

Brands

Brand standards ‘reset’ by COVID-19 but won’t fade

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The conversation about brand standards is not an easy one at the moment, with owners short on cash and demand low, while the brands’ top lines often are dependent on revenue streams deriving from those standards.



By **Terence Baker**

tbaker@hotelnewsnow.com

@terencebakerhnn

REPORT FROM EUROPE—As hoteliers consider a move to new brands, the conversation around brand standards is centered on what is functional for guests, not the brands themselves.

Brand executives are not averse to employing practical considerations during a crisis, but the end goal is to revert to and improve those standards.

Hygiene levels have always been part of those standards, but improved levels are set to move up the list of those standards that do not allow much compromise, if any, sources said.

One [set of landlords who might be having this conversation](#) right now include those deciding whether to end their contracts with Travelodge (United Kingdom), following the hotel chain’s recent business reorganization.

“If we look at this brand conversion of Travelodge to a new era of hotels, what is going to be necessary to convert this to a new brand era is a focus on functionality, and that means what is functional for guests,” said Thomas Magnuson, co-founder and CEO of Magnuson Hotels.

He said hotels have moved back into the world of Maslow’s Hierarchy of Needs—that humans initially prioritize needs such as food, warmth and safety, but

that as wealth and leisure improve, those needs move more into the realm of consumerism.

“Everyone has been really reset,” Magnuson said, who added his own brand’s standards will now focus on contactless check-in, keyless entry and functional room electronics, among others.

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Matthew Pohlman, partner and head of hotels at law firm Goodwin Proctor, said there has always been a rigorous debate around brand standards as any move away can be a real challenge to the franchisor’s top line.

“The tension is real, and operators need to be very careful and cautious about how dogmatic they are,” he said.

Piers Schmidt, owner of upscale- and luxury-hotel business advisory Luxury Branding, said a conversation is definitely required, and it would be a “very relentless brand or franchise system that is not conscious of the hardships landlords are facing.”

The question is “how to give them some room and breathing space in which to survive, which is in your interest, too,” he said. “There is a mutual interest in survival and also in [doing the right thing at the right time](#), so as not to lose customers.

“Like everything in life, it is about balance, a mature conversation as to what can be sacrificed and what can be maintained. The big question is, does the industry use (COVID-19) as an excuse to fundamentally change the nature of the relationship.”

Magnuson said there are wins that can be done right now that are obvious amid a pandemic.

“The industry will have to further move into where everything is fully integrated with guests’ personal technology and further away from extraneous, nonessential brand standards that many of the brands still require,” he said.

Others agree branding priorities have shifted.

Robert Godwin, co-founder of hotel brands [Room2 and Room2 Lite](#), said his take on branding is always to be flexible and allow the building to show its character.

“Each (of our hotels) is a one-off. There are minimum standards that need to apply, and then the rest of it is up to the hotel,” he said, adding brand standards are also changing as younger guests increasingly prefer to associate with younger, small brands.

Authenticity has peaked during this year of COVID-19, Godwin said.

“They want quality and product before profit. The social aspects are important among a group who I see as purpose-driven,” he said. “Yes, the power of big brands cannot be overstated, but I believe to get brand recognition, we have to invest in an authentic manner.”

The large hotel chains are far from falling behind in this respect, said Steven Taylor, chief marketing officer and chief commercial officer at Accor. Independent hoteliers are busy looking for brand comfort, and the French hotel firm’s six conversion brands are currently responsible for 42% of its pipeline.

“New owners are looking for distinctive lifestyle brands that have a distinctive attitude, flexibility (but) not the requirement to invest huge amounts of (capital expenditure),” he said.

Arresting the fall

Schmidt said hoteliers need to be aware that a brand agreement won’t solve everything immediately in such a historic period of industrywide disruption.

“Even in luxury (hotels) there are owners who do not have reserves,” he said. “There is never utter perfection, but without brand standards then, there is nothing but a slide down to the bottom.”

Schmidt said there were new costs and squeezes for both sides, and the conversation will inevitably change the longer the crisis continues.

“What we will see is a test of relationships. Inevitably this kind of tension will lead to dispute, and there is a lot of pressure to only think short term—payroll this month, (value-added taxes) this quarter,” he said.

Guests are watching what hoteliers are doing during this crisis, he added.

“Consumers today are incredibly conscious, hyper-exposed to quality and quite quick to notice when shortcuts are taken,” Schmidt said. “If VAT is not coming back to us and the quality is down, we’ll notice. Diluted? We’ll deal with that, as long as it is well-communicated, which is another side of branding.”

Taylor said consumers are mindful about the incredible financial challenges in the travel industry.

“We have gone through a process of renewing brand standards, not operational ones such as safety, and moved about 50% of brand standards to optional ones to reflect the current situation,” he said, adding that robust and transparent conversations lead to better relationships.

In September, [Accor](#) reorganized its structure to create eight global hubs to be closer to owners and operators.

“We have forced ourselves to focus on what is critical to the consumer and to give GMs choices based on the needs of the business,” Taylor said. “We are not compromising consumers. Trust your GMs and hub teams based on consumer needs and conditions on the ground.”

Looking at branded assets on a case-by-case basis has resulted in “amazing opportunities” as owners see Accor is invested for the long term, he said. One of its priorities is that hoteliers need to connect more with guests in ways that are “authentic, humble and purposeful.”

“We have reappraised our entire way of engaging on social media, and we are looking to add value wherever we can, but not to bombard anyone with superficial content,” he said.

Hospitality has shown it has a heart and soul, [unlike the tech giants](#), which have been absent, Taylor added.

Some hoteliers will not have to change any brand standards.

Schmidt said the luxury hotel pipeline is robust and likely will not be too affected by the crisis as from acquisition to opening often is a five-year cycle.

“Some owners have very deep pockets and have always been dreamers to some extent,” he said. “The optimist, who believes in that asset class for more than commercial reasons, and is not deterred for now.”

