



Hotels 50 2018

The annual report on the most valuable hotel brands
February 2018

Foreword.



David Haigh
CEO, Brand Finance

What is the purpose of a strong brand: to attract customers, to build loyalty, to motivate staff? All true, but for a commercial brand at least, the first answer must always be ‘to make money’.

Huge investments are made in the design, launch, and ongoing promotion of brands. Given their potential financial value, this makes sense. Unfortunately, most organisations fail to go beyond that, missing huge opportunities to effectively make use of what are often their most important assets. Monitoring of brand performance should be the next step, but is often sporadic. Where it does take place, it frequently lacks financial rigour and is heavily reliant on qualitative measures, poorly understood by non-marketers.

As a result, marketing teams struggle to communicate the value of their work and boards then underestimate the significance of their brands to the business. Sceptical finance teams, unconvinced by what they perceive as marketing mumbo jumbo, may fail to agree necessary investments. What marketing spend there is, can end up poorly directed as marketers are left to operate with insufficient financial guidance or accountability. The end result can be a slow but steady downward spiral of poor communication, wasted resources, and a negative impact on the bottom line.

Brand Finance bridges the gap between marketing and finance. Our teams have experience across a wide range of disciplines from market research and visual identity to tax and accounting. We understand the importance of design, advertising, and marketing, but we also believe that the ultimate and overriding purpose of brands is to make money. That is why we connect brands to the bottom line.

By valuing brands, we provide a mutually intelligible language for marketing and finance teams. Marketers then have the ability to communicate the significance of what they do, and boards can use the information to chart a course that maximises profits. Without knowing the precise, financial value of an asset, how can you know if you are maximising your returns? If you are intending to license a brand, how can you know you are getting a fair price? If you are intending to sell, how do you know what the right time is? How do you decide which brands to discontinue, whether to rebrand and how to arrange your brand architecture? Brand Finance has conducted thousands of brand and branded business valuations to help answer these questions.

Brand Finance’s research revealed the compelling link between strong brands and stock market performance. It was found that investing in highly-branded companies would lead to a return almost double that of the average for the S&P 500 as a whole.

Acknowledging and managing a company’s intangible assets taps into the hidden value that lies within it. The following report is a first step to understanding more about brands, how to value them and how to use that information to benefit the business.

The team and I look forward to continuing the conversation with you.

About Brand Finance.

Brand Finance is the world’s leading independent brand valuation and strategy consultancy.

Brand Finance was set up in 1996 with the aim of ‘bridging the gap between marketing and finance’. For more than 20 years, we have helped companies and organisations of all types to connect their brands to the bottom line.

We pride ourselves on four key strengths:

- Independence
- Technical Credibility
- Transparency
- Expertise.

Brand Finance puts thousands of the world’s biggest brands to the test every year, evaluating which are the strongest and most valuable.


For more information, please visit our website:
www.brandfinance.com


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For further information on Brand Finance®’s services and valuation experience, please contact your local representative:

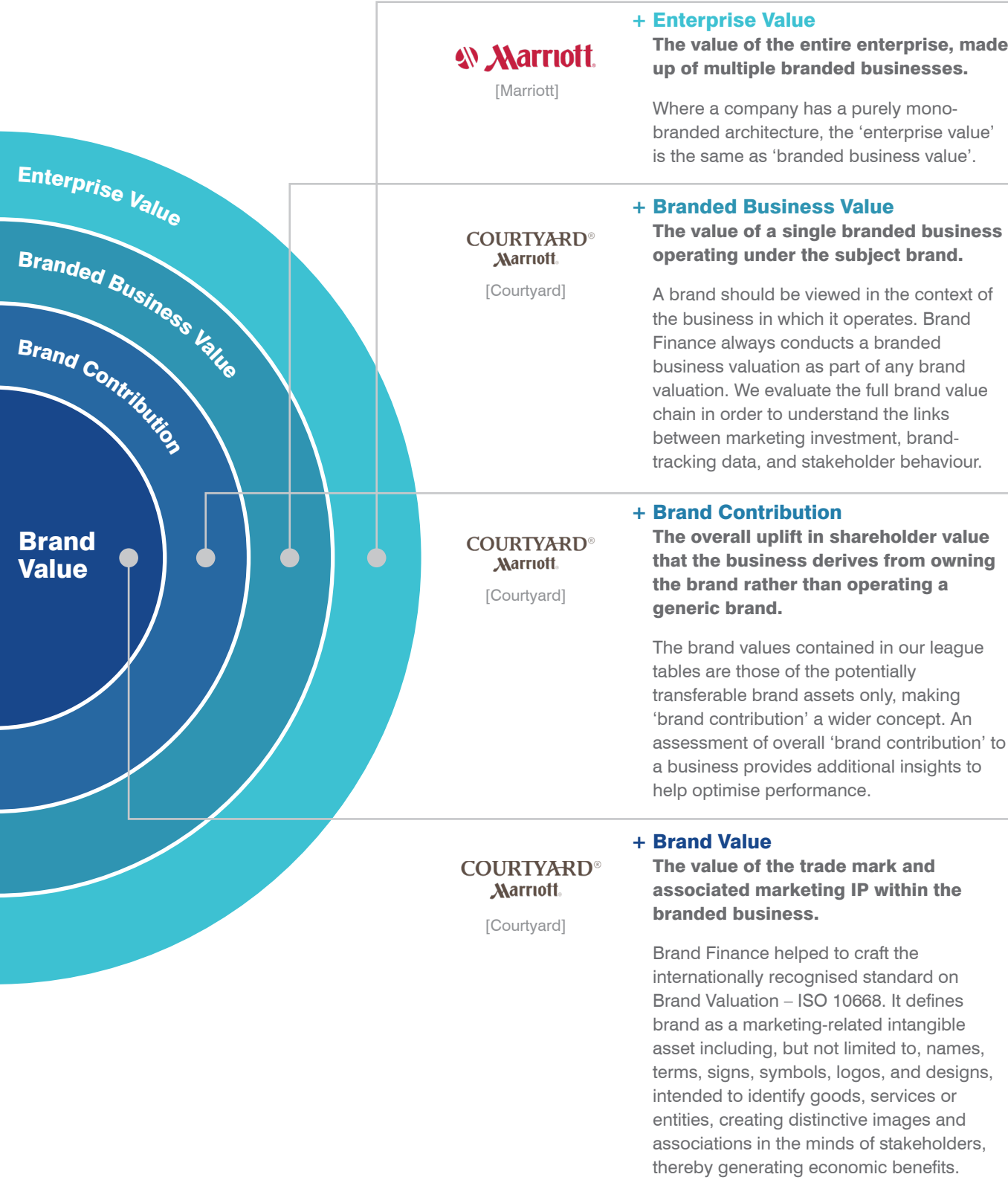
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Definitions.

Brand Value



Brand Strength

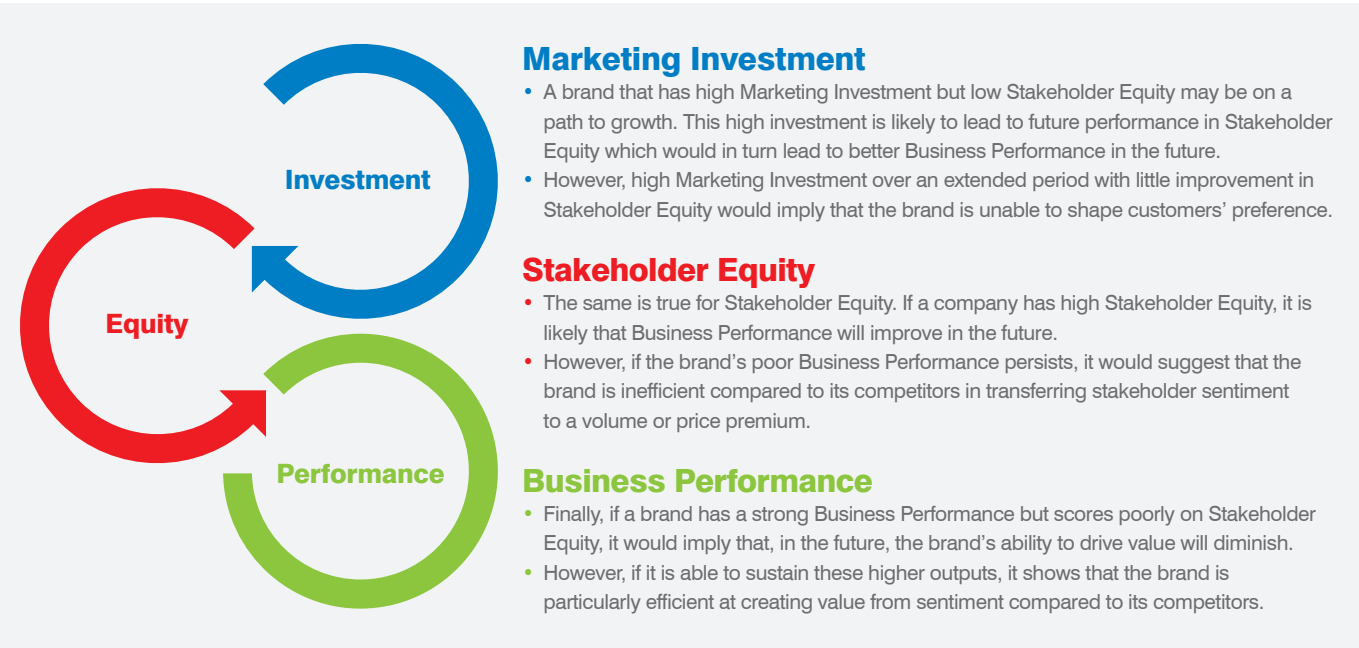
Brand Strength is the efficacy of a brand's performance on intangible measures, relative to its competitors.

Each brand is assigned a Brand Strength Index (BSI) score out of 100, which feeds into the brand value calculation. Based on the score, each brand is assigned a corresponding rating up to AAA+ in a format similar to a credit rating.

In order to determine the strength of a brand, we look at Marketing Investment, Stakeholder Equity, and the impact of those on Business Performance.

Analysing the three brand strength measures helps inform managers of a brand's potential for future success.

Brand Strength Index	Marketing Investment	Widely recognised factors deployed by marketers to create brand loyalty and market share.
	Stakeholder Equity	Perceptions of the brand among different stakeholder groups, with customers being the most important.
	Business Performance	Quantitative market and financial measures representing the success of the brand in achieving price and volume premium.



Executive Summary.



Marriott catches up with Hilton

For the third year in a row, Hilton is the world’s most valuable hotel brand, with a brand value of US\$6.3 billion. However, recording a 24% fall from last year, Hilton has seen their lead at the top over Marriott shrink from more than US\$3.3 billion to just US\$865 million, a staggering 74% reduction.

As Hilton’s brand value decreased, Marriott improved its brand value 8% to just under US\$5.5 billion on the back of growing group revenues. A driving force behind the increase can be traced to Marriott’s 2016 acquisition of Starwood – their largest ever – which boosted the company’s number of properties by 40%. As part of the restructuring of their Starwood portfolio, the company moved rooms from Sheraton to Marriott, maximising the profitability of their flagship brand. This has however also impacted Sheraton’s brand value, which decreased by 50% to US\$1.9 billion this year.

Marriott’s success is prevalent throughout the 2018 table when comparing its portfolio to Hilton’s. Only five hotel brands from Hilton’s portfolio made the table, compared to 15 from Marriott’s. Additionally, the total

The trends in the Brand Finance Hotels 50 league table reflect the success of Marriott’s expansion strategy, which is likely to continue exerting a positive impact on brand value in the future. It will be interesting to see if Marriott overtakes Hilton to claim the top spot for most valuable hotel brand next year.

David Haigh
CEO, Brand Finance

value of Hilton’s hotel brands in the Brand Finance Hotels 50 league table fell by 23%, while the total value of Marriott’s portfolio in the ranking rose by 3%.

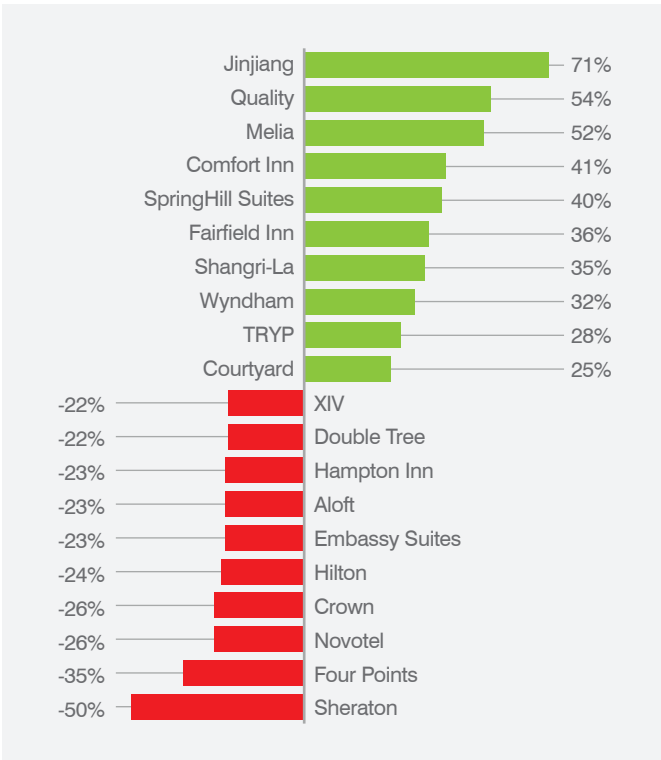
Premier Inn comes out strongest

Premier Inn remains the strongest hotel brand this year with a Brand Strength Index (BSI) score of 88.7 and a brand rating of AAA, while UK competitor Holiday Inn managed to hold on to its place in second with a score of 85.0, also receiving an AAA brand rating. The results of the top two strongest hotel brands reflect their mass-market appeal, as well as customer appreciation of value for money, which supports higher scores for preference and satisfaction. As these brands continue to maintain brand equity and perform well with their stakeholders, their brand strength can only stand to gain.

Make room for Airbnb

Perhaps the biggest threat to the hotels industry is the growth of online community accommodation sites, like

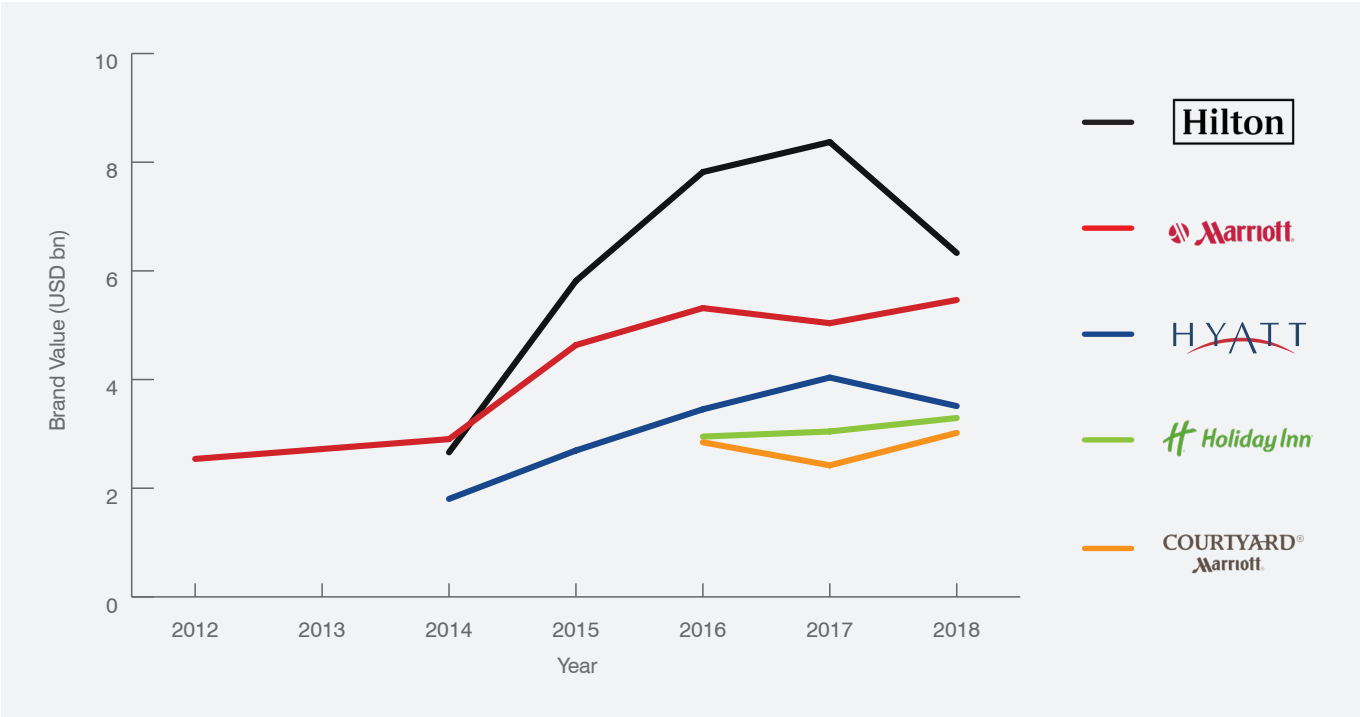
Brand Value Change 2017-2018 (%)



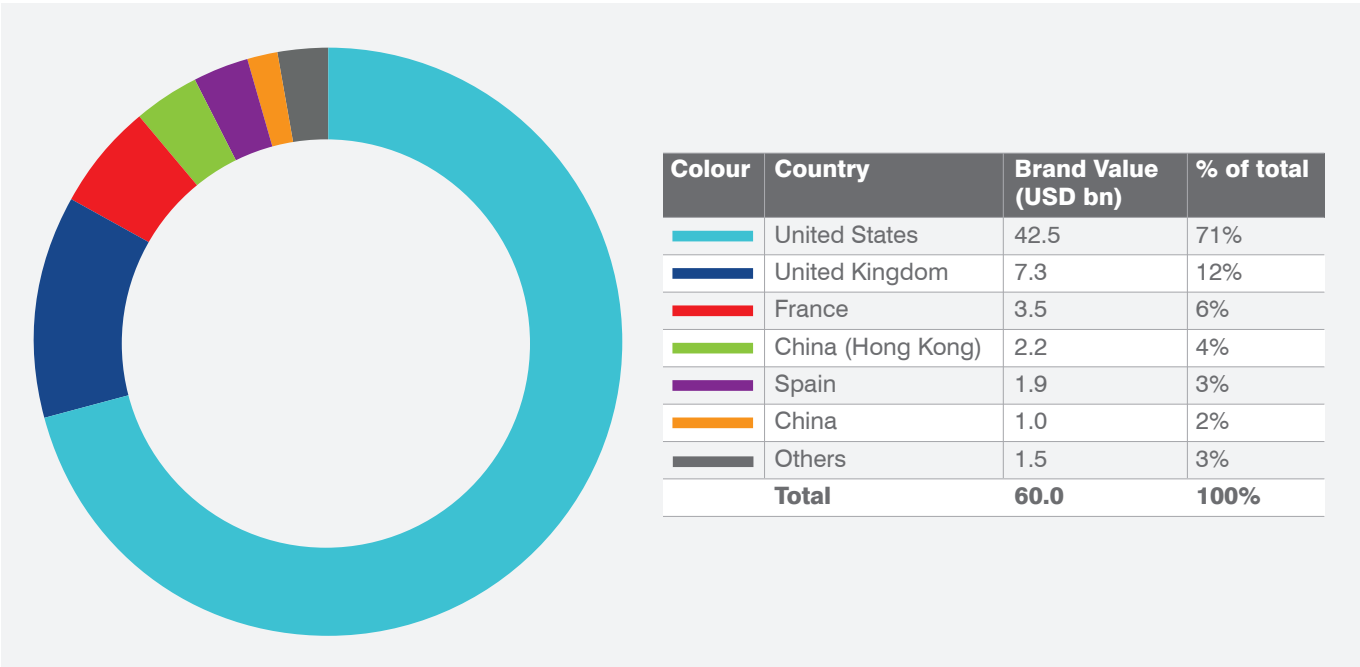
Top 10 Most Valuable Brands

	1	Rank 2018: 1 2017: 1 → BV 2018: \$6,330m BV 2017: \$8,370m -24% Brand Rating: AAA-
	2	Rank 2018: 2 2017: 2 → BV 2018: \$5,464m BV 2017: \$5,037m +8% Brand Rating: AAA-
	3	Rank 2018: 3 2017: 3 → BV 2018: \$3,512m BV 2017: \$4,037m -13% Brand Rating: AA+
	4	Rank 2018: 4 2017: 5 ↑ BV 2018: \$3,292m BV 2017: \$3,044m +8% Brand Rating: AAA
	5	Rank 2018: 5 2017: 6 ↑ BV 2018: \$3,018m BV 2017: \$2,421m +25% Brand Rating: AAA-
	6	Rank 2018: 6 2017: 9 ↑ BV 2018: \$2,221m BV 2017: \$1,650m +35% Brand Rating: AAA-
	7	Rank 2018: 7 2017: 11 ↑ BV 2018: \$1,976m BV 2017: \$1,492m +32% Brand Rating: AAA-
	8	Rank 2018: 8 2017: 4 ↓ BV 2018: \$1,902m BV 2017: \$3,819m -50% Brand Rating: AAA-
	9	Rank 2018: 9 2017: 8 ↓ BV 2018: \$1,890m BV 2017: \$1,676m +13% Brand Rating: AA+
	10	Rank 2018: 10 2017: 7 ↓ BV 2018: \$1,784m BV 2017: \$2,306m -23% Brand Rating: AAA-

Brand Value Over Time



Brand Value by Country

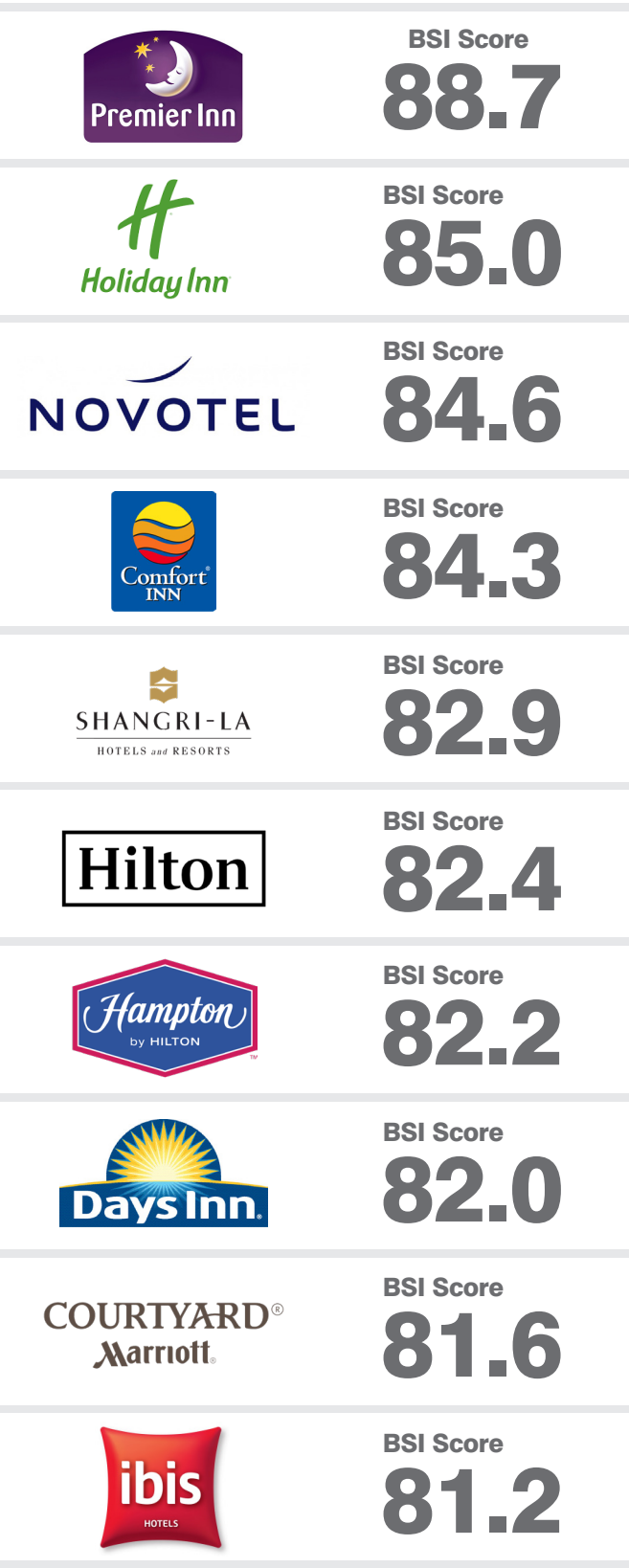


Airbnb. Though the brand is not included in the Brand Finance Hotels 50 league table by virtue of not owning properties themselves, Airbnb’s brand value rose by more than 51% to over US\$5.5 billion this year.

This marks the first time in which Airbnb’s brand value exceeds that of all but one hotel brand valued in the Hotels 50 - Hilton. Given Hilton’s downward trend, it would not be surprising to see Airbnb surpass all hotel brands in the 2019 table. What is more, Airbnb may soon come into much more direct competition with hotels as it begins to target business travellers through their ‘Airbnb for Business’ program, which launched in the second half of 2017. Time will tell if hotels move to collaborate with Airbnb in the future or try to compete by providing authentic personalised services to consumers, raising the game for guest experience.



Top 10 Strongest Brands





























Brand Finance Hotels 50 (USD m)

Top 50 most valuable Hotel brands 1-50

Rank 2018	Rank 2017	Brand name	Country	Brand value (USD m) 2018	% change	Brand value (USD m) 2017	Brand rating 2018	Brand rating 2017
1	1	Hilton	United States	6330	-24%	8370	AAA-	AAA
2	2	Marriott	United States	5464	+8%	5037	AAA-	AAA-
3	3	Hyatt	United States	3512	-13%	4037	AA+	AA+
4	5	Holiday Inn	United Kingdom	3292	+8%	3044	AAA	AAA
5	6	Courtyard	United States	3018	+25%	2421	AAA-	AAA-
6	9	Shangri-La	Hong Kong	2221	+35%	1650	AAA-	AAA-
7	11	Wyndham	United States	1976	+32%	1492	AAA-	AAA-
8	4	Sheraton	United States	1902	-50%	3819	AAA-	AAA-
9	8	Ramada	United States	1890	+13%	1676	AA+	AA+
10	7	Hampton Inn	United States	1784	-23%	2306	AAA-	AAA
11	10	Westin	United States	🔒	🔒	🔒	🔒	🔒
12	13	InterContinental	United Kingdom	🔒	🔒	🔒	🔒	🔒
13	14	Crowne Plaza	United Kingdom	🔒	🔒	🔒	🔒	🔒
14	17	Days Inn	United States	🔒	🔒	🔒	🔒	🔒
15	15	Ibis	France	🔒	🔒	🔒	🔒	🔒
16	19	Premier Inn	United Kingdom	🔒	🔒	🔒	🔒	🔒
17	16	Mercure	France	🔒	🔒	🔒	🔒	🔒
18	12	Double Tree	United States	🔒	🔒	🔒	🔒	🔒
19	26	Comfort Inn	United States	🔒	🔒	🔒	🔒	🔒
20	24	Super 8	United States	🔒	🔒	🔒	🔒	🔒
21	20	Crown	Australia	🔒	🔒	🔒	🔒	🔒
22	32	Melia	Spain	🔒	🔒	🔒	🔒	🔒
23	27	Residence Inn	United States	🔒	🔒	🔒	🔒	🔒
24	New	Renaissance Hotels	United States	🔒	🔒	🔒	🔒	🔒
25	30	SpringHill Suites	United States	🔒	🔒	🔒	🔒	🔒
26	34	Quality	United States	🔒	🔒	🔒	🔒	🔒
27	21	Four Points	United States	🔒	🔒	🔒	🔒	🔒
28	23	Embassy Suites	United States	🔒	🔒	🔒	🔒	🔒
29	22	Novotel	France	🔒	🔒	🔒	🔒	🔒
30	New	TownePlace Suites	United States	🔒	🔒	🔒	🔒	🔒
31	38	TRYP	Spain	🔒	🔒	🔒	🔒	🔒
32	45	Jinjiang	China	🔒	🔒	🔒	🔒	🔒
33	33	NH Hotel Group	Spain	🔒	🔒	🔒	🔒	🔒
34	41	Fairfield Inn	United States	🔒	🔒	🔒	🔒	🔒
35	28	Extended Stay America	United States	🔒	🔒	🔒	🔒	🔒
36	29	Autograph Collection	United States	🔒	🔒	🔒	🔒	🔒
37	40	Hanting Hotels	China	🔒	🔒	🔒	🔒	🔒
38	31	The Ritz-Carlton	United States	🔒	🔒	🔒	🔒	🔒
39	43	Baymont	United States	🔒	🔒	🔒	🔒	🔒
40	New	W Hotels	United States	🔒	🔒	🔒	🔒	🔒
41	35	Homewood Suites	United States	🔒	🔒	🔒	🔒	🔒
42	44	Howard Johnson	United States	🔒	🔒	🔒	🔒	🔒
43	39	Millennium Hotels	Singapore	🔒	🔒	🔒	🔒	🔒
44	36	Aloft	United States	🔒	🔒	🔒	🔒	🔒
45	46	Pullman	France	🔒	🔒	🔒	🔒	🔒
46	47	Luxury Collection	United States	🔒	🔒	🔒	🔒	🔒
47	50	Wingate by Wyndham	United States	🔒	🔒	🔒	🔒	🔒
48	42	XIV	Japan	🔒	🔒	🔒	🔒	🔒
49	New	Microtel Inn & Suites	United States	🔒	🔒	🔒	🔒	🔒
50	New	Comfort Suites	United States	🔒	🔒	🔒	🔒	🔒

Brand Finance Leisure & Tourism 10

Top 10 Most Valuable
Leisure & Tourism Brands






	1	Rank 2018: 1 2017: 2  BV 2018: \$3,833m BV 2017: \$3,000m  Brand Rating: AA+
	2	Rank 2018: 2 2017: 1  BV 2018: \$3,599m BV 2017: \$3,744m  Brand Rating: AA-
	3	Rank 2018: 3 2017: 3  BV 2018: \$2,419m BV 2017: \$2,438m  Brand Rating: AA
	4	Rank 2018: 4 2017: 6  BV 2018: \$2,313m BV 2017: \$1,850m  Brand Rating: AA+
	5	Rank 2018: 5 2017: 7  BV 2018: \$2,151m BV 2017: \$1,364m  Brand Rating: A
	6	Rank 2018: 6 2017: 4  BV 2018: \$2,142m BV 2017: \$2,276m  Brand Rating: AA-
	7	Rank 2018: 7 2017: 5  BV 2018: \$1,713m BV 2017: \$1,877m  Brand Rating: AAA
	8	Rank 2018: 8 2017: New BV 2018: \$1,348m Brand Rating: AA-
	9	Rank 2018: 9 2017: New BV 2018: \$1,331m Brand Rating: AA-
	10	Rank 2018: 10 2017: 9  BV 2018: \$1,158m BV 2017: \$1,236m  Brand Rating: AA

American cruise line operator, Royal Caribbean (up 28% to US\$3.8 billion) has enjoyed fair winds over the last year, sailing from second to first place in the Brand Finance Leisure and Tourism league table.

TUI (down 4% to US\$3.6 billion) was the most valuable brand in the industry at the start of 2017, but its value dropped as it went through a major reorganisation of its brand architecture. TUI’s ‘oneBrand’ strategy, which replaced its European tour operator brands with the single, pan-European brand, was completed in late 2017 with the rebranding of Thomson. As customers get acquainted with the new brand over the course of this year, TUI has an opportunity to prove that ‘oneBrand’ can indeed fit all.

Towards the middle of the ranking, Carnival Cruise Line and CITS (up 57% to US\$2.2 billion) jumped two places in the Leisure and Tourism league table, ahead of cinema chains Wanda Cinemas (down 6% to US\$2.1 billion) and Cinemark (down 9% to US\$1.7 billion).

Top 5 Strongest Leisure & Tourism Brands

	BSI Score 84.8
	BSI Score 78.3
	BSI Score 74.7
	BSI Score 74.0
	BSI Score 69.6

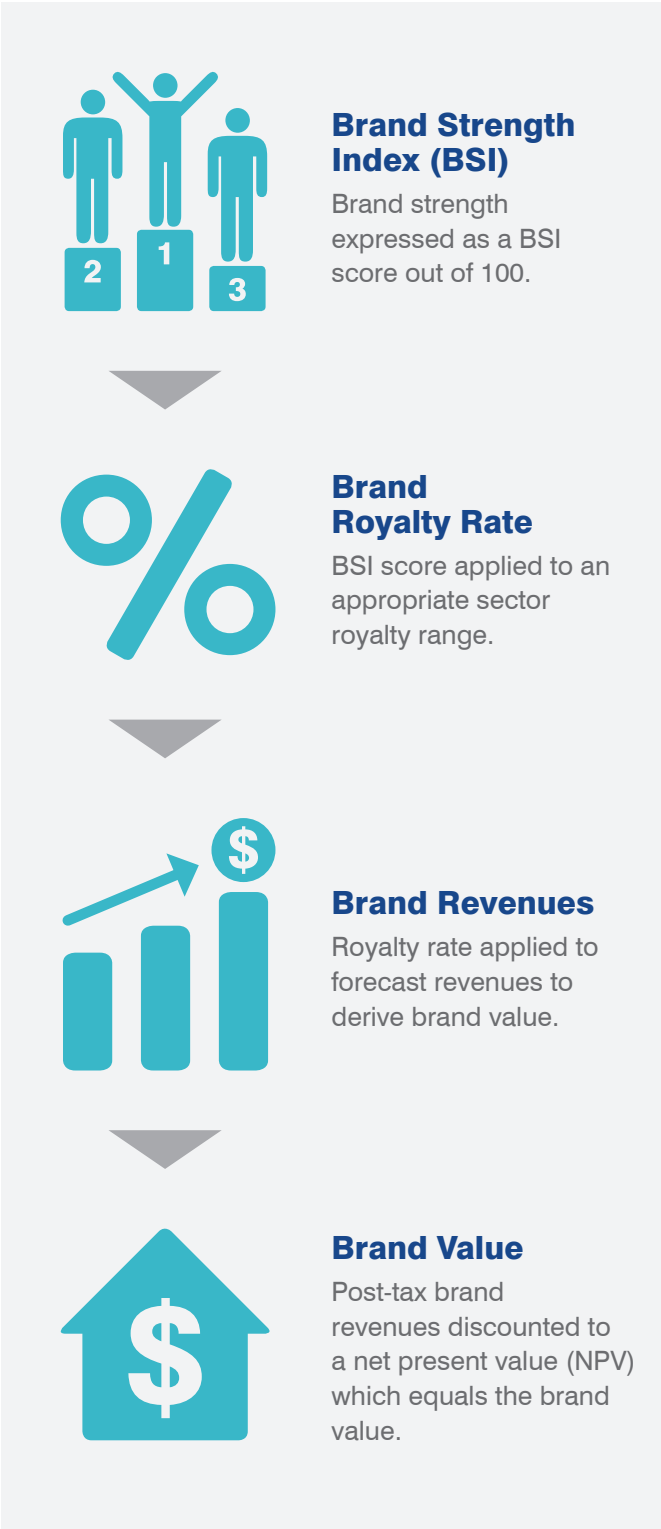
Methodology.

Brand Finance calculates the values of the brands in its league tables using the Royalty Relief approach – a brand valuation method compliant with the industry standards set in ISO 10668.

This involves estimating the likely future revenues that are attributable to a brand by calculating a royalty rate that would be charged for its use, to arrive at a ‘brand value’ understood as a net economic benefit that a licensor would achieve by licensing the brand in the open market.

The steps in this process are as follows:

- 1 Calculate brand strength using a balanced scorecard of metrics assessing Marketing Investment, Stakeholder Equity, and Business Performance. Brand strength is expressed as a Brand Strength Index (BSI) score on a scale of 0 to 100.
- 2 Determine royalty range for each industry, reflecting the importance of brand to purchasing decisions. In luxury, the maximum percentage is high, in extractive industry, where goods are often commoditised, it is lower. This is done by reviewing comparable licensing agreements sourced from Brand Finance’s extensive database.
- 3 Calculate royalty rate. The BSI score is applied to the royalty range to arrive at a royalty rate. For example, if the royalty range in a sector is 0-5% and a brand has a BSI score of 80 out of 100, then an appropriate royalty rate for the use of this brand in the given sector will be 4%.
- 4 Determine brand-specific revenues by estimating a proportion of parent company revenues attributable to a brand.
- 5 Determine forecast revenues using a function of historic revenues, equity analyst forecasts, and economic growth rates.
- 6 Apply the royalty rate to the forecast revenues to derive brand revenues.
- 7 Brand revenues are discounted post-tax to a net present value which equals the brand value.



Disclaimer

Brand Finance has produced this study with an independent and unbiased analysis. The values derived and opinions produced in this study are based only on publicly available information and certain assumptions that Brand Finance used where such data was deficient or unclear. Brand Finance accepts no responsibility and will not be liable in the event that the publicly available information relied upon is subsequently found to be inaccurate. The opinions and financial analysis expressed in the report are not to be construed as providing investment or business advice. Brand Finance does not intend the report to be relied upon for any reason and excludes all liability to any body, government or organisation.

Understand Your Brand’s Value.

A Brand Value Report provides a complete breakdown of the assumptions, data sources, and calculations used to arrive at your brand’s value.

Each report includes expert recommendations for growing brand value to drive business performance and offers a cost-effective way to gaining a better understanding of your position against competitors.

What is a Brand Value Report?

Brand Valuation Summary

- + Internal understanding of brand
- + Brand value tracking
- + Competitor benchmarking
- + Historical brand value

Brand Strength Index

- + Brand strength tracking
- + Brand strength analysis
- + Management KPIs
- + Competitor benchmarking

Royalty Rates

- + Transfer pricing
- + Licensing/franchising negotiation
- + International licensing
- + Competitor benchmarking

Cost of Capital

- + Independent view of cost of capital for internal valuations and project appraisal exercises

Customer Research

- + Utilities
- + Insurance
- + Banks
- + Telecoms

For more information regarding our Brand Value Reports, please contact:

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Managing Director, Brand Finance
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What are the benefits of a Brand Value Report?



Insight

Provide insight as to how the brand is performing vs. key competitors on underlying measures and drivers of brand value and brand strength.



Strategy

Understand where brand value is being generated by region and channel in order to identify areas of opportunity that warrant further investigation.



Benchmarking

Track year-on-year changes to brand value and set long-term objectives against which high-level brand performance can be benchmarked.



Education

Provide a platform of understanding which the company can use to educate employees on the importance of the brand.



Communication

Communicate your brand’s success to shareholders, customers, and other strategically selected audiences.



Understanding

Understand and appreciate the value of your brand as an asset of the business.

Valuation Services.



Communications Services.

We offer a variety of services to help communicate your brand's success.



Brand Finance[®]

Strongest Global Brand 2018

Your Brand

Example digital endorsement stamp for use on your website as well as in investor relations and advertising, to recognise your brand's performance.



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- Integrated Communications Planning and Execution
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