

# Rosewood hotel and resort corporate branding

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The guest retention rate when the corporate brand strategy is executed is estimated to be 21.67% compared to the individual branded strategy of only 16.67%, this is an increase of 30%. Additionally, the move to corporate branding will increase the net present value (NPV) of the CLTV from approximately \$379 to \$461. The NPV is different than the CLTV infinite lifetime calculation in that the NPV considers the average marketing expenses per guest whereas the CLTV does not.

However, the NPV does not consider the average guest retention rate while the CLTV does (Atrill, 2009). Based on the increase in customer CLTV as well as the increase in retention rate the net profit is estimated to increase by \$9 million which alone is a strong argument however a holistic approach taking all considerations and issues into account is necessary. It can be suggested that customer equity is an effective way to value Rosewood as the long-term profitability is closely related to customer loyalty.

As an example, a sensitivity analysis was performed on average number of visits per year per guest. If this number is reduced from 1.3 to 1.0 due to the Rosewood corporate branding strategy, the CLTV is reduced to \$406. With this in mind, it should be mentioned that though Rosewood assumes the number of multi-property guest will increase to 10% and thus causes the average number of visits per year per guest to increase from 1.2 to 1.3 it might not be so (Dev & Stroock, 2007).

It needs to be taken into consideration that existing guests might be lost during the transformation since guests are emotionally attached to the current individual properties due to their relatively strong brand position. It

can thus be argued that the decrease in guests might lead to a continuous average number of visits per year per guest on 1. 2. The amount of multi-property guest stays is anticipated to double, from 5% to 10%. However, it should be noticed that the multi property guest rate will increase over time rather than instantly.

It can be assumed that the Rosewood management should not expect to get a rate above e. g. the Four Seasons Hotels (9% in 2000) or the Orient-Express Hotels (5% - 10% in 2002) in the near future as they are both established corporate hotels in the industry (Dev & Stroock, 2007).

Rosewood should approach the corporate branding strategy with caution as some stakeholders value the importance of differentiation greatly including the Sense of Place philosophy that reflects the local character and culture of each property (Dev & Stroock, 2007).

Employees might be concerned that the transformation to a corporate branding strategy will destroy the uniqueness and individuality of each property. If this is not taken into consideration, but instead ignored, it might put the guest retention rate at risk. This gives Rosewood an opportunity to include its Sense of Place philosophy into their corporate brand strategy and thus differentiating its properties from traditional corporate luxury hotels like The Four Seasons and Ritz-Carlton whose uniformity is a part of their brand experience and uses the multi-product branding strategy (explained previously).

Rosewood has to ensure that it provides the same level service across all hotels, but at the same time allowing each property to cater to the local

character and culture (i. e. Sense of Place). This might be a very difficult balancing act, and Rosewood should be very conscious when they implement the corporate branding strategy (O'Neill ; Mattila, 2009). Before making any step towards developing the corporate brand, Rosewood needs to reinforce the personality of the brand and readapt it to the new corporate image.

There exist a great deal of evidence that suggest that consumers have a clear perception of what type of person a specific brand would be if they would come to life (Chernatony et al. , 2011). E. g. The Four Seasons might be regarded as an elderly man wearing expensive suits that live a life characterized by routines and repetition, someone very reliable but who rarely surprise. Conversely, Rosewood might be viewed as a smart modern person who follow trends and adapt to the environment he is in.

He likewise wears expensive clothes but might surprise in regards to exactly what (Kayaman ; Arasli, 2007). Values are powerful forces influencing the behaviour of guests. Chernatony (2011, p. 137) defines values as: “[...] a lasting belief that a particular type of behaviour, for example being honest or courageous [...] is worth striving for”. Value-added brands offer more benefits than competitors’ brands and for that reason a premium price can be charged. Value-added brands do not succeed only through functional distinction.

A strong image or emotional set of value can be equally powerful competitive advantages (Chernatony et al. , 2011). Functional value reflects the value a guest perceives from the Rosewoods functional capability (Chernatony et al. , 2011). This would be Rosewood’s ability to enhance a

property's value by creating unique, one-of-a-kind properties with a small ultra-luxury residential style that distinguishes it from other chain-like luxury competitors (Dev ; Stroock, 2007, p. 2). The Emotional value is the brands ability to arouse particular feelings.

Rosewood has been very successful to do so with its Sense of Place philosophy (Chernatony et al. , 2011). The unwillingness to implement a corporate branding strategy from various guests can be seen as an effect of the success of emotional value that Rosewood has created for itself.

Rosewood's constant strive towards perfection by commitment, ambitions and hard work (Dube ; Renaghan, 1999, p. 2) reflects its Social values and association with a specific type of guests which have the same ideals.

If implementing the new corporate brand strategy, it is important to maintain the same social values of the brand as guests to some degree might be buying the Rosewood values and brand to symbolise and assert prestige and status more than anything else. This is also referred to as conspicuous consumption and is likewise apparent in regards to the emotional values.

The symbolic value of brands operates in a repeated process. People form ideas about the symbolic meanings of a brand from e. g. advertising. The symbolic interpretation of brands varies according to the type of person the meaning is thus not the same throughout the target market.

Furthermore, the symbolic values of a brand give consumers more self-confidence and act as a guide to understand other people. Epistemic value is the utility a guest perceives when trying a new brand. E. g. if a guest by curiosity tries a Rosewood property just to experience what it might be like,

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furthermore, it should be noted that at these points Rosewood has the opportunity to convince competitors' guests to shift to Rosewood hotels. The Conditional value reflects the perceived worth from a brand in a specific situation.

This is not relevant since the Rosewood hotel should be considered a great experience and a first class hotel at any time and not just under specific circumstances. Shared values Individual properties of Rosewood might have slightly different values which if implementing the Rosewood corporate brand strategy will mean that one set of values needs to be established. If senior management were to dictate the new corporate brand values to their staff, this might not only constrict growth, but could create internal tension as a result of the degrees of value misalignment (Chernatony, 2002).

The successful corporate branding of Rosewood should be characterized by participative approaches whereby senior management provide guidance about their corporate brand's values, but find mechanisms to engage employees in debates about their values to encourage a common agreement. According to Chernatony (2002, p. 119) " employees are not passive participants who absorb management edicts and pass these on to customers. Rather they interpret messages, become inspired by particular visions and create a brand atmosphere as they work with external stakeholders".