



Article Title

HOTEL BRANDING STRATEGY: ITS RELATIONSHIP TO GUEST SATISFACTION AND ROOM REVENUE

Citation

O'Neill, J. W., & Mattila, A. S. (2004). Hotel branding strategy: Its relationship to guest satisfaction and room revenue. *Journal of Hospitality & Tourism Research*, 28(2), 156-165.

Abstract

U.S. hotel brands and international hotel brands headquartered in the United States have increasingly evolved away from being hotel operating companies to being brand management and franchise administration organizations. This trend has allowed for the accelerated growth and development of many major hotel brands and the increasing growth of franchised hotels. There are numerous strategic implications related to this trend. This study seeks to analyze some of these strategic implications by evaluating longitudinal data regarding the performance of major hotel brands in the marketplace, both in terms of guest satisfaction and revenue indicators. Specifically, the authors test whether guest satisfaction at various U.S. and international brands influences both brand occupancy percentage and average daily room rate 3 years later. In addition, the authors investigate whether the percentage of franchised hotel properties influences both guest satisfaction and occupancy 3 years later. Also, they test whether overall brand size has a positive or detrimental effect on future hotel occupancy. Finally, whether the change in guest satisfaction for hotel brands effects the change in average daily rate during the same 3-year period is tested.

Conclusion

This study raises several important long-term strategic issues regarding hotel brand growth, and particularly growth through franchising. Although larger brands and brands with higher levels of guest satisfaction have higher occupancy levels, brands with a higher percentage of franchised properties experience lower occupancies. Franchisors must make strategic decisions regarding addressing the balancing of the guest need for service versus the brand need for franchise fee revenues. As this study indicates, this balancing act is a crucial one for hotel franchisors. Although the generation of franchise fees is a vital short-term goal for any franchisor, guest service has a long-term effect on the overall health of O'Neill, Mattila / HOTEL BRANDING STRATEGY 163 hotel brands, at least in terms of future brand-

occupancy levels. Consequently, the aggressiveness with which brand management disciplines and/or eliminates franchisees who are providing relatively poor guest service may have serious implications regarding not only the future reputation, but also the actual future performance of the entire brand