

BC³ White Paper

Leaders in experiential branding

Luxury and the hotel brand

Laurence Bernstein has been at the forefront of understanding, branding and delivering differentiated experiences in the hospitality industry since 1996. This paper is excerpted from a report on the study first published in the Cornell Quarterly in 1999.

SUMMARY

- **What is luxury, and how it is experienced**
- **Why traditional approaches to delivering luxury are becoming irrelevant to younger travelers**
- **The difference between “modern luxury” and “traditional luxury”**
- **Advertising luxury**

Marketers of high end and upscale hotel brands are gradually coming to grips with the fact that there is a difference between “traditional luxury” and “modern

A quick look at hotel brand advertisements in any business publication certainly gives the impression that hotel brand managers have a pathological need to see themselves and their brand in the “luxury” category. The exceptions to the rule are a few mass brand companies that understand, like Motel 6, that it’s not a bad thing to be the Wal-Mart of the hospitality industry. Of course, Holiday Inns first understood the importance of customer focused positioning, and led the way in developing a hierarchy of clearly positioned brands.

Luxury brands, however, are still mired in their own worlds of “what we do” rather than “what you experience,” and as a result, many of these companies, find themselves playing a game of “brand catch-up,” demonstrated by the business need to moderate rate structures, develop two or even three tier

pricing systems and suppress margins. More importantly, they find themselves unable to differentiate their brands in relevant and sustainable ways.

Asking the Question

In developing the brand essence for a well known chain of deluxe boutique hotel properties, we realised we needed to understand the underpinnings of luxury: what it is, how it is perceived and what are the attributes or triggers that make luxury work. We also wanted to understand whether the experience of luxury is changing, and whether we should be looking at a different kind of luxury for travellers entering the marketplace now, as opposed to the more traditional luxury buyers.

To answer these questions, we devised a qualitative study that would explore the underpinnings of luxury at an emotional



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and experiential level. Interactive consumer response workshops were held in major North American travel destinations, focusing on high-end business travellers in various age groups.

Using a variety of projective techniques, respondents were asked to declare the relationship between their experience of luxury, their expectation of luxury and their valuation of luxury. In this context luxury was viewed in abstract and not restricted to travel or hotels. The understanding stemming from this phase of the discussions was then used to understand the specifics of luxury delivery in the hotel context.

Defining Luxury

In it's most fundamental form, luxury can be defined as "waste." We think of luxury as "that which is simply not necessary at any level." In other words, luxury transcends functionality and adds a dimension of superfluosness to its object. However, in working with this definition, it is important to understand the relative nature of functionality.

The easiest example of this theory is that of the hot bath. To many people, a hot bath is a functional activity – it is part of personal hygiene, it is routine, it is automatic, it is, in many ways, not even noticed. On the other hand, many of these same people will describe a hot bath as a luxurious escape – a moment of peace at the end of a tiring day. Thus, to the same person, a hot bath can be both a functional routine and a luxurious

treat -- even on the same day, and often at the same place. The differentiating factor is not the bath or activity, but the mind-set that informs the activity.

The working conclusion, therefore, is that luxury has different meanings and connotations under different circumstances for different people. It is strictly experiential, and requires the subject to be in a "luxury state of mind."

This insight is the key to developing and executing luxury programs which will appeal to guests in the sense that they will be willing to pay a premium and still evaluate the experience as having delivered good value.

The Benefit of Luxury

We have learned that, from a consumer point of view, there is only one benefit of luxury - benefit that is definitively ethereal and experienced exclusively at an emotional level. This benefit is a heightened sense of enjoying life. Therefore, in discussing the benefits of the luxury the hotel offers, from either an operational or a marketing point of view, the most pertinent question is not only how does this contribute to a heightened sense of life enjoyment, but also, and perhaps more importantly, can we ensure that the guest is in the mind-set to experience this?

To understand this duality, it is interesting to talk to mid-level business executives who have attended a convention. Very often the convention will have been held, or they will have been housed, in

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what we would consider luxury hotels. When asked about their accommodations, they will generally report in functional terms: it was very nice, close to the convention centre, the wake up call was on time, check-out was quick, the service was good, there were two phone lines in the room etc. The same people, however, when returning from a vacation where they may have stayed at a reasonably good hotel (but by no means five star) will report that the hotel was fabulous and comfortable, the room was huge, the food was wonderful, etc. In fact, an objective comparison of the two experiences will demonstrate a clear difference in the level of "luxury" (as hotel operators define it) between the two properties. Why is one experienced as luxury and the other not? Again, the differentiating factor lies not in the product, but in the mind-set of the experiencer.

The Nature of Luxury

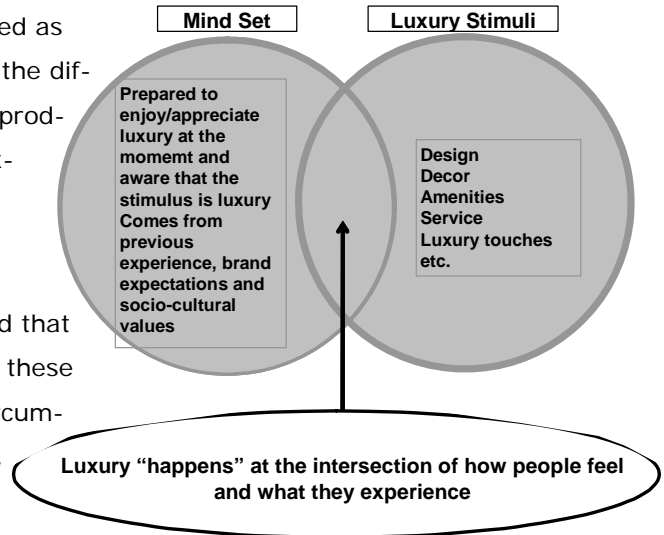
In effect, luxury is a state of mind that is evoked by various stimuli, and these stimuli change under different circumstances – in the case of the bath, the stimulant may be the tiredness of the day's work; in the case of the vacation, it may have been the need for a great vacation, or even having to pay for the room themselves. In the case of a senior executive staying in a hotel on a business trip, the night in the five star hotel when the company is paying may be experienced as functionally excellent; but the same room in the

same hotel may well be experienced as lavish luxury when he or she pays for it themselves on the weekend.

The implication here is that the experience of luxury is active and conscious. The person must be aware that what they are experiencing is luxurious and must be consciously prepared to experience it as such. They must be in a luxury state of mind.

Luxury cannot happen unless both these factors are operating. No matter how definitively luxurious an item is, it will not be appreciated as luxury unless the recipient is prepared to experience it in those terms.

For example:



In other words, there are instances when luxury is luxury and instances where "luxury" is not luxury because it is not experienced as such

"... hotels do not "provide" or "deliver" luxury; guests "experience" luxury. "

Luxury is luxury when:

- The person is open to experiencing it as such *and* consciously recognises it as such
e.g. time away from the kids, flying first class on a vacation to Europe

Luxury is not luxury when:

- The person experiencing it does not know it is a luxury item/ event
e.g. pâté foie gras served at a convention lunch buffet,
- The person is not in the mind-set to experience it as luxury at that time
e.g. driving the kids to little league in the Rolls because the mini-van is in the shop

Luxury therefore is not a one-way street. Hotels do not "provide" or "deliver" luxury; guests "experience" luxury. The hotel offers the stimuli, the guest brings the mind-set. Using this model as a basis, it is easy to see how a luxury brand builder can manage the components to successfully provide the added value for which customers are anxious to pay more.

It is this understanding that forms the core of success in the luxury brand business (be it hotels, jewellery or adventure safaris). The process of luxury can, in fact must, be managed, and each of the two intrinsic components (mind-set and

stimuli) must be individually examined and integrated.

Categories of Luxury

Given the overriding premise that luxury is always functionally unnecessary, the stimuli that can evoke a sense of luxury in the predisposed mind of a person, can be categorised into four groups:

1. It is costly, and therefore can be enjoyed infrequently

In it's simplest terms, this suggests that in many cases an item or experience is a luxury because it is expensive. Anecdotally we know this to be true, but it raises the question of how does luxury relate to quality? Again, the answer lies in the understanding of functionality. A higher price paid because an item is functionally superior (lasts longer, runs more accurately, requires less maintenance, offers greater personal safety etc.) is not luxury. It is simply functional quality that some people can afford and others may not be able to. On the other hand, when a higher price is paid for a quality dimension that does not improve functionality, then it enters the realm of luxury: paying more for a quality shirt may be a functional issue if the shirt fits better and lasts longer. However, paying more for a custom made shirt made by an Italian designer is clearly luxury.

Frequency here is important, too. The more often a luxury event can

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be experienced, the less it is experienced as luxury. The person buying an Italian hand-made shirt for the first time is more likely to experience "luxury" than a person who regularly order 12 shirts each season. In both cases the stimulant (the shirt) is luxury, but because of the frequency, the mind-set is different.

2. It requires time and therefore can be enjoyed only infrequently (intrinsic luxury)

The 90's cliché that time is our most precious resource, comes to life in this application. When talking to people in abstract about luxury, small, inexpensive (or free) personal activities are mentioned almost universally. "The luxury of being alone with my family;" "The luxury of being able to take a break in-between meetings;" "The luxury of taking a hot bath and relaxing," etc.

This kind of luxury, "intrinsic luxury," can generally not be provided by an external source -- it comes from within. However, the ability to enjoy intrinsic luxury can come from outside: a hotel, through attention to detail and assisting in the efficient execution of functional activities, may provide the time for the guest to enjoy an "intrinsic luxury experience," such as fifteen minutes to read the paper in the morning, information on the fastest route to the

airport so the guest can relax over breakfast, etc.

3. It has an externally defined status or prestige (extrinsic luxury)

Luxury brands to a degree rely on this human reality: for a variety of reasons people believe that certain objects or experience are worth more for no other reason than others tell them so. This is extrinsic luxury, and is dependant entirely on what the person believes other people believe about the product or event.

This experience of luxury happens when one believes that telling somebody that they stayed at the Four Seasons Hotel will make the listener think differently about them. This will only happen when the brand is strong enough to support the dynamic. It is also important to note, that not all status or prestige experiences are always luxury: sometimes they are functionally necessary. If a business traveller needs to establish credibility and believes staying at the Four Seasons Hotel will support this need, then this is not luxury. It's an expensive (and possibly enjoyable) functional activity, but it is unlikely the guest will focus on the luxury experience of the hotel when recalling the trip.

“... for a variety of reasons people believe that certain objects or experience are worth more for no other reason than others tell them so”

4. It is the aggregation of a number of small “extras,” any one of which may not be significant alone

This is the “wow” factor of which the late Ron Plummer spoke, and the activities that seem to receive the most attention at many luxury hotel properties. It is the attempt to provide something that will cause the guest to say: “they even had...a little bottle of French Cognac next to my bed at bedtime!” This is the area in which hotels tend to battle: amenities, amenities and amenities.

Luxury and Amenities

A guest paying \$600 for a night in a hotel is unlikely to treasure a free bottle of shampoo, no matter how great the brand on the label is. Nor is there much chance that it is his or her favourite brand. The guest may need the shampoo (because they didn’t bring their own, but this is definitively not luxury). At best, the items provided in the bathrooms of luxury hotels are functional items. Even in properties where room-service personnel bring an array of items to choose from, soap is soap and is not a luxury. The hotel bathroom would be truly “luxury” if an entire range of personal products were offered so that the traveller would not need to bring any “shower bag” items; but the guest would have to know this in advance. In this case, the luxury would not be the amenities, but

would be the intrinsic experience: “I don’t have to be concerned with these functional issues, allowing me the luxury of time to say goodbye to the kids.”

Bathrobes, too are not luxury items. Either the guest needs one and uses it (in which case it’s functional) or he doesn’t use it, in which case it’s irrelevant. It is important to realise that being a luxury hotel is not as simple as ensuring that every functional necessity is available – that would simply define an effective functional hotel. Luxury requires a greater understanding of the guest.

A coffee maker in the room is never a luxury. Having efficient room service that can deliver coffee in five minutes, while not luxury in the true sense, is likely to support the brand premise of a luxury hotel more than offering the guest the opportunity to make his or her own coffee.

This is not to say that many of the extras offered in guestrooms cannot be luxury. Chocolates on the pillow, a bottle of wine on arrival, fresh fruit, and so on. But only an understanding of the duality of the luxury experience will ensure competitive differentiation – there is no chocolate that a competitor couldn’t provide more of or better than. But the way in which the chocolate is presented, the manner in which the hotel manages the guests mind-set, is what will build meaningful differentiation at a luxury level.

However, it is important to realise that in order to be a luxury hotel it is likely,

“... guests paying \$600 for a night in a hotel are unlikely to treasure a free bottle of shampoo, no matter how great the brand on the label is”

from a competitive point of view, that all of the amenities (functional though they may be) will have to be provided. The trick is to determine a context in which as many of these will be experienced as luxury as possible.

The Luxury Mind-set

There appear to be three distinct routes into the luxury mind set:

1. **A priori luxury:** certain experiences are known and understood to be luxury, and are therefore experienced as such regardless, ultimately of the effectiveness of the execution. Eating caviar is an a priori luxury, and assuming the person knows it is caviar, he or she will enjoy it as a luxury.
2. **Predisposed Luxury:** on many occasions, people enter into an experience with the predisposition that it will be a luxury experience. This accounts for the high “luxury rating” vacations receive relative to business trips. When one is on vacation, one is predisposed to view it as luxury for several reasons (the cost and the time).

This predisposition can also come from the brand itself. True “luxury brands” automatically predispose guests to experience them as luxury because of what the brand clearly stands for. Four Seasons Hotels falls into this category, as might Rolex

Watches, Chanel, Cadillac, etc. these brands are in the fortunate position of being able to deliver luxury stimuli without necessarily building a context around them.

3. Anticipatory Luxury: the

“luxury receptor cells” can be triggered by a convincing announcement that that which is about to be experienced is luxury. Traditionally, grand hotels orchestrate the arrival of each guest as they might a military tattoo – doorman, porter, bellhops, receptionists, assistant manager, etc. While this activity clearly meets the fundamental “waste” criterion of luxury, it is not presented for this purpose. These grand arrival circuses actually perform a more practical purpose: they drive home to the arriving guest the idea that what they are about to experience is luxury. After this welcome, guests are in the mind-set to receive luxury. Similarly, atrium lobbies, gilded ceilings, etc., can be used to trigger the luxury receptor cells. In a larger than life sense, this is how luxury has traditionally been merchandised.

More commonly, however, it is necessary to trigger the “luxury receptor cells” closer to the delivery of the stimulus. For instance, a letter from the Hotel manager welcoming the guest and mention-

ing the “fresh fruit” or “linen sheets” will predispose the guest to enjoy those items as luxury. This merchandising of luxury, however, must be done with restraint, and must be presented in context.

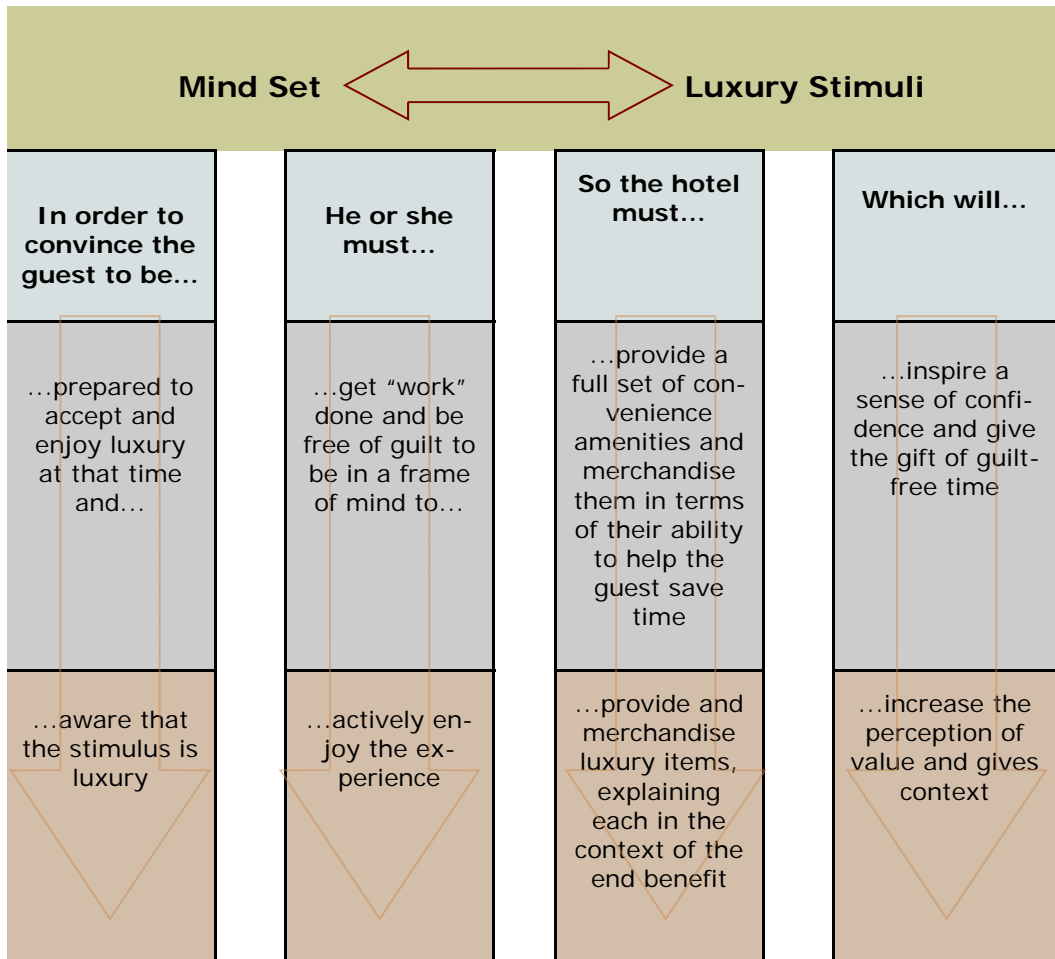
ditional time would allow them a heightened enjoyment of time. The hotel would then do well to present the stimuli it delivers (such as room service or business facility) in the context of saving the guest time.

Mapping the Delivery of Luxury

In order to ensure that the guest “receives” the luxury the hotel delivers, it is important to first understand the context in which the target group would receive the benefit (heightened enjoyment of life). For instance, in the case of business travellers, the provision of ad-

Figure 2 below demonstrates how a hotel can map the luxury experience from the guests’ perceptive point of view, using the business traveller as an example. Bear in mind that this model will change for different individuals under different circumstances as well as for different target segments.

Figure 2



Modern Luxury and Business travelers

We asked business travellers to rate the importance of 55 hotel services and amenities covering a full range of products delivered by typical five star hotels, and categorise them into luxury or convenience groupings. We learned, however, that we would have to add a third dimension for business travellers: some items were seen in a strictly “value” sense:

To demonstrate how customers group the various services and amenities, a few examples of each category are presented in the box below (Figure 3)

Older guests ranked the convenience category, in general, higher than the

luxury category. This suggests that older travellers, at least in the business travel context, because of their background and greater experience, have a more sanguine approach to luxury – they are more used to it, understand it in context (business travel does not really need to be luxury -- it needs to be convenient) and are therefore more practical in their expectations.

Younger respondents, on the other hand, ranked the luxury category significantly higher than the convenience category. And, within the luxury category, they seemed to rank intrinsic amenities (windows that open and turndown ser-

Figure 3

Convenience Factors	Value Items	Luxury Items
<ul style="list-style-type: none"> • High speed internet • Voice mail • Phone on desk • Hair dryer • Business centre • Coffee maker • Cordless phone in the room 	<ul style="list-style-type: none"> • Free local phone calls • Complementary foodservices such as continental breakfast • Free water 	<ul style="list-style-type: none"> • Executive lounge • Turndown service • 24 hour concierge • Deluxe massage shower • Windows that open • TV in the bathroom

vice) higher than extrinsic luxury stimuli (food items, etc.).

The suggestion here is that younger travellers are more responsive to luxury stimuli when they understand them. The resulting opportunity is to merchandise luxury at the point of delivery, and help make these guests more knowledgeable and hence more appreciative. The hy-

pothesis is that a younger traveller will be more willing to appreciate a luxury amenity or feature, but they must be told that it is "luxury."

This presents the opportunity to redefine the way luxury is delivered, in order to be the brand that introduces the new traveller into the realm of luxury.

<p>Today's business traveller defines luxury as:</p> <p>A state of mind that is brought about by various stimuli, but that is very rarely expected or experienced in conjunction with a business trip. It is described in bland terms, lacking imagination or passion.</p>	<p>Tomorrow's business traveller defines luxury as:</p> <p>A state of mind that is brought about by various stimuli and that can be a surprising part of any activity. It is described in colourful, personal terms, invoking imaginative imagery and expressing a sense of excitement.</p>
<p>Today's luxury hotels deliver product that is seen to be...</p> <p>undifferentiated, if not irrelevant, to the business traveller even when it is recognised as luxury</p>	<p>Tomorrow's luxury hotel must deliver a product that is seen to be...</p> <p>delivering a variety of well merchandised value added benefits that go beyond the expected full range of convenience</p>
<p>...because they provide a specific menu of services...</p> <p>...to meet specific and identified needs generally defined by the hotel's capabilities</p>	<p>...because they provide a specific menu of services...</p> <p>...to meet specific and identifiable needs defined by the guest</p>

Advertising Luxury

Given that luxury is abstract and dealt with exclusively in emotional terms, it is easy to see why communicating the degree, or even the existence, of luxury is so difficult. The rational mind will not process the information, because the cognition of luxury is not rational. Therefore, advertising for luxury products or brands must bypass the rational, logical mind and enter the emotional or existential area of cognisance. Simply put, to communicate luxury, the advertising itself must be luxurious.

It is no accident that the masters of the art of hotel luxury, Four Seasons Hotels, also wrote the book on luxury advertising. The ads for which Four Seasons became famous were those that featured small, elegant pictures of details from the hotel in a vertical strip surrounded by white space and very little copy.

Much of the ads was waste, in that it served no functional purpose. Even the photograph communicated only a non-relevant, yet aesthetically pleasing, item. Readers understood immediately, at the pre-linguistic level, that this company understood luxury. The ads did not attempt to describe or elaborate on this.

A more recent campaign achieves the same effect. The accompanying print ad for Park Hyatt Hotels communicates luxury immediately and convincingly, for

the same reasons: more for what it doesn't do than what it does. There is no functionality to the ad – the copy is not written to tell the reader something about what the hotels do. Rather, the ad is clearly designed for design sake, and expressing the luxury of the brand in terms of pure design adds another dimension of emotional conviction to the campaign. Pure design is pure luxury (the design of the Jensen cutlery adds nothing to their functionality). And it is in this context that the brand is presented. After seeing this ad, the reader is predisposed to experience luxury when visiting one of these hotels.

Applying these Principles

Our clients successfully applied these principles in developing a number of the services and amenities that have helped make them stand-out luxury properties in the markets they serve .

Operationally, they have included a mandatory “conversation” training program in the Front Desk training plan. Guest contact reception and concierge employees are taught the art of meaningful conversation in order to ensure they can learn from the guest what is important to them, what the priorities of the trip are and how the hotel can alleviate some of the stress. This opens the door to presenting hotel facilities in a context that would be meaningful to the individual guest: e.g. “Mr. Smith, our business centre is equipped to handle the printing of your presentation, which will allow you to spend a bit more time in the health club.”

This approach to understanding the guests needs on a one-on-one basis has the potential to increase cross selling and up-selling of hotel facilities, while at the same time managing the guests’ experience of luxury within the property.

Rather than promoting summer leisure business with discount packages, the

chain has developed an added value program, wherein guests customise their luxury stay by selecting a personalised combination of luxury (in the sense of surprising and unnecessary) amenities or services – such as complimentary valet parking, complimentary in-room movies, etc. This has allowed the hotel to maintain room rates, provide added value and ensure the guests experience luxury in the subjective way they will appreciate.

The décor of the hotels’ public spaces is distinguished by interesting and significant art pieces – furthermore, based on the premise that people need to know the item is “luxury” in order to experience it as such, the hotel provides a well written, artistically meaningful description of these items in the hotel service guide. After reading this information, guests view the public areas in a different, more luxurious, light.

The advertising for the brand is based on significant insights into the way the consumer view his or her own, personal relationship to luxury, and how the brand can meet these needs at a personal level. In a strong way it deals with “the luxury you, the guest, experiences,” as opposed to “the luxury we, the hotel, deliver.”

Success in the Luxury Business

As we have seen, luxury can be managed and used to build successful brands. However, it is incumbent on the brand builders to determine at the outset whether, from a business point of view, what they are building is a luxury brand or a truly effective functional brand.

The answer to this question, which will be dictated by the realities of the bottom line, will determine how to understand and define the experience so that the brand will be clearly and consistently differentiated.



Laurence Bernstein is the founder and managing partner of The Bay Charles Consulting Company. He has been a leading proponent of the “new order of differentiation” and has written and lectured on the subject of experiential branding and intrinsic/extrinsic research methodologies in Canada, the US and China.

In addition to a highly successful 20 year career in advertising and marketing he held senior positions at Westin Hotels and The Canadian Restaurant Association. Laurence attended the University of the Witwatersrand in Johannesburg and Cornell University in Ithaca , New York

This BC3 White Paper is an adaptation of a paper first published in The Cornell Quarterly in April 1999.,

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