

The easiest way to picture polarisation is to mentally revisit the physics class where one of your first experiments involved a magnetised bar and iron filings. The bar was placed under a sheet of paper and, when the filings were poured on, they moved and polarised into clusters at either end with none remaining in the middle.

Thus it will be for the UK and, indeed, the global hotel industry. All the factors driving and catalysing this movement are in place; indeed this is a natural outcome of the momentum generated through three decades of consolidation, where PLCs replaced sole proprietor and family business ownership.

The growth imperative

It is incumbent on all public companies to achieve year on year growth in volume and profitability to meet the needs of their various stakeholders.

No-growth companies, Marks & Spencers, Sainsburys, Allied, Greenalls, for example, have received much opprobrium in the City and the financial press in recent months. It is of interest to note that the first two were often described as the 'bell wether' of their respective industries. (Please note, when next you read that term, that it simply means the lead sheep in the flock.)

Generic growth is often too slow a process and thus, to grow market share and to meet and sustain the year on year growth requirements, increasingly larger and larger acquisitions and mergers have become a feature until the sort of mega-mergers as witnessed in the Petroleum, Pharmaceutical and Banking industries are now on the near horizon for the hotel industry. This movement may be compared to that of a centrifuge. A similar outcome may be readily identified in UK and global retailing with the emergence of such companies as Tesco, Carrefour-Promodes, Wal-Mart. Of course, size is by no means a key to success in itself; consider Cedant (nee. HFS Hospitality Franchise Systems); it needs to be appropriately managed.

Examples of the disappearance of middle-ranking players may be readily evidenced in contract catering with the takeover of Russell and Brand, Baxter and Platt, and in licensed retailing with the eclipse of the Pelican Group and of Brown's; grist to the mill for the

unquenchable growth drive of market leaders, often providing new formula as future growth engines.

Today just over 25% of UK hotel room stock is operated under the aegis of a PLC, a consortium or a private company. These affiliated hotels do take some 45% + of the estimated £8 billion annual UK hotel turnover. This is not a dissimilar pattern to that of the market share breakdown within UK retailing some ten years ago. We have all witnessed

"Staff are programmed to respond, maintaining the promise made"

the polarising momentum in retail over the last decade, and this now indicates that whilst the top four operators control less than 30% of shop square footage, they take some 60% of total UK turnover. A similar outcome is predicted for hotels where there will be a significant decrease in the numbers of operating companies, increasing ownership concentrations, and a continuation of the ongoing decline in the number of unaffiliated hotels. Already the groups, with their brands, operate mostly larger hotels, dominate at primary and secondary locations, and have a disproportionate number filling the market level classifications. Just as in retailing, the myriad of non-branded shops is relatively small; they occupy at best tertiary locations and, were there classification, they would be unclassi-

Customer, Cust

As we entered the nineties David McCaskey, from the

concluded that the ongoing consolidation

leading to increased competition

As we enter the first decade of the new millennium, the

superseded by polarisation, projecting an industry future

groups and a myriad of small hotels, it

Here, he identifies the factors

fied. Outlets such as All Bar One (Bass) and Travel Inn (Whitbread) are often described as category killers, bringing about the demise of the local indigenous businesses, as they scientifically select each new site using a mixture of geodemographics, current user profiles and a dash of fuzzy logic to ensure that each new unit matches catchment needs and thus opens to high occupancies (see New Scientist April 1998). Acquisitions demonstrate significant central cost savings e.g. at Holiday Inns/Inter-Continental, and at Hilton/Stakis, brand critical mass and its representation network is enhanced with economies of scale and experience gained. McDonalds may be used to illustrate these economies: in the UK in 1997 they operated around 800 outlets (number 1000 opens this year in the Millennium Dome). They spent approximately £40 million on

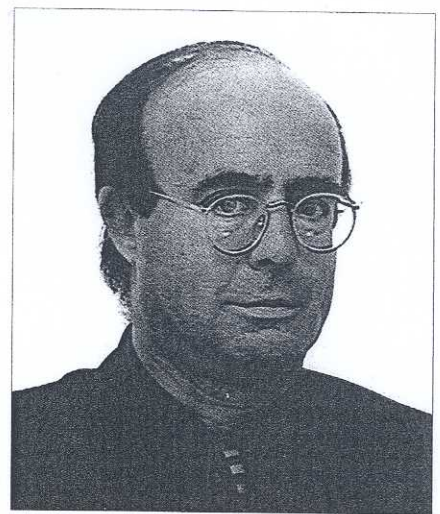
marketing communications, or only £50,000 per outlet (about 5% of turnover). The sheer 'Shout or Noise' achieved through this, the obvious professionalism of each campaign and the continuous re-engineering of their offering, ensured record occupancies and yields at all their outlets.

Changing consumers

In today's market place we meet a more experienced customer who has a wide range of choice which they exercise in an increasingly discerning and confident manner; a consumer society where rights, values and expectations must be met; epitomised by Tesco's 'non-smiling fish' which Tesco guarantee to replace or refund without question. The national press have been testing Tesco

omer, Customer

Centre for Management Studies at Colchester Institute, the UK hotel industry was accelerating, concentration in ownership. phase of consolidation is, his research suggests, being where there is only a small number of very large hotel and almost no medium-sized groups survive. is driving this polarisation.



Sainsburys have lost their way through failing to be market orientated and being increasingly 'off message'.

The most successful independent hoteliers maintain their custom through their inherent knowledge and understanding of their individual customers, their sheer 'mine host' drive and through their individuality; this attracts and inculcates loyalty.

The groups, through a dynamic process of market research, develop (or buy in) their brand formulas which they roll out and replicate at locations where potential user clusters are known to exist. They offer coherence, consistency and where possible try to develop repeat custom through relationship marketing techniques staying 'on message' through mystery shopper and user panel research.

Both will continue to coexist. It is the unfocused middle-sized groups and the low quality independents who will disappear. The challenge to the groups is to avoid taking the M&S/Sainsbury route. Again Tesco may be cited as they recognise that

their business is supported by the diverse and ever-changing needs of each of their 8 million cardholders whose individuality and heterogeneity is fully recognised in that this cardholding group is currently 'cut' into over 100,000 sub-groups or clusters using their purchase behaviour as determinants. More sophisticated data analysis will serve to bring them even closer and closer to the needs of the individual customer.

To survive and thrive in this newly polarised world, maintaining and growing their market share which they create and sustain through differentiation, all should pay heed to Dieter Huckstein, President of the Hilton Hotel Corporation who declares that: 'IT IS THE CUSTOMER WHO IS IN CHARGE IN THE NEW WORLD DISORDER'

since the release of this advertisement with all sorts of product returns to no avail. At every level their staff are programmed to respond maintaining the promise made. The clear differentiation achieved here, and in other initiatives, is what has propelled Tesco into the number one slot in UK retailing with a market share rapidly approaching 20%.

As a market grows, public perceptions of differentiation between the various brands develop and it is this positioning relative to other competitors which becomes a major determinant in selection. Positioning is not what you do to a product or service, it is about what you do to the mind of the prospect. That is, you position your product or service in the mind of the prospect. (Ries and Trout 1981).

We all carry, in our minds, perceptual maps which inform our purchasing decision for products and services. These are often in the form of invoked sets where we can readily list our first, our second and our third choice in any product/service category (often without trial or experience) as similarly we can clearly state those which we would never buy.

To capture and retain today's consumer, an hotelier must occupy the number one slot in the customer's invoked set. This is not set, as such, but must be won and re-won daily with every experience of the brand by the consumer their friends and colleagues against the siren voices of those trying to attract them to alternative offerings. PIMS (Profit Impact of Market Share) evidence over 30 years indicates that market share has got to be earned by providing superior quality, ser-

vice, innovation and delivery. The brand which wins will sustain their competitive advantage through differentiation policies which are perceived by the guest to be of greatest value, continuously reinforced by the brand manager's learning capacity which emerges from the exceptional and permanent dialogue that they establish with their customer (staying 'on message'). A good example of this may be found in the following: -Quantitative and qualitative research indi-

"It is the unfocused, middle-sized groups and the low quality independents who will disappear"

cated to Whitbread Travel Inn that guests were impressed and appreciative of the high quality of their bedroom decor and fittings; everything was bright shining and new. To maintain this, a rigid three year refurbishment cycle is mandatory. Everything is renewed on the third birthday of the room including the bed. We are, after all in the sleep business, promising to deliver a good night - one hesitates to think what might lurk beneath the sheets at some of the UK's 22,000 plus hostelries.

Conclusion

For the last two years, Tesco has been voted Britain's most admired company by the B I M. Terry Leahy's (Chief Executive) mantra has always been 'customer, customer, customer'. All analysts concurs that both M&S and