



Hotels 50 2017

The annual report on the world's most valuable hotels brands
March 2017

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. Skeptical 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.

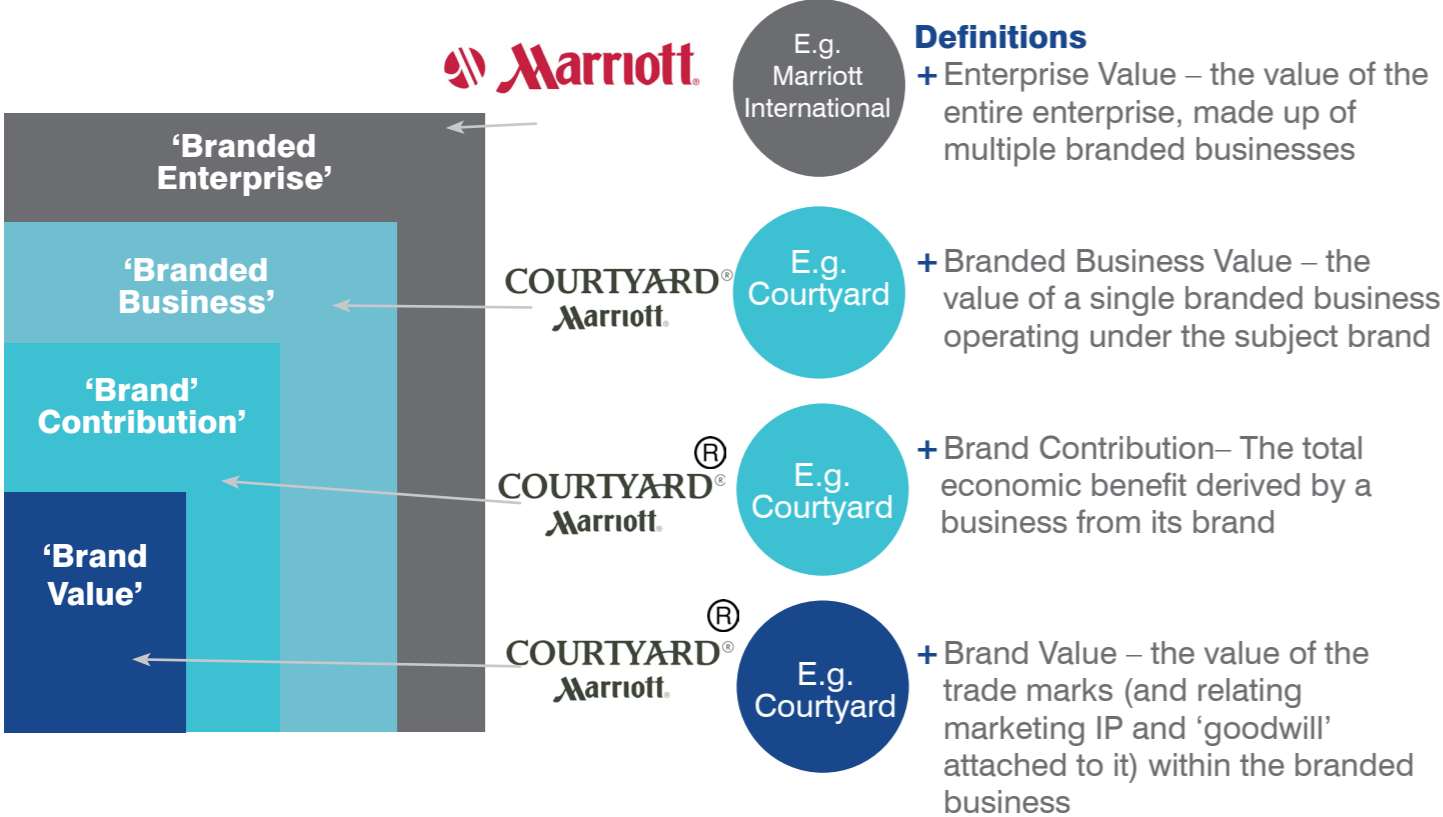
Brand Finance bridges the gap between the marketing and financial worlds. Our teams have experience across a wide range of disciplines from market research and visual identity to tax and accounting. We understand the importance of design, advertising and marketing, but we also believe that the ultimate 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 marketers 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 brandedbusiness valuations to help answer these questions.

Brand Finance’s recently conducted share price study revealed the compelling link between strong brands and stock market performance. It was found that investing in the most 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.

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Definitions



Branded Business Value

A brand should be viewed in the context of the business in which it operates. For this reason Brand Finance always conducts a Branded Business Valuation as part of any brand valuation. Where a company has a purely mono-branded architecture, the business value is the same as the overall company value or ‘enterprise value’.

In the more usual situation where a company owns multiple brands, business value refers to the value of the assets and revenue stream of the business line attached to that brand specifically. We evaluate the full brand value chain in order to understand the links between marketing investment, brand tracking data, stakeholder behaviour and business value to maximise the returns business owners can obtain from their brands.

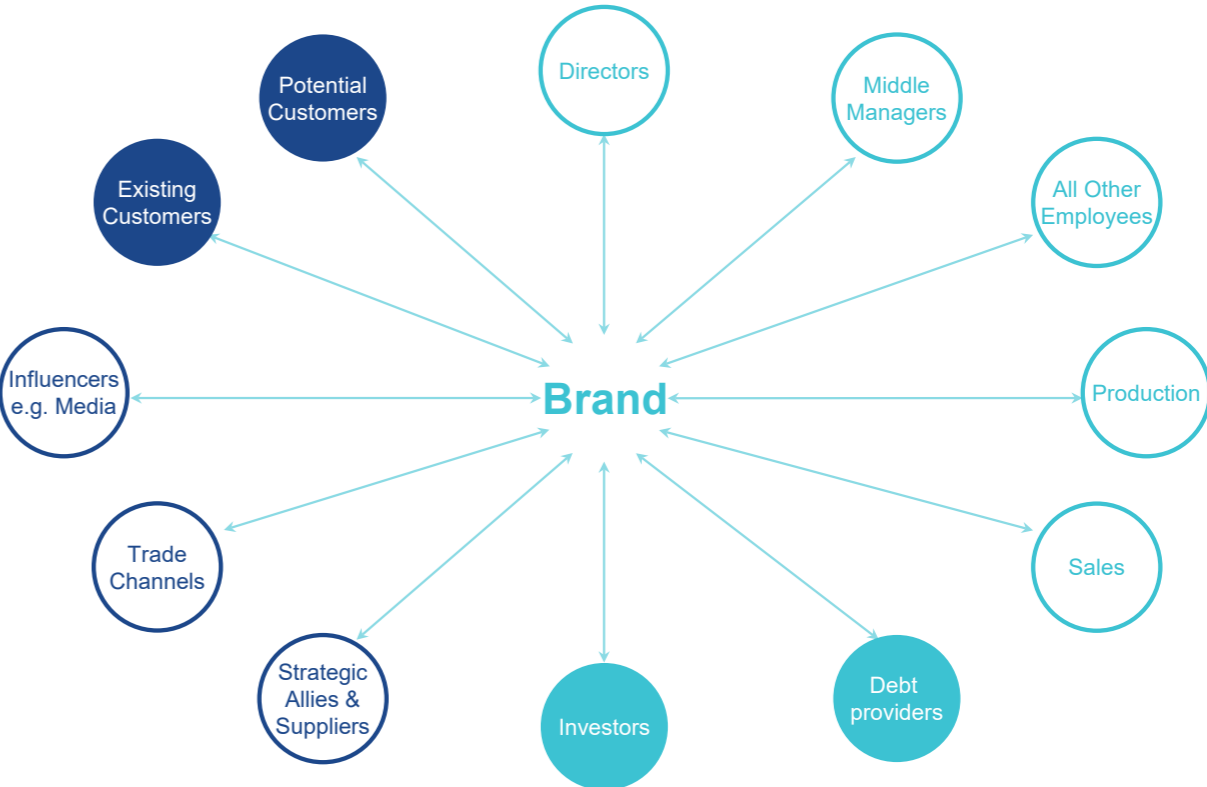
Brand Contribution

The brand values contained in our league tables are those of the potentially transferable brand asset only, but for marketers and managers alike. An assessment of overall brand contribution to a business provides powerful insights to help optimise performance.

Brand Contribution represents the overall uplift in shareholder value that the business derives from owning the brand rather than operating a generic brand.

Brands affect a variety of stakeholders, not just customers but also staff, strategic partners, regulators, investors and more, having a significant impact on financial value beyond what can be bought or sold in a transaction.

Effect of a Brand on Stakeholders



Brand Value

In the very broadest sense, a brand is the focus for all the expectations and opinions held by customers, staff and other stakeholders about an organisation and its products and services. However, when looking at brands as business assets that can be bought, sold and licensed, a more technical definition is required.

Brand Finance helped to craft the internationally recognised standard on Brand Valuation, ISO 10668. That defines a brand as “a marketing-related intangible asset including, but not limited to, names, terms, signs, symbols, logos and designs, or a combination of these, intended to identify goods, services or entities, or a combination of these, creating distinctive images and associations in the minds of stakeholders, thereby generating economic benefits/value”

Brand Strength

Brand Strength is the part of our analysis most directly and easily influenced by those responsible for marketing and brand management. In order to determine the strength of a brand we have developed the Brand Strength Index (BSI). We analyse marketing investment, brand equity (the goodwill accumulated with customers, staff and other stakeholders) and finally the impact of those on business performance.

Following this analysis, each brand is assigned a BSI score out of 100, which is fed into the brand value calculation. Based on the score, each brand in the league table is assigned a rating between AAA+ and D in a format similar to a credit rating. AAA+ brands are exceptionally strong and well managed while a failing brand would be assigned a D grade.

Methodology

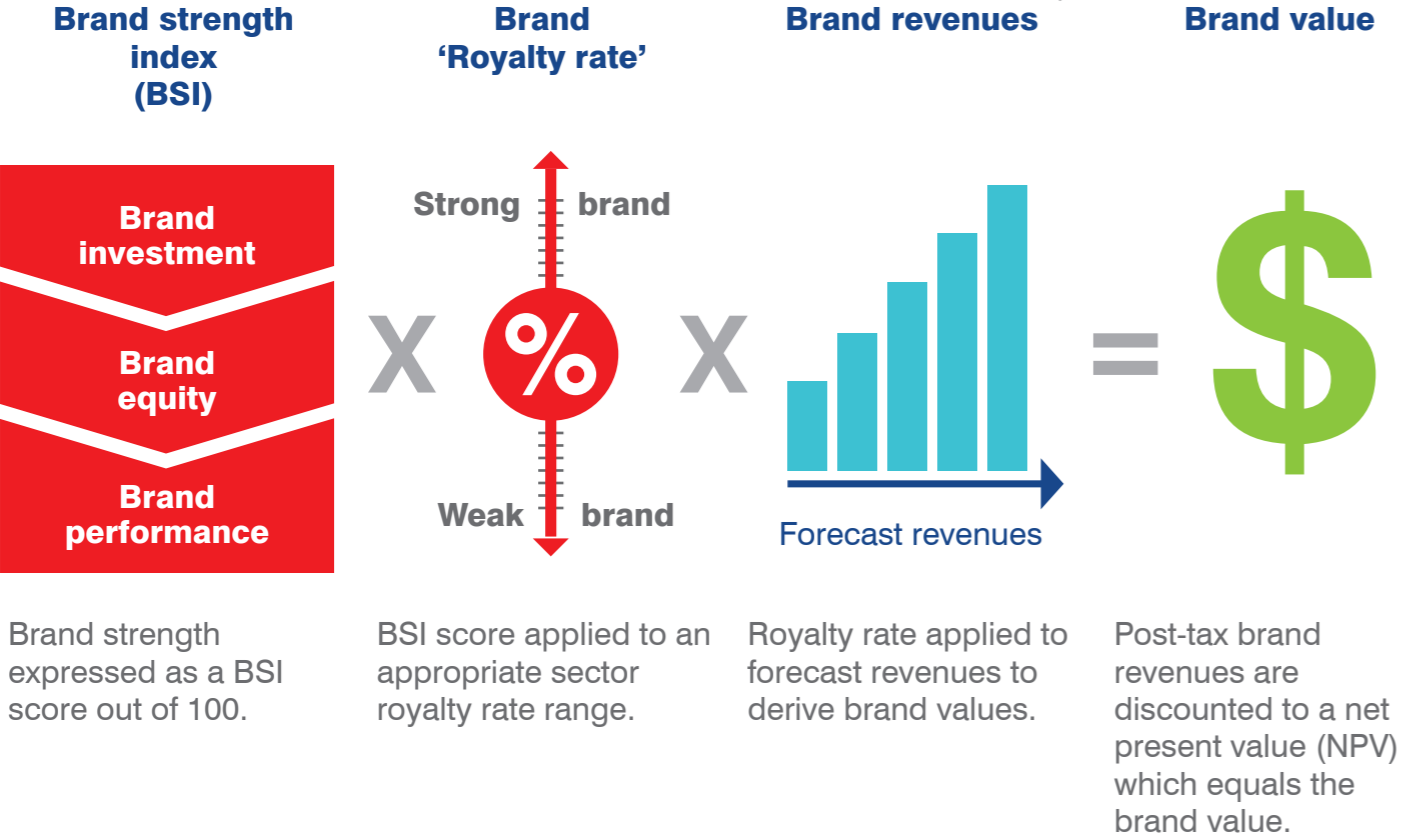
League Table Valuation Methodology

Brand Finance calculates the values of the brands in its league tables using the ‘Royalty Relief approach’. This approach involves estimating the likely future sales that are attributable to a brand and calculating a royalty rate that would be charged for the use of the brand, i.e. what the owner would have to pay for the use of the brand—assuming it were not already owned.

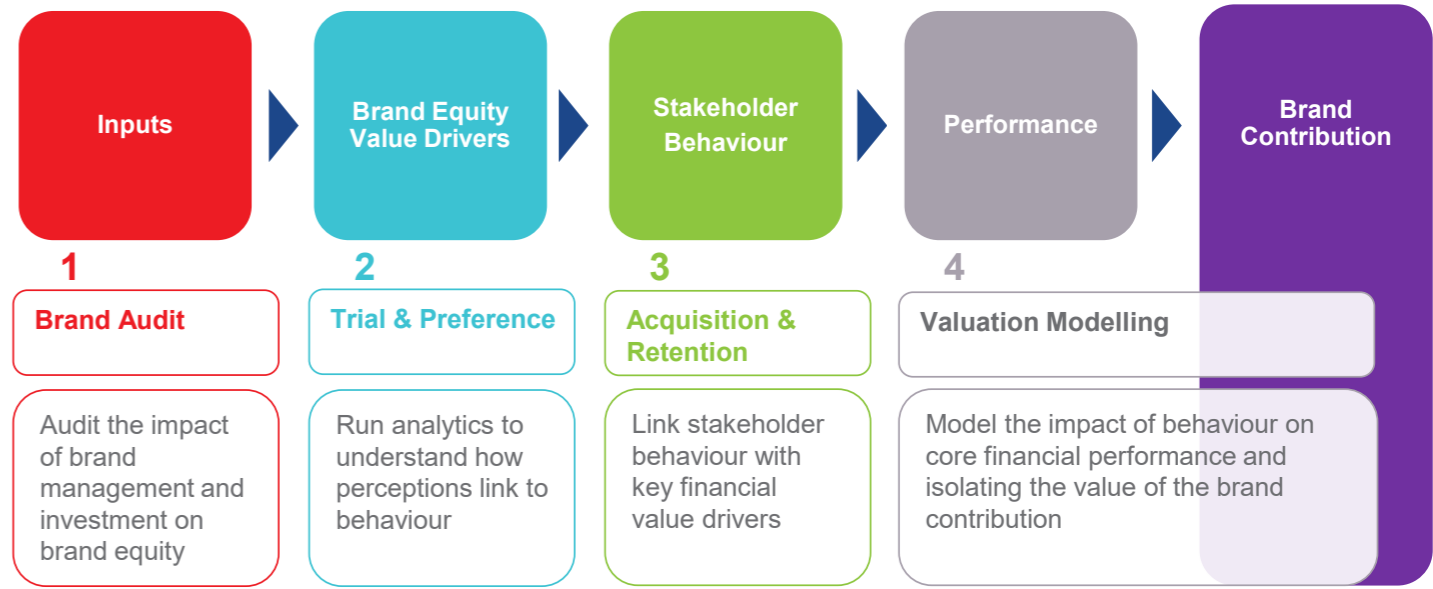
The steps in this process are as follows:

1 Calculate brand strength on a scale of 0 to 100 based on a number of attributes such as emotional connection, financial performance and sustainability, among others. This score is known as the Brand Strength Index, and is calculated using brand data from the BrandAsset® Valuator database, the world’s largest database of brands, which measures brand equity, consideration and emotional imagery attributes to assess brand personality in a category agnostic manner.

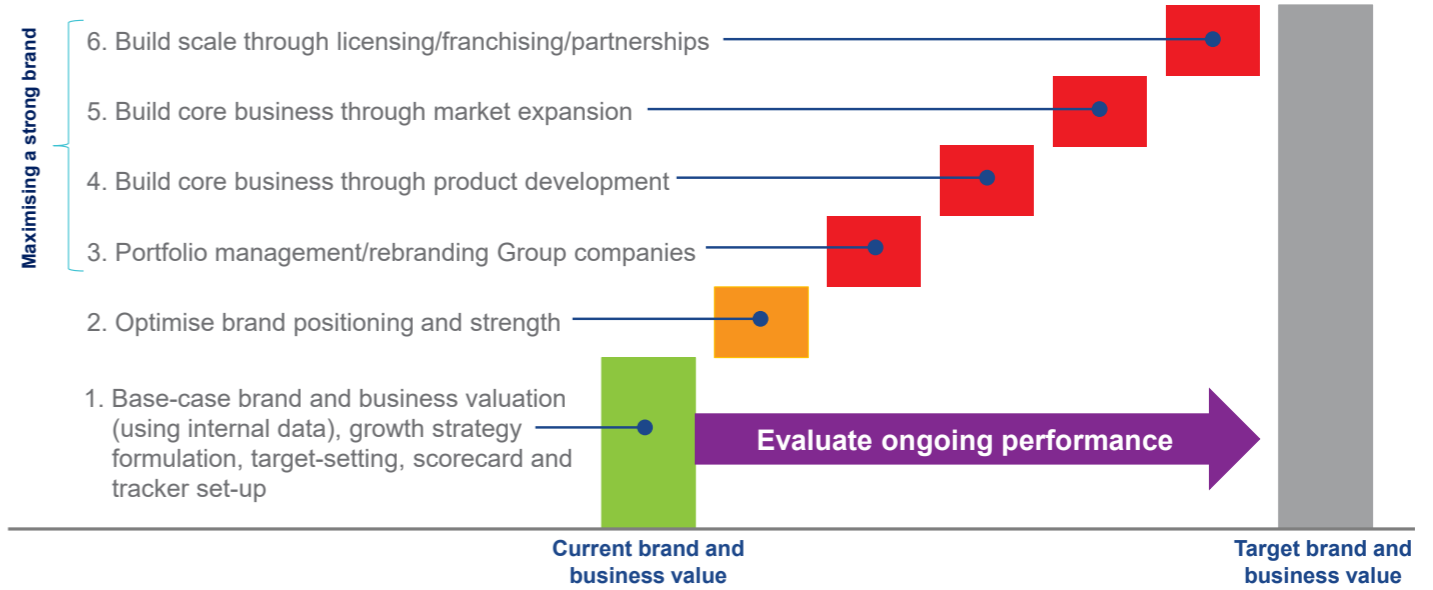
- 2** Determine the royalty rate range for the respective brand sectors. This is done by reviewing comparable licensing agreements sourced from Brand Finance’s extensive database of license agreements and other online databases.
- 3** Calculate royalty rate. The brand strength score is applied to the royalty rate range to arrive at a royalty rate. For example, if the royalty rate range in a brand’s sector is 1-5% and a brand has a brand strength score of 80 out of 100, then an appropriate royalty rate for the use of this brand in the given sector will be 4.2%.
- 4** Determine brand specific revenues estimating a proportion of parent company revenues attributable to a specific brand.
- 5** Determine forecast brand specific 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.



Brand Finance Typical Project Approach



How We Help to Maximise Value



Executive Summary

Hotels 50



As we move into 2017, the world's biggest hotel brands face 2016 was a challenging time. Economic fundamentals are generally improving, with the gradual, global economic recovery improving consumer confidence and the demand for business travel. However 2016 was a year of major shocks and disruption that undermined the success of some brands and could cause further trouble into the future.

The long term impacts of Donald Trump's election remain highly uncertain. The economic surge of the last few months could continue, providing a welcome stimulus for the industry. However his general hostility towards immigration and even to travel from certain countries, has caused nervousness among potential visitors to the US.

This could undermine the domestic hotels market, as could the strength of the dollar, which makes

foreign travel (rather than staycationing) more attractive for Americans.

In Britain, Brexit has had the opposite effect, with the devaluation of the pound providing a short term boost to the domestic travel industry. However this too presents potential problems. The nature of the trade deal negotiated with the EU could affect the ease of access for business and leisure travellers, with some form of visa waiver system, or ideally a continuation of free movement, essential to avoid a significant hit to demand.

An almost unavoidable consequence would appear to be an increase in labour costs due to the reduced availability of European labour. 30% of workers in Britain's hospitality industry are non-British EU citizens, so it is quite possible that once controls are imposed under the post Brexit regime, industry margins will suffer, or service quality will

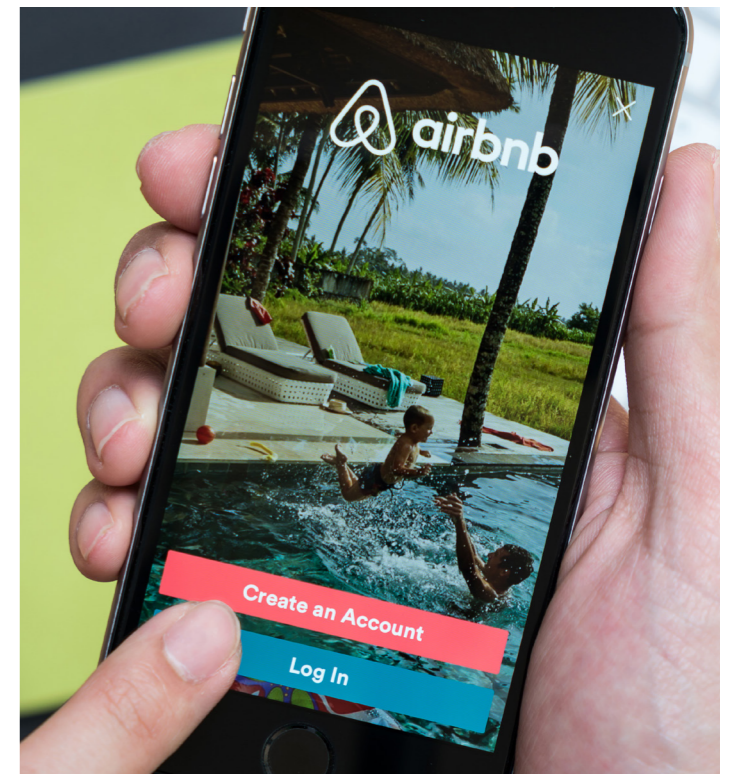
	1 Rank 2017: 1 2016: 1 ← BV 2017: \$ 8,370m BV 2016: \$ 7,819m +7% Brand Rating: AAA		6 Rank 2017: 6 2016: 6 ← BV 2017: \$ 2,421m BV 2016: \$ 2,845m -15% Brand Rating: AAA-
	2 Rank 2017: 2 2016: 2 ← BV 2017: \$ 5,037m BV 2016: \$ 5,315m -5% Brand Rating: AAA-		7 Rank 2017: 7 2016: 7 ← BV 2017: \$ 2,306m BV 2016: \$ 2,523m -9% Brand Rating: AAA
	3 Rank 2017: 3 2016: 3 ← BV 2017: \$ 4,037m BV 2016: \$ 3,452m +17% Brand Rating: AA+		8 Rank 2017: 8 2016: 9 ↑ BV 2017: \$ 1,676m BV 2016: \$ 1,757m -5% Brand Rating: AA+
	4 Rank 2017: 4 2016: 4 ← BV 2017: \$ 3,819m BV 2016: \$ 3,404m +12% Brand Rating: AAA-		9 Rank 2017: 9 2016: 10 ↑ BV 2017: \$ 1,650m BV 2016: \$ 1,711m -4% Brand Rating: AAA-
	5 Rank 2017: 5 2016: 5 ← BV 2017: \$ 3,044m BV 2016: \$ 2,950m +3% Brand Rating: AAA		10 Rank 2017: 10 2016: 14 ↑ BV 2017: \$ 1,638m BV 2016: \$ 1,418m +16% Brand Rating: AA+

fall, with adverse impact on the brands of firms operating there.

The most significant trends are longer term however. Changing consumer tastes and technology do not threaten the travel and leisure market as a whole, however they do pose a significant threat to the major hotel brands.

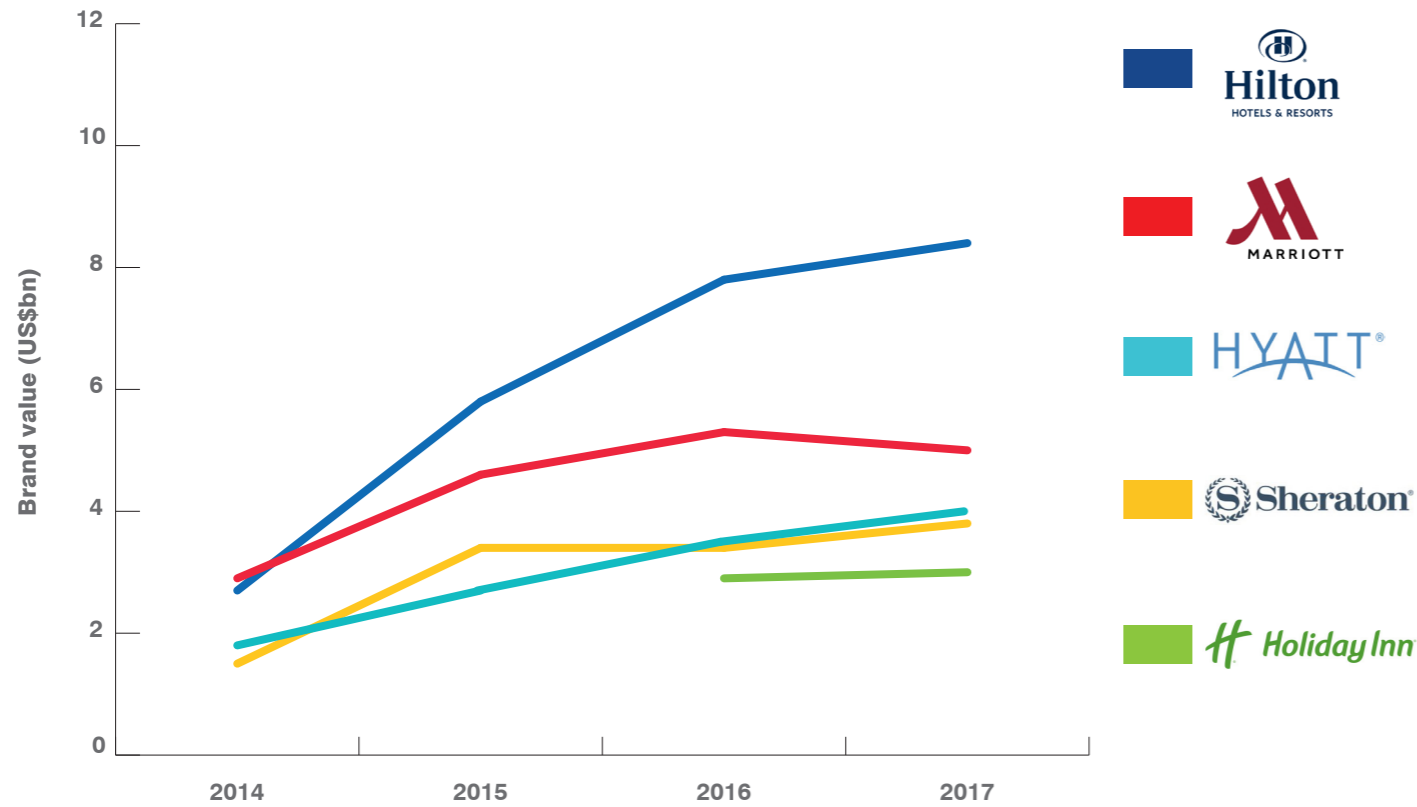
Travellers are developing ever more sophisticated tastes. In a very general sense at least, leisure travellers are increasingly seeking personally enriching experiences over comfort and prioritising the visually unique over familiarity. This is particularly true of millennials for whom travel is an important signifier of cultural awareness and social status, conveyed via social media.

The advent of Airbnb has made access to a vast range of private accommodation that plays into this desire for the unique and visually interesting,



Executive Summary

Brand Value Over Time



in a variety of brand building initiatives. Recent CSR drives include partnerships with Global Sustainable Solutions and ORCA to reduce food waste and improve recycling, as well as a plan to fast track veterans into employment.

To maintain the brand's visibility in the face of changing technology, Hilton has recently agreed to allow Tripadvisor users to not only view Hilton accommodation and check prices, but also to book directly through the site. Though this may mean some loss of control, it is a sensible concession in order to maintain high brand strength scores on metrics such as consideration and familiarity and as consumers come to expect a frictionless experience, it could prove essential to maintaining revenues.

Despite the challenging environment, a major growth opportunity remains in Asia. Chinese demand for business travel in particular at both a domestic and international level will continue to grow. From a brand perspective, this is particularly useful for Hilton and other major hotel brands.

Brand Finance research indicates that China's consumers demonstrate a much greater affinity with major brands than is increasingly the case in the west, making them particularly useful in reducing the impact of competition from smaller brands or homestays. A first mover advantage in China itself could prove very fruitful in building awareness to support Hilton's operations in the rest of the world as China's increasingly affluent tourists venture further afield.

Accor has clearly recognised this trend and is moving rapidly to capture luxury market share in China. It has now opened over 200 locations in greater China. 28 of these are under its Pullman brand, which added two new locations in Shanghai and Tangshan in 2016.

This is helping to drive the rapid brand value growth of Pullman. Having added 31% this year to a total of US\$323 million, Pullman is this year's fastest growing hotel brand. A Pullman brand was opened in San Francisco in 2016. This is only the second Pullman location in the US. With the world's two largest economies still relatively



as well as significantly adding to market supply of more functional accommodation. Airbnb's brand value is growing more rapidly than any of the major hotel brands. It increased 52% year on year to reach a total of US\$3.7 billion, making it more valuable than all but four of the world's biggest hotel brands.

In this context, the mixed results of the Brand Finance Hotels 50 may come as little surprise. Five of the top ten most valuable brands have lost value and the industry's year to year average brand value growth rate (4%) is significantly below the average for all sectors. There are notable exceptions however, with reasons for optimism for several brands. Hilton is the world's most valuable hotel brand with a brand value of US\$8.4 billion, up 7% on 2016.











Hilton remains one of the world's most powerful hotel brands (rated AAA) and continues to engage



Executive Summary

The 10 Most Powerful Brands

These are the most powerful Hotels brands, whose rating is based on Brand Finance's Brand Strength Index (BSI).

 Premier Inn	BSI Score 88.7
 Holiday Inn	BSI Score 85.4
 Days Inn	BSI Score 85.2
 Hilton HOTELS & RESORTS	BSI Score 84.9
 Hampton by HILTON	BSI Score 84.6
 NOVOTEL HOTELS, SUITES & RESORTS	BSI Score 84.5
 Comfort INN	BSI Score 84.3
 COURTYARD® Marriott	BSI Score 82.7
 ibis HOTELS	BSI Score 82.2
 MELIÃ HOTELS & RESORTS	BSI Score 82.0

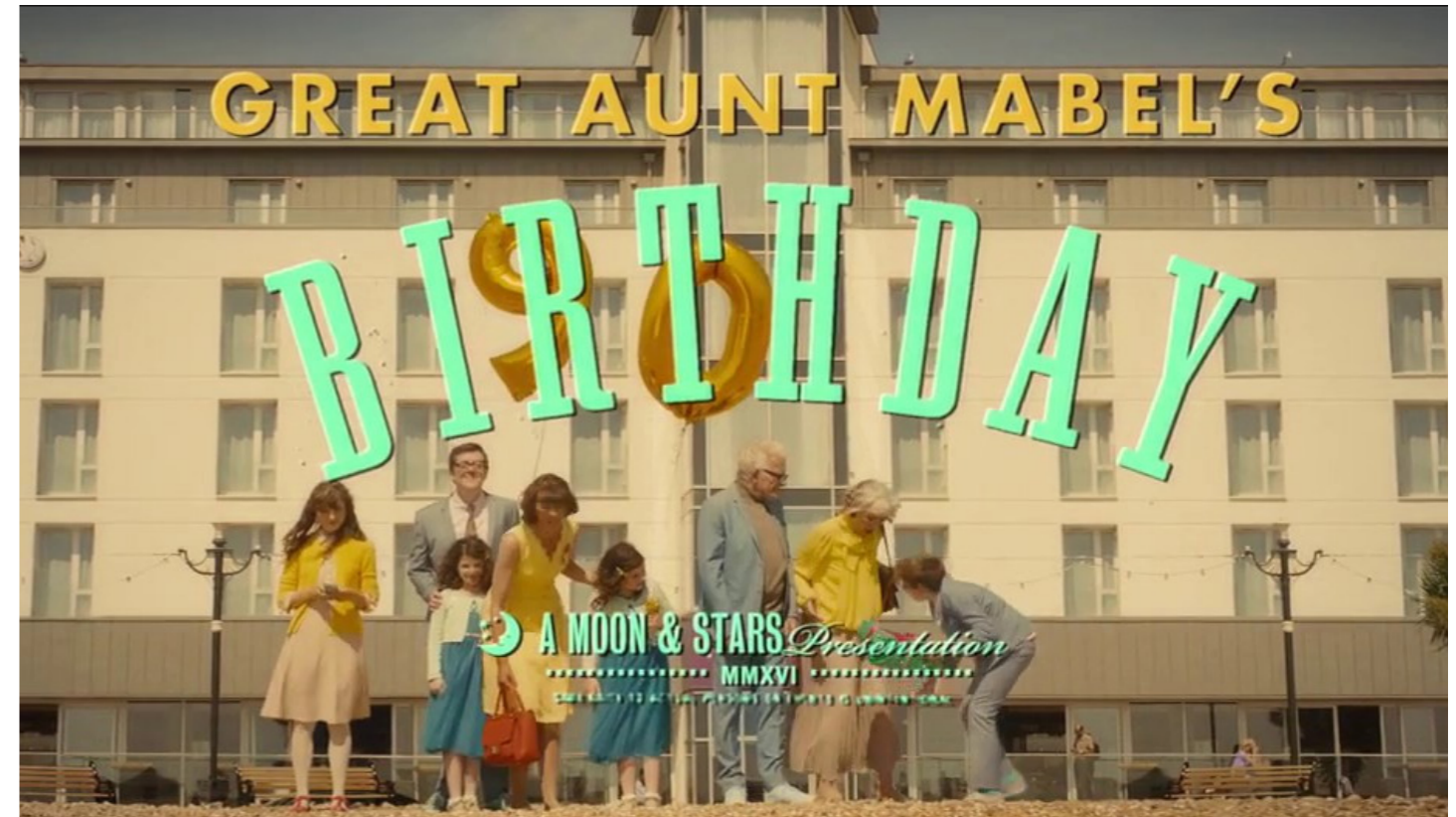
underexploited, Pullman's continued brand value growth looks likely.

The world's strongest hotel brand is Premier Inn. The mass-market, UK-focussed brand's top billing may come as a surprise to some, however Premier Inn lives up to its name across a broad range of brand metrics.

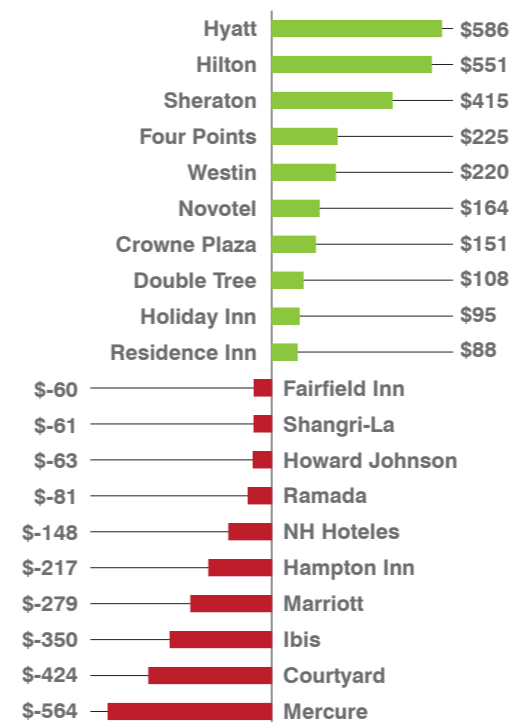
Owner Whitbread has consistently invested in effective marketing communications. Premier Inn was the first mass market UK hotel brand to be advertised on prime time television following its creation in 2007 and has commissioned high quality, effective advertising (using comedian Sir Lenny Henry) ever since.

Campaigns have mainly focussed on functional drivers such as convenience or price, using slogans such as 'Everything's Premier but the price'. There has also been an attempt to differentiate Premier Inn for the quality of sleep its offers, with the installation of Hypnos beds and the 'Good Night's Sleep Guaranteed' pledge. As confidence has grown in the strength of the brand, campaigns have become more emotionally-led. Recent ads focus on Premier Inn's role in helping friends and family keep in touch, including the Wes Anderson inspired 'Aunt Mabel's Birthday'.

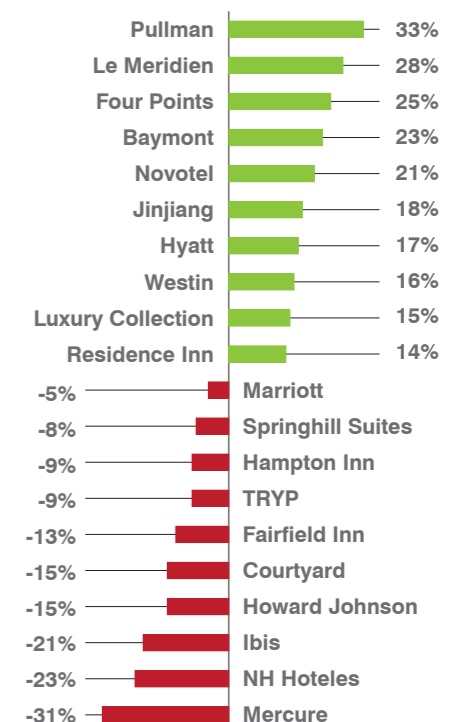
This has enabled Premier Inn to score highly on a wide range on metrics on Brand Finance's Brand Strength Index from marketing investment to familiarity and consideration. Luxury brands may be notionally more desirable, but they are not as widely known as Premier Inn, whose value for money supports higher scores for preference and satisfaction as well. Premier Inn's financial performance is correspondingly strong, with total sales up 12.9% and like for like sales up 4.2% in their financial year 2015/16, supporting a 11.9% pre-tax profit increase for Whitbread (Premier Inn's owner).



Brand Value Change 2016-2017 (US\$m)



Brand Value Change 2016-2017 (%)

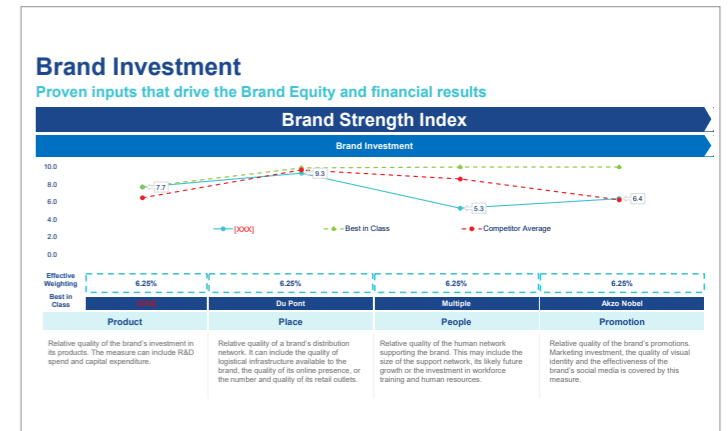
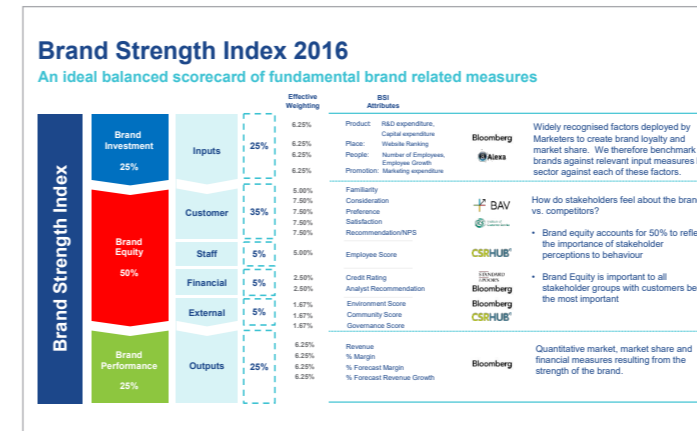
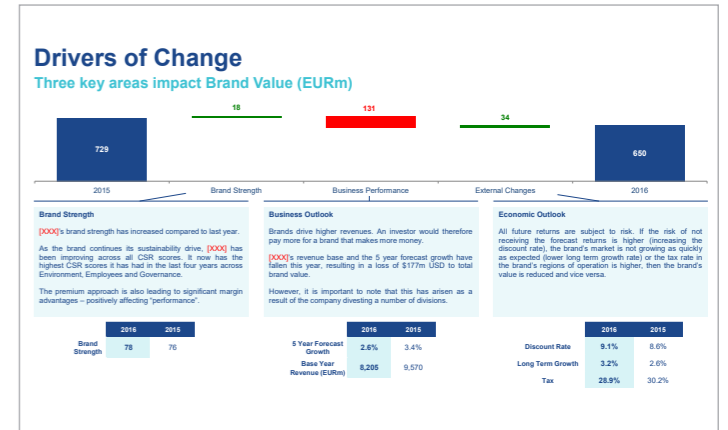
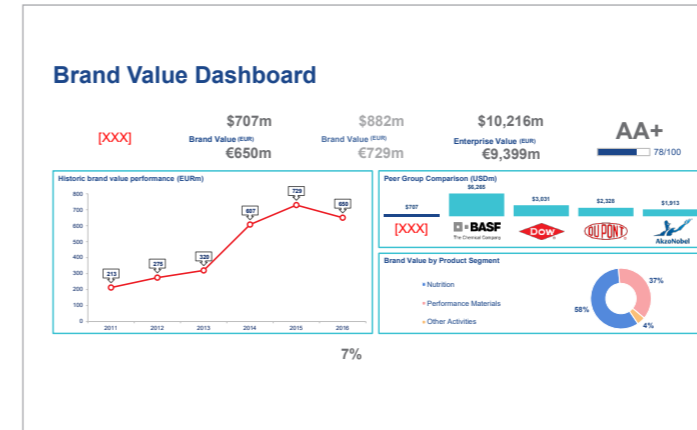


Brand Finance Hotels 50 (USDm)

Top 50 most valuable hotels brands 1 - 50.

Rank 2017	Rank 2016	Brand name	Domicile	Brand value (USDm) 2017	% change	Brand value(USDm) 2016	Brand rating 2017	Brand rating 2016
1	1	Hilton	United States	8,370	7%	7,819	AAA	AAA
2	2	Marriott	United States	5,037	-5%	5,315	AAA-	AAA
3	3	Hyatt	United States	4,037	17%	3,452	AA+	AAA-
4	4	Sheraton	United States	3,819	12%	3,404	AAA-	AAA-
5	5	Holiday Inn	United States	3,044	3%	2,950	AAA	AA+
6	6	Courtyard	United States	2,421	-15%	2,845	AAA-	AAA
7	7	Hampton Inn	United States	2,306	-9%	2,523	AAA	AAA
8	9	Ramada	United States	1,676	-5%	1,757	AA+	AA
9	10	Shangri-La	Hong Kong	1,650	-4%	1,711	AAA-	AAA
10	14	Westin	United States	1,638	16%	1,418	AA+	AA+
11	12	Wyndham						
12	15	Double Tree						
13	16	Intercontinental						
14	17	Crowne Plaza						
15	11	Ibis						
16	8	Mercure						
17	New	Days Inn						
18	New	Regal Hotels						
19	18	Premier Inn						
20	13	Crown						
21	19	Four Points						
22	23	Novotel						
23	20	Embassy suites						
24	New	Super 8						
25	New	Dolce hotels and resorts						
26	24	Comfort Inn						
27	26	Residence Inn						
28	29	Extended Stay America						
29	28	Autograph Collection hotels						
30	27	Springhill Suites						
31	30	The Ritz-Carlton						
32	31	Melia Hotels & Resorts						
33	25	NH Hoteles						
34	34	Quality						
35	33	Homewood Suites						
36	35	Aloft						
37	New	Hawthorn Suites by wyndham						
38	32	TRYP						
39	37	Millennium Hotels						
40	New	Hanting Hotel						
41	38	XIV						
42	41	Baymont						
43	21	Fairfield Inn						
44	36	Howard Johnson						
45	44	Jinjiang						
46	48	Pullman						
47	45	Luxury Collection						
48	43	Copthorne Hotels						
49	49	Le Meridien						
50	New	Wingate by Wyndham						

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. It includes:

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 KPI's
- + 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

Trademark Audit

- + Highlight unprotected marks
- + Spot potential infringement
- + Trademark registration strategy

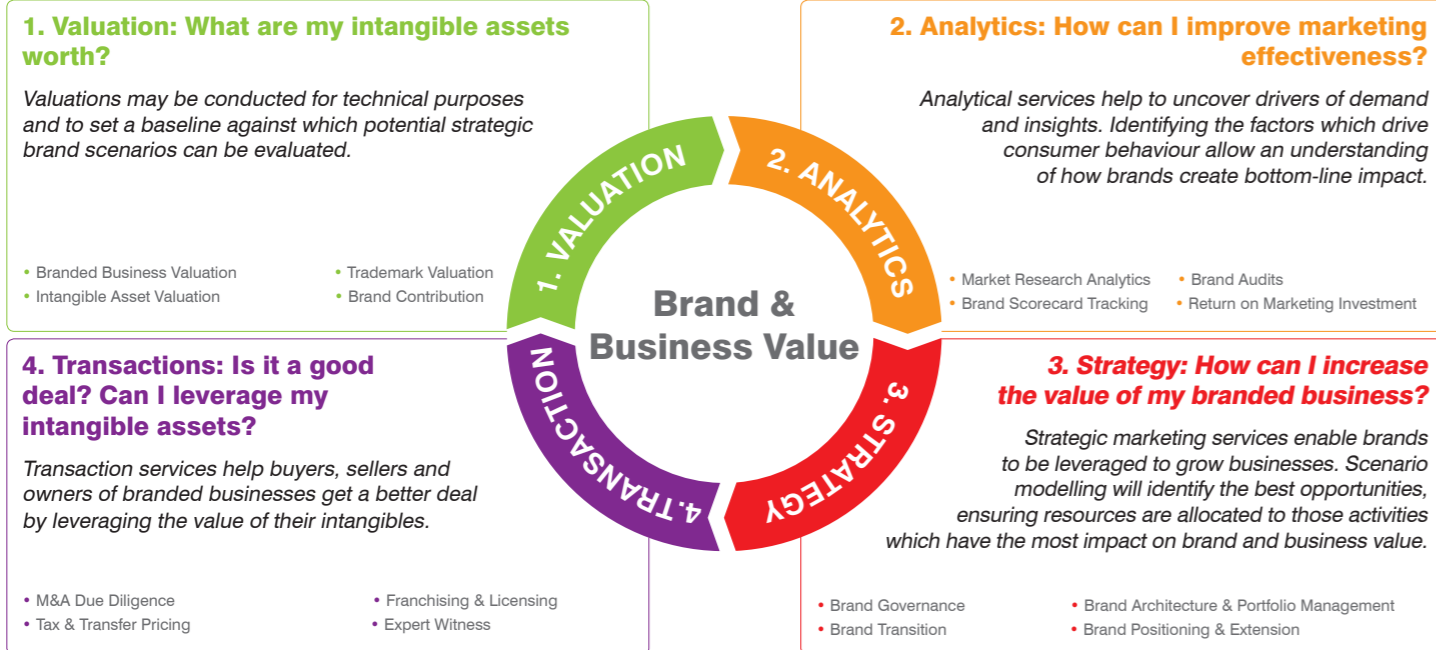
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How we can help



MARKETING

We help marketers to connect their brands to business performance by evaluating the return on investment (ROI) of brand based decisions and strategies.

- + Branded Business Valuation
- + Brand Contribution
- + Trademark Valuation
- + Intangible Asset Valuation
- + Brand Audit
- + Market Research Analytics
- + Brand Scorecard Tracking
- + Return on Marketing Investment
- + Brand Transition
- + Brand Governance
- + Brand Architecture & Portfolio Management
- + Brand Positioning & Extension
- + Franchising & Licensing

FINANCE

We provide financiers and auditors with an independent assessment on all forms of brand and intangible asset valuations.

- + Branded Business Valuation
- + Brand Contribution
- + Trademark Valuation
- + Intangible Asset Valuation
- + Brand Audit
- + Market Research Analytics
- + Brand Scorecard Tracking
- + Return on Marketing Investment
- + Brand Transition
- + Brand Governance
- + Brand Architecture & Portfolio Management
- + Brand Positioning & Extension
- + Mergers, Acquisitions and Finance Raising Due Diligence
- + Franchising & Licensing
- + Tax & Transfer Pricing
- + Expert Witness

TAX

We help brand owners and fiscal authorities to understand the implications of different tax, transfer pricing and brand ownership arrangements.

- + Branded Business Valuation
- + Brand Contribution
- + Trademark Valuation
- + Intangible Asset Valuation
- + Brand Audit
- + Market Research Analytics
- + Franchising & Licensing
- + Tax & Transfer Pricing
- + Expert Witness

LEGAL

We help clients to enforce and exploit their intellectual property rights by providing independent expert advice in and outside of the courtroom.

- + Branded Business Valuation
- + Brand Contribution
- + Trademark Valuation
- + Intangible Asset Valuation
- + Brand Audit
- + Tax & Transfer Pricing
- + Expert Witness

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