

Challenges of Hotel Branding. An Overview of the Romanian Seaside Hotel Industry

Andreea-Daniela Moraru
"Ovidius" University of Constanta
amoraru@univ-ovidius.ro

Abstract

Brands have well-known advantages for companies, from ensuring product differentiation to the much appraised and hard to gain brand loyalty.

Due to the particular features of services, service branding requires specific attention, and although it was given less consideration than product branding in the dedicated literature, during the past years a certain amount of attention was also bestowed on service branding.

The highly competitive environment of hotel industry has claimed use of brands and brands have become vital to their marketing strategies. In the hotel industry, brands have become quality cues and have gained their place among the factors the purchase decision is based on.

The paper is aimed at presenting several facets of branding in the hotel industry, and at briefly asserting the current state and challenges faced by the Romanian Seaside hotel industry related to branding.

Key words: branding, hotel industry, Romania

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1. Introduction

According to the American Marketing Association, a brand is a "name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers" (American Marketing Association).

The advantages of a strong brand include product differentiation which may lead to repeat purchases and increased financial performance, a smoother introduction of new products based on the customer familiarization with the brand, an augmented effectiveness of promotion, and ultimately, the much appraised brand loyalty.

Due to the particular traits of services (intangibility, overlapping of production and consumption, variability, close dependence with the person producing/delivering the service) branding in the service sector acquires rather complex facets and raises various issues for brand management. At the same time, while branding for tangible products has received a great deal of attention from both practitioners and academics, branding for services has been given considerably less attention. It has been acknowledged though that service brand names may be quality cues, considering that service purchases are perceived by consumers as involving greater risks than tangible goods purchases. Although in the branding dedicated literature service branding remains rather the *poor cousin*, with much effort and consideration awarded to tangible goods branding, during the past years, attention has been dedicated also to the implications and issues of service branding. Moreover, it has been asserted that consumers may be more brand loyal with services than with products, since changing brands of services may prove more costly, awareness of substitutes is limited, higher risks may be associated with services, and last but not least, it may lead to maximization of customer satisfaction due to seller gaining knowledge of customer's tastes and preferences (Zeithaml *et al*, 2006, pp.68-69).

In the highly competitive environment of the hotel industry, brands become vital elements used by brand managers in order to attract and maintain customers, and an appropriate branding strategy

can make a difference. It has been acknowledged that customer perception of a hotel's brand name influences their hotel-stay decision (Jiang *et al.*, 2002, p.5).

However, creating a suitable branding strategy can prove to be rather challenging and this is the case for the Romanian seaside hotel industry, where only a small number of hotels can claim that they have implemented a coherent and sustainable branding strategy.

In this paper, there will be presented several general considerations regarding branding in the hotel industry, followed by the portraying of the main challenges faced by the hotel industry on the Romanian Seaside as far as branding is concerned.

2. Branding in the Hotel Industry – General Considerations

In the hotel industry, branding encompasses great significance both from the point of view of the marketer, being one of the pillars sustaining the marketing strategy, and from the point of view of the consumers, as it is regarded as a quality cue.

Branding is considered as one of the dominant trends in the global hotel industry. Brand penetration in the ratio of branded vs. non-branded properties is over 70% in the commercial lodging industry in USA, in Canada it is just under 40%; and in Europe it is under 25% but growing. Moreover, branded hotels tend to outperform comparable non-affiliated properties in most markets according to performance indicators (Forgacs, 2014).

The main factors describing the significance of branding in tourism include: the positive image of established names which crosses national borders, the perspective for repeat business which is an important source of income, the importance of brand recognition in a dynamic environment with a high rate of new brands introduction, the impact of brand choice on marketing mix strategies, and the possibility to gain brand loyalty, given that customer loyalty in tourism is difficult to establish (Moutinho, 2000, pp.144-145).

In the highly competitive market of the hotel industry a recognized and well-established brand may become a critical competitive advantage. Should one take into account also the higher risk perceived by consumers in the case of service purchases, the costs, and the more cautious attitude generated by economic constraints, branding becomes a central pillar of marketing strategy.

While the advantages of strong brands in the hotel industry for both companies and consumers cannot be denied (brands help customers identify services, they become synonymous with a certain quality level, contribute to company image creation, enable visibility and prestige, help customers make fewer price comparisons, contribute to diminish customer's perceived risk, facilitates new market entry and market segmentation, contribute to building up company market position), creating and managing strong brands in the industry proves to be a demanding endeavour. Due to the particular features of services, branding requires association with the tangible components, such as people producing or being related to the service (Cravens and Piercy, 2006, p.266).

Another challenge in service branding relates to the idea that if in the case of tangible goods, the product is the primary brand, in services the company becomes the primary brand (Berry, 2000, p.128).

The service brand is more than a name; it represents an intrinsic part of the company image and plays an important role in establishing the uniqueness of the company image. Moreover, a different light is casted on building company image in service industries due to the increased significance of word of mouth advertising (Moutinho, 2000, p.146).

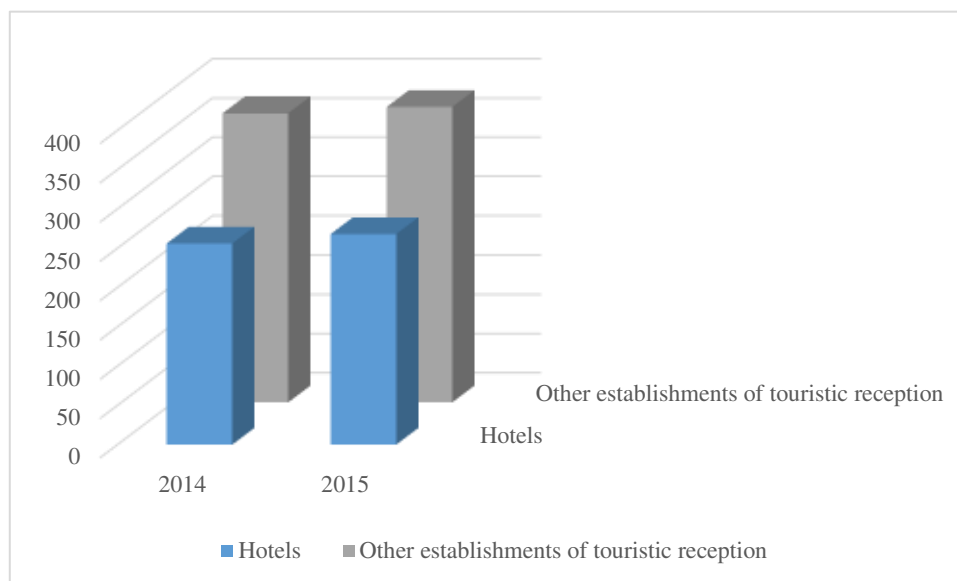
In the hotel industry brands become a strong liaison between company and customer, and eventually brand represents the consumer's experience with its organization (O'Neill and Mattila, 2010, p.28). Under these circumstances, it is only natural to assume that companies strive to improve customer experience up to the point where they become memorable (Gilmore and Pine, 2002 in O'Neill and Mattila, 2010, p.28).

3. The Romanian Seaside Hotel Industry - Challenges for Hotel Branding

According to the Romanian Statistical Yearbook 2015 (p.643), in 2014 the establishments of touristic reception with functions of touristic accommodation on the seaside accounted for 11.25% of the total establishments at national level, while the existing capacity accounted for 26.86% of the total national existing capacity.

From the total number of establishments of touristic reception with functions of touristic accommodation on the seaside, hotels however represent less than a half (approximately 41% both in 2014 and 2015, as may be observed in Figure 1). The other establishments include hostels, campings and houselet-type units, touristic villas and bungalows, touristic boarding houses, touristic halting places, and school and pre-school camps. One can effortlessly assume that most of the above mentioned establishments do not have an actual marketing strategy, but instead use a small (if any) number of disparate marketing tools, focused on promotion.

Figure 1. Hotels and other establishments of touristic reception with functions of touristic accommodation on the Seaside



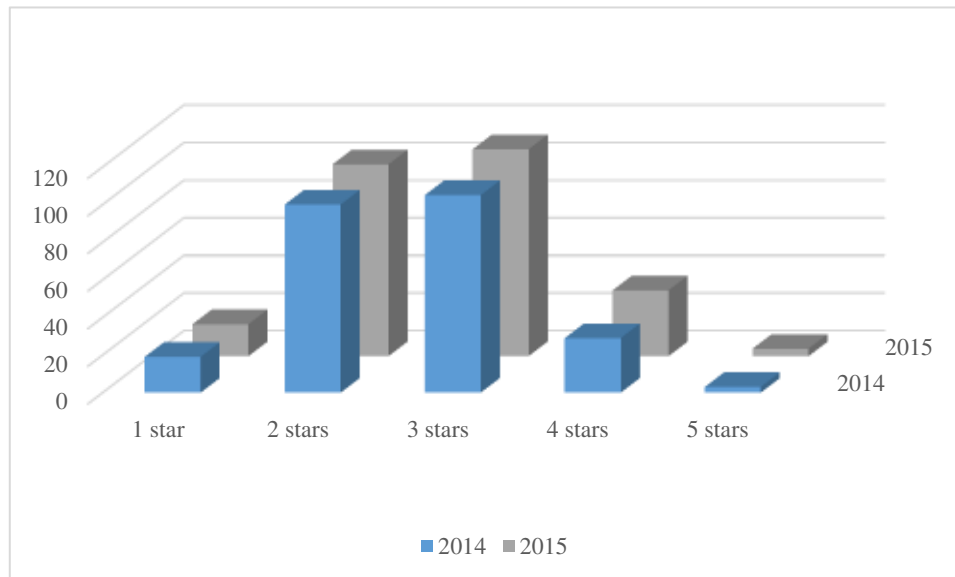
Source: (Calculated based on data provided by the County Statistical Directorate – Constanta, 2016)

*Note: Only establishments of touristic reception with functions of touristic accommodation located in the Seaside tourist resorts according to the national legislation

Most hotels located on the Romanian Seaside, that is approximately 80%, are two and three star hotels, and less than 2% are five star hotels (Figure 2). The very reduced number of high-end hotels and the large number of low rated hotels give further hints toward the incipient stage of hotel branding in the Seaside hotel industry.

Moreover, only 1% of the hotels fall under the heading of international hotel chain brand names.

Figure 2. Classification of hotels on the Seaside in 2014 and 2015



Source: (Calculated based on data provided by the County Statistical Directorate – Constanta, 2016)

*Note: Only hotels located in the Seaside tourist resorts according to the national legislation

Among managers in the industry, the perception of the utility of marketing is different. At one end, and that is unfortunately still the case of many hotels, a crucial issue is the lack of awareness regarding the importance of developing a coherent marketing strategy and subsequently a branding strategy; a considerable number of hotels do not even have a marketing department. Instead, the upper management is still blissfully unaware of the benefits they can obtain by transforming their “one time customers” in “regular customers” through brand loyalty. Alternatively, they focus on sales and strongly rely on tourism agencies and hotel booking websites.

At the other end, there are the hoteliers that have accepted the importance of marketing and of developing medium and long term marketing strategies, but are confronted in their endeavour with other difficulties. One such difficulty refers to financial constraints. The development of a brand takes time, effort and involves costs, some more substantial than others, from the creation of a suitable brand name, to its registration with the State Office for Inventions and Trademarks, to building a strong branding strategy, and durable brand management. Not to mention that they would also need marketing managers or independent consultants able to complete the task.

Acknowledging the role of quality cues played by brands, another difficulty to face is that of ensuring and communicating an adequate and constant level of quality for the delivered services. The quality of tourism services in Romania is an over-debated subject, but unfortunately many times with a negative connotation. In direct relation to service quality there is the issue of human resources involved in production and delivery of service. The very short tourist season, in the recent years of less than two months (from mid of July to the end of August), has put extreme pressure on the industry to find and retain qualified personnel. And that is probably one of the most important challenges faced by the industry in the attempt at branding – human resources are an intrinsic part of the service, and service brands are closely associated with people producing/delivering the service. On the other hand, from the point of view of the consumer, brand perception is dependent on tourist experience; the reduced length of the tourist season translates into several unpleasant consequences for the tourist, unrelated to the hotel services *per se* – from the congested traffic, to the overcrowded parking lots, attraction sites, restaurants, and beaches.

One also has to admit that in building hotel brands, the managers do not benefit from the support of a strong destination brand. The Seaside resorts are associated with more or less attractive attributes for different segments of consumers, but that is far from what destination branding should stand for.

4. Conclusions

Brands encompass numerous and obvious advantages for companies and are extremely useful tools in the development of marketing strategies. That is also the case in the hotel industry, where brands contribute to company image creation, increasing its visibility and authority, facilitate new market entry and market segmentation, contribute to building up company market position, and eventually to increase revenues. The present paper aimed at reviewing the most relevant challenges faced by the industry in creating and managing brands, and at briefly presenting the critical aspects the hotel industry on the Romanian Seaside is confronted with, regarding hotel branding. The most striking matter regarding the Romanian Seaside hotel industry is the astonishingly reduced number of international hotel chain brands and the high share of one and two stars rated hotels. Furthermore, notable issues refer to the lack of awareness as to the potential benefits of strong brands, the low interest for developing coherent and sustainable marketing strategies, while confronted with the inherent downsides of seasonal activity.

5. References

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