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HAC: The Future of Brands



The leadership panel from left: Phil Cordell, Hilton; David Larone, CBRE, moderator; Heather Balsley, IHG; David Tarr, Hyatt; and Don Cleary, Marriott.

By Colleen Isherwood, Editor

TORONTO — An all-star lineup of brand leaders faced off as the grand finale for the Hotel Association of Canada's 25th conference, saying that brands are changing but are here to stay.

Moderator David Larone of CBRE characterized 2016 as "a series of crazy takeovers," and asked leaders of five major brands what they thought about the motivation for brand consolidation.

Don Cleary, president of Marriott in Canada, said his company saw the acquisition of Starwood as "a once in a generation opportunity. We felt it was a good price. Another big factor was the competitiveness of our industry groups in distribution now. Size and scale matter and help us to be competitive."

Marriott has added five chains over the previous eight years, including Gaylord Hotels, which provided access to the convention and entertainment multiplex sector, which Marriott did not have. Delta provided access to cities in Canada that Marriott did not cover.

"We've got some digesting to do," Cleary told the conference. "But I wouldn't rule out another geographic move in another part of the world."

Similarly, Heather Balsley, SVP, Americas Brands and Marketing for IHG, said their acquisition of Kimpton filled gaps in IHG's brand portfolio, since Kimpton had a strong position in the boutique space. She noted that Kimpton could also benefit from IHG's distribution network.

"It's all about scale," said Phil Cordell, global head, Focused Service Brands, for Hilton. "It's part of ensuring support of our customers across a broad spectrum of brands."

David Tarr, SVP, Real Estate and Development for Hyatt, noted that at one tenth the size of the other hotel groups, with 650 hotels, "we're never going to catch up and have no aspiration to catch up." The key concept for Hyatt is "purpose-driven growth."

Tarr pointed to the acquisition of Miraval as an example of one of Hyatt's purpose-driven moves into adjacent spaces. Hyatt acquired resort and spa operator Miraval Group in January as a health and wellness offering, and is considering rebranding some of its resorts and spas with the Miraval or Life in Balance names.

Larone's comment on scope and scale put it all in perspective. "If we look at Expedia — the marketing capital of Expedia — even if we put all of [the panellists' companies] together, all of you wouldn't be there." He asked panellists if they thought they had enough scale to coexist with the OTAs.

"We don't view it as a zero-sum game," said Tarr. "Intermediaries are a very important distribution source for us, as an entree for new customers. True brand loyalty is for us. Our customers like to look around — we don't view them as a competitor."

Balsley added that the scale of the OTAs does put a much higher burden on branded hotels to create a great experience. "We own the hotel experience," she said. "Expedia may own the initial transaction, but we create the experiences."

Asked if all the brand consolidation is confusing for the customer, Balsley said it depends of the customer and the company. "The most frequent business travellers are choosing between the brands in a portfolio for different experiences."

Cleary, whose company, Marriott, now has 30 brands, said, "some customers are very brand loyal and love that brand. We use psychodemographics when we design the brands. The power of loyalty means a lot of customers don't care what SPG markets — they're loyal to the program."

"Each brand has different table settings," said Cordell. "We do everything we can do from the brand point of view, and we provide a unique local experience so that they are loyal to us. Airbnb is in the lodging business, not the hotel business."

Tarr noted that younger generations are shifting from acquisition of things to acquisition of experiences — making way for lifestyle and boutique styles of branding. "Airbnb can't offer the care and trust our brands offer," he said.