



■ Centre for Tourism

- 19th Nordic Symposium,
 - Akureyri, Iceland

24 Sept 2010

- By Mats Carlbäck

Centre for Tourism

Background

- *IAV in the Hospitality Industry*





Background:

Small hotel in Spain

Question: How can we develop this into something bigger?

Café/bar with IT-facilities

Question: Would it be sensible to give up a large part of a small cake for a small part of a large cake?

Restaurant – fine dining

Question: Is the entrepreneur the right person to take the concept further, or should it be handed over to someone else?



Background:

Do the affiliations offer anything to the independent?

Is there a value connected to the brand?

Would the branded hotels perform better than the independent?

3 parts of the project, 3 articles, this is a summary:

interviews with independent hotels

interviews with affiliations

interviews with financiers, banks, etc.

quantitative study



First study:

Differences between affiliations and independent hotels

Agency theory (*Jensen & Meckling, 1976*)
 (*Rushmore, 2001*)
 (*Schulze et. al, 2001*)



First study:

Social vs economic benefits and reasons

Social

Way of life

Tradition

Family values

Economic

Growth

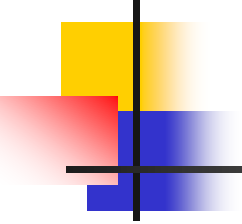
Efficiency

Values



	Not important	Important	Very important
■ Increased efficiency	12		
■ Management control	12		
■ Finance	12		
■ Marketing		10	2
■ Sales			12
■ Loyalty Card			12
■ Brand Value	2	8	2
■ Know How	12		

■ *Important factors for individual hotel owner when considering affiliation*

- 
-
- No control
 - Revenue generating assistance
 - IAV – interesting conclusion



- Study 2:
- Identify the use and possibilities with IAV in the hospitality business
- Up to 70 % of value of business



Study 2:

To know, use and be able to measure IAV: (O'Neill 2001, 2002, Bailey 2006)

Selling argument for affiliations

Selection tool for independent

Valuation purposes

-Financing

-Re-financing

-Selling, buying

-Partnerships

-Re-branding

-Taxation

Centre for Tourism



Intangible Asset Value

*Based and limited to Brand name, i.e.
Chain or affiliation*

Centre for Tourism



And how?

-Interviewed owners/managers, affiliation representatives and consultants, investors and banks in Scandinavia

Centre for Tourism

And how was it?

How many used the brand as an intangible asset value?

Of the 15 hotels

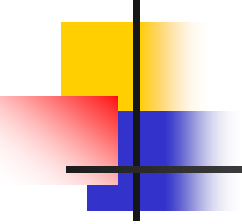
None!

Of the 5 affiliations

None!

Of the investors/banks

None!

- 
-
- Conclusion
 - A valuable tool not used
 - All see potential



■ Is it a big deal?

- Is there a value?
- Are the branded properties performing better?
- Are the branded performing differently during different economic circumstances?

Centre for Tourism



Study 3

Quantitative survey of 51.000 hotels in the US

Branded or independent

2002 – 2008 (full economic cycle)

Occupancy

RevPAR

ADR

NOI!!!

Centre for Tourism



Results?

Branded

higher occupancy all years

Independent

higher RevPAR/ADR all years

Branded

higher NOI (most of all 2002-2008)

Centre for Tourism



Conclusion

There is a value in the brand (not static)

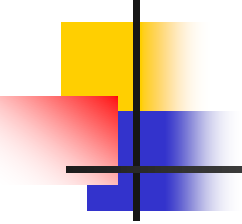
Independent higher ADR/RevPAR could not bring down to bottom line (less efficiency?)

*poor managerial accounting?
poor revenue management?*

Affiliated services bring extra revenue

Independent = riskier

Less fluctuation for affiliated

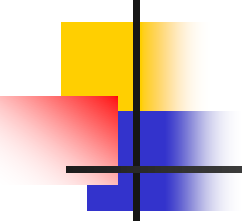
- 
-
- Do brands matter? A comparison of branded and independent hotels' performance during a full economic cycle - International Journal of Hospitality Management (2010)



And now?

- A simple method for calculating IAV
- Are certain hotels creating more value?
- A similar study in other countries

Centre for Tourism



**Thank you for listening and please let
me know if you have any questions
or thoughts...**