is that the Four Seasons offers the most services of any hotel brand, AmeriSuites offers a suite at a price often charged by conventional mid-price competitors,⁴ and Motel 6 offers consistent, low-cost rooms.

The other portion of the position is subjective, involving people's perceptions of a brand or individual property's intangible attributes. These can only be experienced during the hotel stay. As Robert Lewis succinctly put it, you cannot take a

¹ See: G. Lynn Shostack, "Breaking Free from Product Marketing," *Journal of Marketing*, Vol. 41 (April 1977), pp. 73-80.

² Positioning by attribute is the most common but not the only strategy. See: David A. Aaker, "Positioning Your Product," *Business Horizons*, May-June 1982, pp. 56-62.

³ Robert C. Lewis, "Advertising Your Hotel's Position," *Cornell Hotel and Restaurant Administration Quarterly*, Vol. 31, No. 2 (August 1990), p. 85.

⁴ Mark Harris, "Economical Positioning," *Cornell Hotel and Restaurant Administration Quarterly*, Vol. 29, No. 2 (August 1988), p. 97.

hotel stay home to use.⁵ Hyatt Hotels, for example, positioned itself in the 1980s as operating hotels whose dramatic architecture created an exciting hotel stay.

Most of a hotel's attributes are intangible, making it difficult for a customer to distinguish among competitive offerings.⁶ To enable customers to make that distinction, marketers attempt to establish a position using brand names and specific images or slogans that signify some of the intangible attributes. Lewis suggested that a successful position comprises three elements: it differentiates the brand; it "locates" the brand on specific benefit dimensions, and it creates an image.⁷ Lewis continued: "To combine these elements, the positioning statement should be designed to create an image reflecting the perception of the hotel that management wishes its target market to hold and reflecting promises on which the brand can deliver and make good." The subtext of this definition is that the key to a hotel's position is in how it is viewed by the customer.

Through market research hoteliers can determine which attributes travelers (or travel managers) consider in choosing a brand and how travelers view a hotel brand in light of those attributes.⁸ From that information, the researcher can apply discriminant analysis to develop a "map" of the brand's position as seen by its customers.⁹ In assessing

⁵ Lewis, p. 87.

⁶ See: John M. Rathmell, *Marketing in the Service Sector* (Cambridge, MA: Winthrop, 1974).

⁷ Robert C. Lewis, "The Positioning Statement for Hotels," *Cornell Hotel and Restaurant Administration Quarterly*, Vol. 22, No. 1 (May 1981), p. 53.

⁸ For example, see: Paul E. Green and Yoram Wind, "New Ways to Measure Consumers' Judgments," *Harvard Business Review*, July-August 1975, pp. 107-115.

⁹ For an explanation of discriminant analysis, see: Robert C. Lewis, "The Market Position: Mapping Guests' Perceptions of Hotel Operations," *Cornell Hotel and Restaurant Administration Quarterly*, Vol. 26, No. 2 (August 1985), pp. 88-89.

those attributes, researchers must be careful to distinguish the determinant attributes (those that actually cause a purchase) from salient attributes (those that are top-of-the-mind but may not actually distinguish the hotel). In terms of positioning, the distinction between determinant and salient attributes might not be so keenly noticed, because both contribute to the view that a customer has of a given brand's position. It is possible, however, to establish positioning maps based solely on determinant attributes.¹⁰

Business Travelers

Different classes of travelers use different attributes to determine their view of a hotel brand's position. Moreover, even when they use the same attributes, various classes of travelers assign different weights to those attributes. A principal point of differentiation among travelers is whether they are traveling on business or for pleasure.¹¹ This study concerns itself with hotel brands' positions among business travelers. As a proxy for the travelers themselves, we used data from corporate travel managers and travel agents whose clients are chiefly business travelers. These travel planners are growing in importance as a distribution channel.¹² At the time of our study some observers estimated that these channels delivered 25 percent of all hotel-room reservations. That percentage is higher for upscale hotels than for mid-market and economy properties.

¹⁰ Lewis (1985), p. 93.

¹¹ For a specific analysis of the differences in attributes applied by business and pleasure travelers, see: Robert C. Lewis, "Predicting Hotel Choice: The Factors Underlying Perception," *Cornell Hotel and Restaurant Administration Quarterly*, Vol. 25, No. 4 (February 1985), p. 91.

¹² See: Russell A. Bell, "Corporate Travel-Management Trends," *Cornell Hotel and Restaurant Administration Quarterly*, Vol. 34, No. 2 (April 1993), pp. 30-39.

Data for the study described in this article were drawn from summary statistics published in the yearly U.S. Hotel Systems Survey for 1989, 1990, and 1991 by *Business Travel News*.¹³ The survey compiles the views of corporate travel managers and business travel agents' opinions of the nation's hotel brands on a variety of attributes.

Unusual Situation

At the time our data were compiled the hotel industry was at the bottom of its worst shakeout in at least two decades. In 1991 the U.S. hotel industry's average occupancy dropped to 60.8 percent, a 20-year low.¹⁴ Moreover, many hotels were in the red. An Arthur Andersen study revealed that U.S. hotels in 1990 lost some \$5.5 billion and another \$2.7 billion in 1991.¹⁵ Coopers and Lybrand estimated that 60 percent of hotels were operating at a loss in mid-1992. Data from Smith Travel Research suggested that increases in hotels' ADR lagged the consumer price index from 1987 to 1991.¹⁶ It was well-known that the supply of new hotel rooms was vastly outstripping demand. Because this period represented a dynamic environment for the industry, we chose it for our study.

The hotel brands were divided *a priori* by *Business Travel News* into five market segments: luxury, upscale, mid-price, economy, and all-suite. Due to the number of hotel brands under consideration, each respondent rated hotel chains in only one or two segments. The attributes used included ease of arranging individual travel, timely commission payment, quality of

¹³ *Business Travel News*, January 29, 1990, pp. 36-41; January 28, 1991, pp. 13-19; and January 27, 1992, pp. 15-18.

¹⁴ Pauline Yoshihashi, "Hotel Recovery Will Be a Late Arrival," *Wall Street Journal*, July 27, 1992, p. B1.

¹⁵ *Ibid.*

¹⁶ *Ibid.*

food, and price-value. See Exhibit 1 for the complete list of attributes used to create perceptual maps for the upscale segment. The attributes respondents used to rate the brands varied for each segment simply because different attributes apply to each segment. The graph in Exhibit 1 shows the relative importance of each of the attributes for this sample.

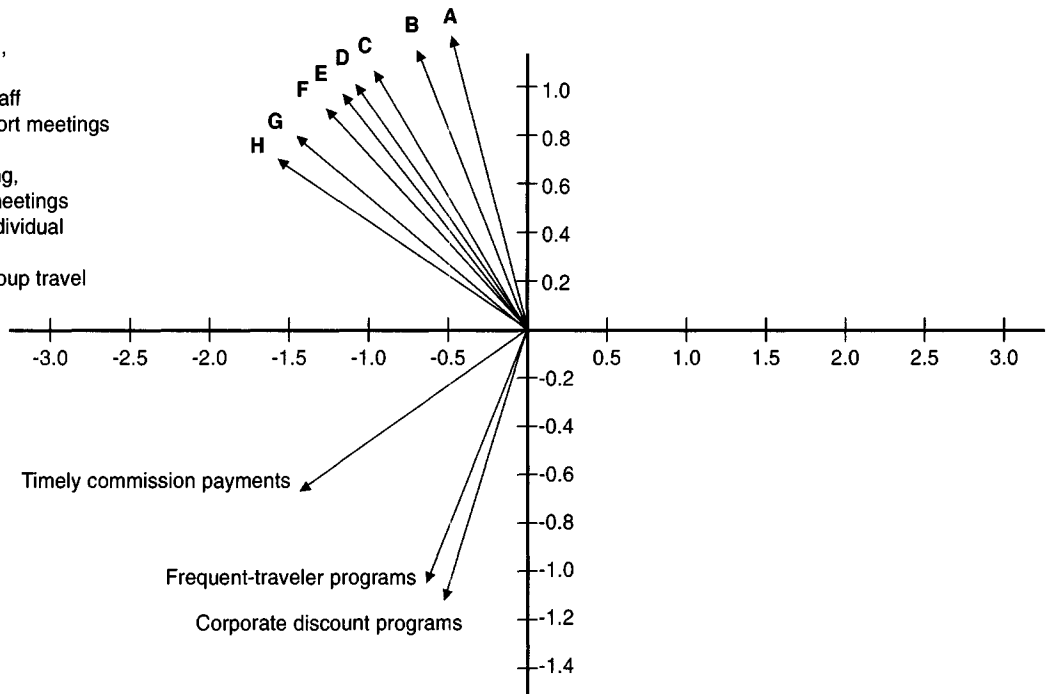
The survey's sampling method remained consistent over the three-year period. The magazine's researchers mailed a questionnaire to approximately 7,500 randomly selected subscribers who were business travel managers and travel agents focusing on business accounts. One month after the first mailing, the questionnaire was sent again to nonrespondents. There was no further followup. This methodology obtained the following response percentages: 23 percent in 1990, 21.4 percent in 1991, and 19.2 percent in 1992. The *Business Travel News* researchers made no effort to control for nonresponse bias, and the findings represent only the opinions of those who answered the questionnaire. Moreover, summary characteristics of those who responded are unavailable. Consequently, any projections to the industry at large should be made with caution. Nevertheless, the data provide a positioning map of several chains based on the perceptions of these travel managers and agents.¹⁷

Respondents rating each hotel brand were qualified in the following way. They were asked whether they had booked their clients into a property affiliated with a given hotel brand in the previous 12 months. A respondent's attribute ratings for that brand were tabulated only if the respondent answered this question

¹⁷ The data used for this study were selected to illustrate the perceptual-mapping method and should not be used for strategic interpretation of the upscale lodging market.

Exhibit 1
Relative importance of hotel attributes (this study):
Upscale tier, 1990-1992

- A Quality of food
- B Physical apperanace,
In-room amenities
- C Helpful, courteous staff
- D Facilities for non-resort meetings
- E Overall price value
- F Overall average rating,
Facilities for resort meetings
- G Ease in arranging individual
travel
- H Ease in arranging group travel



in the affirmative. The consequence of this methodology is that the sample size from brand to brand in the same year's survey shows considerable variation.

As a final note on the data, the ratings used were means for each hotel brand. We attempted to obtain the entire data set but it was not available. We had no way to determine the level of homogeneity for the sample because variance estimates were not given.

Analysis. Our goal was to create perceptual maps showing the relative positions of the various brands against each other and to examine any movement in a brand's position during the three years, as viewed by the business travel managers and agents. We analyzed the relative positions of the ten most-used

brands in each tier in the data published in 1990 and then compared those brands' positions in 1991 and 1992. Each analysis was conducted for 30 hotel brands (10 chains for each of three years in each market segment). We also analyzed the positions of the top two brands in each of the five tiers over the three years (another 30-brand analysis). In making the perceptual maps, however, we excluded the luxury tier due to an insufficient number of respondents.

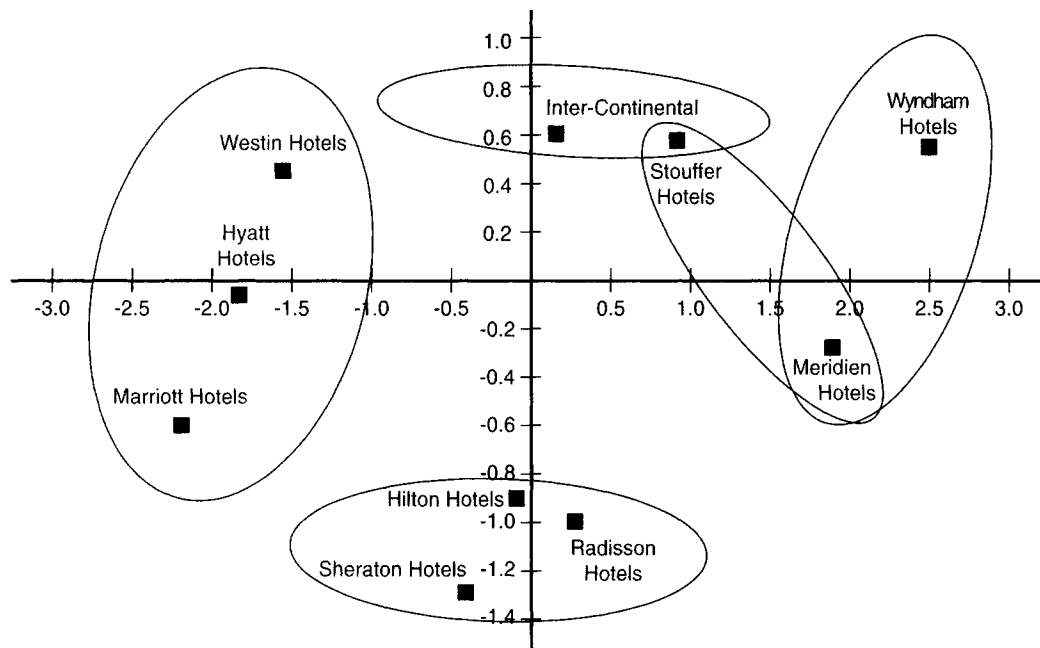
The outcome of our analysis was perceptual maps that revealed how each brand was positioned relative to its competitors and how each brand's position changed over the three years we studied. Our goal was more than simple description, however. We wanted to test statisti-

cally the changes in market position over time to determine the extent to which brands occupy the same perceptual space.

We applied probabilistic multidimensional scaling (MDS) algorithms to derive the coordinates for the perceptual map.¹⁸ Multidimensional scaling is a method of calculating similarities between objects on a set of attributes. The calculations result in coordinates that can be plotted on coordinate axes to form a map. The distances thus calculated give an indication of the extent to which the respondents view brands as similar.

¹⁸ See: J.O. Ramsay, "Some Statistical Approaches to Multidimensional Scaling," *Journal of the Royal Statistical Society, Series A*, Vol. 145 (1982), pp. 285-312; and M.L. Davison, *Multidimensional Scaling* (New York: John Wiley & Sons, 1983).

Exhibit 2
Relative market positions (this study):
Upscale tier, 1990



We obtained the MDS algorithms from the computer program "Multiscale," described in the box on page 55. The algorithms found in Multiscale require that some sort of distance matrix be applied. We used a dissimilarities matrix, created using the following Euclidean distance metric:

$$d_{ij}^2 = \sum_{k=1}^p (x_{ik} - x_{jk})^2$$

for chains i, j , and attributes $k=1, \dots, p$

The distances d_{ij} were then represented to the best extent possible on a two-dimensional map.

Positions of the firms or brands on the perceptual map can assist managers in identifying potential competitive threats and opportuni-

ties. The coordinates of a brand's location on X and Y axes reflect underlying composites of attitudes toward the brands among the survey respondents. It is important to bear in mind that the "distances" are in psychological space, measured in terms of customer perceptions and preferences rather than on differences derived from more objective measures.¹⁹

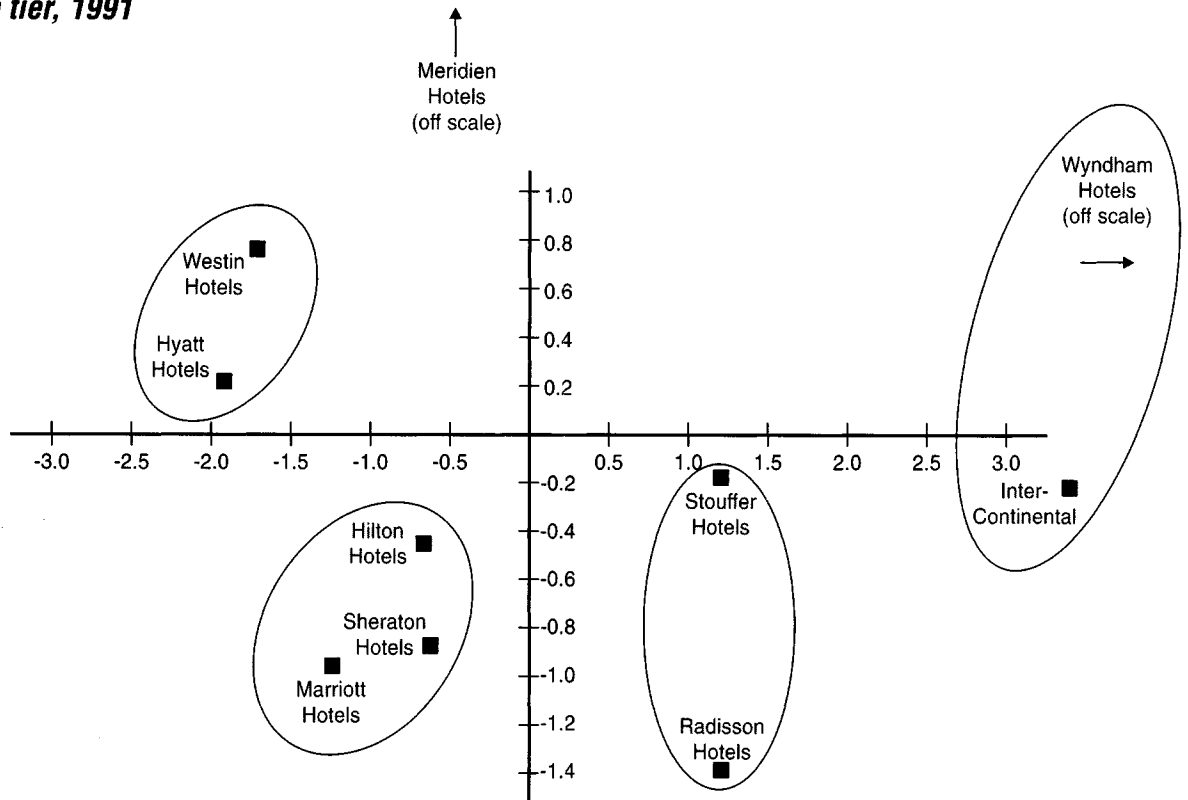
It is also important to note that the position maps are essentially value-neutral. That is, one spot on the map does not inherently have to be better or worse than another,

¹⁹The significance of psychological positioning is explored in: George Overstreet, "Creating Value in Oversupplied Markets: The Case of Charlottesville, Virginia, Hotels," *Cornell Hotel and Restaurant Administration Quarterly*, Vol. 34, No. 5 (October 1993), pp. 84-91.

except if a chain intends to be one place (with one particular competitive set) and finds itself at some other place. Perceptual maps can indicate how "close" one's brand is to competing brands. Brands that are positioned relatively far away from each other on the map are interpreted to be less directly competitive, while hotel chains that have nearby coordinates are considered to be strongly competitive with each other. The map also can identify open space, which is interpreted to be an available market niche either for repositioning existing operations or for a new entrant.

A frequent complaint about MDS is that the plotted points and distances are derived purely algorithmically, without respect to the probability distribution of errors

Exhibit 3
Relative market position (this study):
Upscale tier, 1991



in the space. We have applied an algorithm that conducts statistical tests of significance to ensure the points are, in fact, different. Such a test alleviates the concerns raised by the following questions. If the distance between two points cannot be perfectly reflected in a reduced two-dimensional MDS map, how is the error distributed? Moreover, how can one tell whether two points are really different from one another in a statistically significant way? Even points that look different may contain random error that makes them, in reality, not different.

Because we have the ability to test for the significance of differences between points on the perceptual map, we can determine which chains have positions that are at significant distances from each

other. We can also tell whether a movement by a brand from year to year is significant. The benefit of using probabilistic scaling is that it allows one to focus only on position differences that are statistically significant. Such an approach clears much of the clutter surrounding position differences.

The outcome of the calculations is a set of points on a map. The location of each hotel brand is depicted according to how customers perceive them on the attribute dimensions in the graph in Exhibit 1. Although the brands are arrayed on coordinate axes, their positions in relation to the axes (and attributes) themselves are less important than their positions in relation to one another or the change in a brand's own position from one year

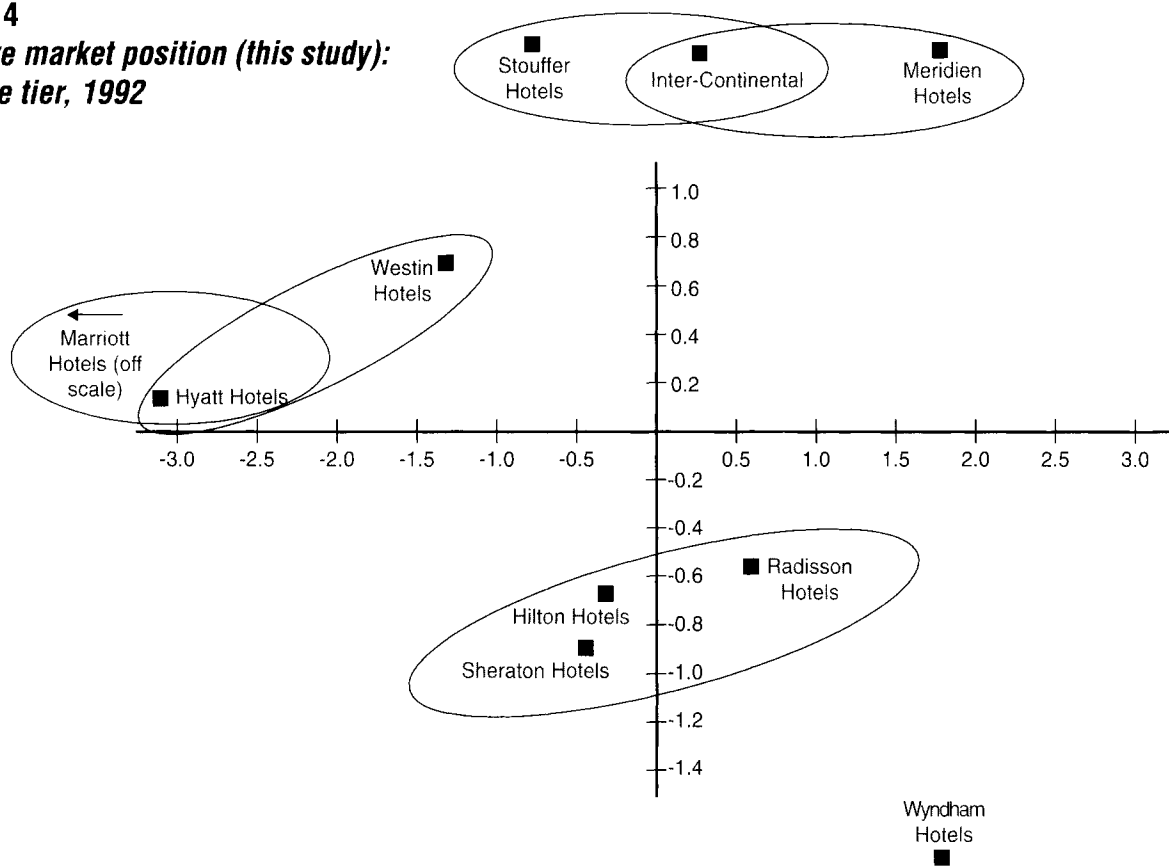
to another. Changes in perceptual distances experienced by a brand over time that are statistically significant we term "direction," while changes that involve motion that is not statistically significant we term "drift."

Cartography

Statistical tests allow us to examine whether the points on the coordinate axes shown in Exhibit 2 are at a significant distance from each other. (Note that Exhibits 2, 3, and 4 can be overlaid on Exhibit 1.) The differences shown in two dimensions may actually be larger in three dimensions. The circles drawn around the points on this map depict clusters of points that are not at statistically significant distances from each other. So, for example, the

Exhibit 4

Relative market position (this study): Upscale tier, 1992



map of the 1990 data (collected in 1989) makes it appear that Stouffer's position was considerably different from that of Meridien. The statistical tests showed otherwise, as indicated by the circle around those two chains. Likewise, there was no significant difference in the perceived positions of Wyndham and Meridien. However, the distance between Wyndham and Stouffer is significant.

Viewed another way, the business-travel managers and travel agents in the 1990 survey viewed Hilton, Radisson, and Sheraton as competitive brands whose essential positions were not particularly distinct from one another. Hyatt, Marriott, and Westin formed another competitive group, with a position significantly different from that of Hilton, Radisson, and Sheraton, but not from each other. This map provides a baseline against which to compare the other two.

Changes coming. The 1991 data (collected in 1990) may reflect the results of the severe recession that began in 1990. This map (Exhibit 3) allows two levels of analysis. First, we can once again compare the chains' relative positions against each other. We can also compare the positions of each chain in 1991 with its 1990 position. Indeed, there was considerable movement in managers' and agents' perceptions of the chains' positions. For instance, Marriott has "moved" out of its former competitive group with Hyatt and Westin to be more competitive with Hilton and Sheraton. It is interesting that none of those other four chains moved substantially from 1990 to 1991. The movement of Meridien and Wyndham was substantial.

1992. The data published in 1992 record the positions hotel brands held in the nightmare year of 1991, when it appeared that the industry

would never recover from the effects of war, overbuilding, and recession (Exhibit 4). Ironically, the competitive clusters found in the 1992 data are similar to those in the baseline 1990 chart (Exhibit 2). Hilton, Westin, Sheraton, and Hyatt, remain fairly consistent. Marriott has moved substantially but is again viewed as competitive with Hyatt, albeit not with Westin. Likewise, Radisson is once again viewed as competitive with Sheraton and Hilton.

Chain Movement

The perceptual maps give us an idea of how individual brands did or did not attempt to change customers' perceptions of their positions. The maps capture the movement of individual brands from year to year based on customers' perceptions of differences among the chains, which the attribute arrows help to illustrate. The decisions the companies

make to emphasize one or another discriminating dimension shifts their position in the minds of their customers.

In the 1990 map, Stouffer is on par with Inter-Continental on price and product quality, but in 1991, customers' price-value perception of Stouffer moved it away from Inter-Continental's competitive set, a movement that reversed in 1992 following considerable advertising, acquisitions, and product upgrades. Marriott moved downward on the cost scale between 1990 and 1991. The chain responded to the hotel industry's recession (and its own real-estate-driven difficulties) by emphasizing the economic dimension—particularly its incentive programs. As examples, Marriott beefed up its frequent-guest and corporate-discount programs and courted travel agents and managers by guaranteeing commission payments in 30 days. By 1992 that focus was softened and the chain moved to compete more with Hyatt and less with Hilton and Sheraton. For its part, Hyatt maintained a fairly consistent position during the entire period.

Managerial Implications

Managers should monitor the implications of their marketing strategies. They need to examine the attributes that customers use to differentiate one hotel brand from another, checking the dimensions on which that position is based for both their own brand and their competitors. Ratings such as those by *Business Travel News* can give marketing managers an indication of the effectiveness over time of the brand's marketing strategies in positioning against the competition.

Such an approach will prevent hoteliers from making the mistake of presuming a competitive set based only on physical attributes. Two similar-appearing hotels may or may not actually compete directly against

Basic points of probabilistic multidimensional scaling (Multiscale)

(1) Points are located in Euclidean space based on variable ratings (in this case based on perceptions of product attributes), and fitted to a two-dimensional perceptual map. Interpoint distances are calculated.

(2) The differences between true and fitted interpoint distances (errors) are compared using statistical tests of whether those distances are due to random chance or whether they are statistically significant.

(3) All distances are considered positive (absolute value). Statistical tests are based on the assumption that variables have a normal (log-normal) distribution, as depicted in the curve below.

(4) Any extreme values (outliers) must be transformed. Before applying a Multiscale fitting to these distances, the outliers must be smoothed out so that the final graph shows a more log-normal distribution.

(5) Finally, z-tests are applied to interpoint distances, testing whether those distances are significant at the $p < .05$ level.—M.S.M.

each other, and all upscale hotels are not necessarily part of a given competitive set. By developing a perceptual map, marketing managers can determine which brands are actually in the competitive set.

More important, by maintaining the perceptual map over time, managers can assess whether changes in the brand's marketing strategies are causing the hotel's position to change. Changes in position should be intentional and not accidental, lest a brand find itself competing in a set that puts it at a disadvantage. On the other hand, intentional changes in the competitive set can make sense. Marriott's \$49-room program, for instance, substantially changed its position on the 1991 map, compared to 1990 and 1992. For that time, the brand moved out of one competitive group and into another one. Our data set does not give an indication of intention, but we may infer that Marriott's move was a deliberate strategy.

While the technique in this example is based on historical data, the lessons of how a hotel's position moves as a result of operating or marketing changes—intentional or unintentional—can be used for future strategic planning. In 1992 Ramada launched an advertising campaign with the following positioning statement: "Ramada's in,

Holiday's out." Ramada's president Stephen Belmonte explained the strategy as one of positioning Ramada close to Holiday Inn in the customer's mind, or, in other words, to position Ramada with Holiday in the customer's consideration set.²⁰ The strategy was chosen, Belmonte said, because Ramada was a "sleepy and stagnant company" with an "identity crisis," and was falling out of favor as a mid-market brand.²¹ According to Scott Deaver, Ramada's vice president of marketing, the objective of the campaign was for "Ramada to be part of a 'competitive pair' with Holiday in the same way that Reebok and Nike, Burger King and McDonald's, or MCI and AT&T are competitive pairs." In commenting on the results of the campaign, Deaver noted that there was no way of knowing whether the campaign achieved its objective of having Ramada considered with Holiday.²² Using the technique presented in this article, however, would help determine whether that objective was achieved. **□**

²⁰ Aaker, pp. 56–62; also see: Michael S. Morgan, "Travelers' Choice: The Effects of Advertising and Prior Stay," *Cornell Hotel and Restaurant Administration Quarterly*, Vol. 32, No. 4 (December 1991), pp. 40–49.

²¹ Phillip Swann, "Raging Belmonte," *Lodging*, Vol. 70, No. 10 (June 1992), pp. 28–29.

²² Jim Galb, "Taking off the Gloves," *ASTA Agency Management*, August 1993, p. 95.