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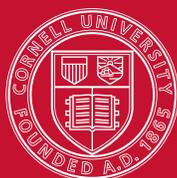


Cornell Hospitality Report

Brand Segmentation in the Hotel and Cruise Industries: Fact or Fiction?

by Michael Lynn, Ph.D.

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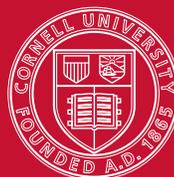
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Brand Segmentation in the Hotel and Cruise Industries:

Fact or Fiction?

By Michael Lynn, Ph.D.

ABOUT THE AUTHOR

Michael Lynn, Ph.D., is an associate professor at the Cornell University School of Hotel Administration (wml3@cornell.edu). His primary research focuses are tipping behavior, status consumption, and consumers' response to product scarcity. He has published over 50 articles, in journals such as *Journal of Consumer Research*, *Journal of Applied Social Psychology*, *Journal of Personality and Social Psychology*, *American Psychologist*, and *Personality and Individual Differences*. The author gratefully acknowledges the financial support of the Cornell Center for Hospitality Research for this research.



EXECUTIVE SUMMARY

An analysis of a consumer database calls into question the idea, common among academic observers, that market segmentation can work as a grand strategy for either cruise lines or for hotel brands. In pursuing a market segmentation strategy, a brand would focus its efforts on a discrete group of consumers to the exclusion of other groups. In so doing, that brand would attempt to forestall that set of customers from doing business with competitors. Using data drawn from a sample of over 40,000 respondents in the United States, this study finds no such exclusivity for large market segments. One reason for this is that hotel and cruise markets are not sufficiently segmented for such a strategy to succeed. Moreover, even if hotel and cruise market segments were sufficiently distinct, the competitors in these two industries are far too adept to allow one brand to achieve dominance in a particular segment. Then again, certain hotel brands and cruise lines do appeal to specific customer groups more than do their competitors. For example, one cruise line attracted more business from women than did its cohorts. Likewise, women patronized two high-end hotel brands to a greater extent than they did competing high-end hotels. These findings suggest that market segmentation can be effective on a tactical level. That is, rather than think of market segmentation as a strategic measure, cruise lines and hotel companies can work to gain modest advantage with specific demographic groups, and thus compete in a set of slightly differentiated markets.

Brand Segmentation in the Hotel and Cruise Industries:

Fact or Fiction?

By Michael Lynn, Ph.D.

Present-day marketing strategy can be summed up in the following three words—segmentation, targeting, and positioning (STP).¹ Assuming that the mass market consists of sets of relatively homogeneous groups with distinct needs and desires, STP marketers attempt to identify those market segments, direct marketing activities at the segments which the marketers believe that their company can satisfy better than their competitors, and position their product offering so as to appeal to the targeted segments.

Critical to this strategic approach is selecting some segments to target and others to ignore. As David Aaker writes: “Positioning usually implies a segmentation commitment—an overt decision to ignore large parts of the market and concentrate only on certain segments.”² STP strategies may be either concentrated or differentiated. Companies pursuing a concentrated

¹ See: Philip Kotler, *Marketing Management*, 9th edition (Upper Saddle River, NJ: Prentice Hall, 1997), p. 89; and Philip Kotler, *Kotler on Marketing* (New York: Free Press, 1999), pp. 30-32.

² David Aaker, *Managing Brand Equity* (New York: Free Press, 1991), p. 164.

Cruise lines and hotel brands studied

Cruise Lines	Economy Hotels	Mid-Level Hotels	High-End Hotels
Carnival	Comfort	Best Western	Crowne Plaza
Celebrity	Days	Comfort	Doubletree
Holland	EconoLodge	Comfort Suites	Embassy Suites
America	Motel 6	Country Inn	Hilton
Norwegian	Red Roof	Courtyard	Holiday Inn Select
Princess	Super 8	Fairfield	Hyatt
Royal	Sleep Inn	Holiday Inn	Marriott
Caribbean	Travelodge	Holiday Inn	Radison
		Express	Residence Inn
		Howard	Sheraton
		Johnson	Westin
		La Quinta	Wyndham
		Quality	
		Ramada	

STP marketing strategy (such as Rosewood Hotels and Crystal Cruises) target one or two segments by offering a single brand offering. On the other hand, companies pursuing a differentiated STP marketing strategy (such as Choice Hotels and Carnival Corporation) target multiple segments with a different brand for each segment.³

STP marketing is unquestionably worthwhile at the broadest levels of market segmentation (e.g., dividing the market into those who use the product and those who do not, or dividing product users into low, medium, and high price segments). In this regard, STP marketing amounts to “knowing your market” and increasing marketing efficiency by ignoring those not in the market.⁴ Four Seasons, for example, will clearly get more return on its marketing dollar by targeting only affluent travelers than by including non-travelers or those travelers with low incomes in its target segments. However, STP marketing is frequently presented as more than this; it is regarded as a competitive strategy. Firms are encouraged to gain competitive advantage within broad subtypes of a product category by narrowing market segments and targeting selected segments with tailored product offerings.⁵ At this narrow level of segmentation, the utility of STP marketing is less clear.

If it is truly effective, STP marketing within broad types of a product category should result in competing brands having different customer profiles (called brand segmentation). However, there is little published evidence that such brand segmentation exists for any industry. In fact, Andrew

³ Philip Kotler, John T. Bowen, and James C. Makens, *Marketing for Hospitality and Tourism*, 4th edition (Upper Saddle River, NJ: Prentice Hall, 2006), pp. 278-279.

⁴ Rachel Kennedy and Andrew Ehrenberg, “There Is No Brand Segmentation,” *Marketing Research*, Spring 2001, pp. 4-7.

⁵ Kotler, Bowen, and Makens, *op.cit.*

Ehrenberg and his colleagues have compared the buyer profiles of numerous competing consumer product, service and retail brands and found only small, inconsequential differences. These findings have important implications, so they are described in some detail below.

In 1996, Kathy Hammond, Andrew Ehrenberg, and G. Goodhart used data from large consumer panels in the United States, the United Kingdom, Germany, and Japan to compare the customer profiles of 23 different grocery products.⁶ Specifically, they obtained for each brand in their studies the percentage of the brand’s purchases attributable to customers with distinct demographic characteristics. For example, they recorded the percentage of each brand’s purchases made by men and by women, and by one-person households, by two-person households, and by larger households. Then they calculated the difference between the percentage of customers with a given characteristic for each brand and the average percentage for all of the brand’s direct competitors. Finally, they calculated the mean of the absolute value of those differences for the characteristics that constituted different levels of one variable. The resulting score is called the mean absolute deviation (MAD) score for the brand on that variable.

To give an example, say that compared to the average of a brand’s competitors, 5 percent more of a brand’s purchases come from one-person households, 10 percent more purchases come from two-person households, 7 percent fewer purchases come from three-person households, and 8 percent fewer purchases come from households with 4 or more persons. Then the difference scores for the brand on the household-size characteristics are +5, +10, -7 and -8,

⁶ Kathy Hammond, A.S.C. Ehrenberg, and G.J. Goodhardt, “Market Segmentation for Competitive Brands,” *European Journal of Marketing*, Vol. 30, No. 12 (1996), pp. 39-49.

and the mean of the absolute value of those differences, or the brand's MAD score for household size, is 7.5 (that is, $[5+10+7+8]/4$).

Hammond and her colleagues found that the typical MAD score is not that high. For nearly 1,000 different combinations of product categories and segmentation variables, they found that the typical MAD score was only 3. Furthermore, the rare MAD scores that were large tended to reflect segmentation by broad category subtype (e.g., kids' cereals vs. adults' cereals) rather than segmentation by brand within subcategories. They argued that MAD scores less than 5 are meaningless for practical purposes and concluded that there is little true brand segmentation among competing grocery store products.

Rachel Kennedy and Andrew Ehrenberg replicated these findings for over 40 different consumer product, service, and retail categories using consumer survey data from the U.K.⁷ Moreover, two other studies by different scholars using different methodologies and data sets reached similar conclusions about the weakness of brand segmentation.⁸ Thus, the available evidence suggests that brands within a competitive set do not typically have substantially different customer profiles.

I see two plausible explanations for this lack of brand segmentation. First, buyers within broad product subcategories may not be sufficiently different from one another to support further segmentation. Second, companies' efforts to appeal to selected segments may be negated by competitors who copy those efforts.⁹ Regardless of its causes, the lack of brand segmentation raises serious doubts about the efficacy

⁷ Kennedy and Ehrenberg, *op.cit.*

⁸ John Dawes, "Interpretation of Brand Penetration Figures That Are Reported by Sub-groups," *Journal of Targeting, Measurement, and Analysis for Marketing*, Vol. 14, No. 2 (2006), pp. 173-183; and Geraldine Fennel, Greg M. Allenby, Sha Yang, and Yancy Edwards, "The Effectiveness Of Demographic and Psychographic Variables for Explaining Brand and Product Category Use," *Quantitative Marketing and Economics*, Vol. 1 (2003), pp. 223-244.

⁹ Kennedy and Ehrenberg, *op.cit.*

of strategic STP marketing. Kathy Hammond and her co-authors describe this implication as follows:

This means that segmentation analysis does not offer a simple answer to "How should I market brand A competitively?" Trying to appeal to a different kind of person from brand B does not seem the solution. Instead, competition ultimately means selling successfully to the same potential customers.¹⁰

Rachel Kennedy and Andrew Ehrenberg draw similar but stronger conclusions as reflected in the following quotation:

The implications of the lack of brand segmentation for brand positioning, targeting, and media planning seem simple and positive. Instead of being restricted to a specific market segment (and even perhaps enjoying the proverbial monopoly of a tiny niche), marketers more often operate in a large, virtually unsegmented mass market, or at least in a large submarket like luxury cars or dry cat food.¹¹

The purpose of this report is to examine the level of brand segmentation in the cruise and hotel industries. The research described above was focused on other products and services, and so it is unclear whether similar results would be obtained for these hospitality industries. Assessing the level of brand segmentation in these two industries is worthwhile because so many cruise lines and hotel brands appear to engage in strategic STP marketing. For example, Carnival Cruise Lines targets relatively young cruisers of modest means, Disney targets family cruisers, and Royal Caribbean targets the adventuresome cruiser. Among hotel brands, Marriott has targeted the business traveler, Westin Hotels has targeted the woman traveler, and W Hotels has targeted

¹⁰ Hammond, *et al.*, *op.cit.*, p. 48

¹¹ Kennedy and Ehrenberg, *op.cit.*, p. 7

Market segmentation can be effective as a tactic in which a brand competes for small advantages in several segments.

the young, hip traveler. I wanted to determine whether these efforts have created substantial brand segmentation. If it turns out that none of these excellent operators has achieved meaningful brand segmentation, that would suggest that further attempts by cruise and hotel brands to gain competitive advantage through strategic STP marketing are misguided.

The state of brand segmentation in the cruise and hotel industries is open to debate. On one hand, some industry observers have argued that cruises and hotels are becoming commodities with little product differentiation, a position that leads me to expect little brand segmentation.¹² On the other hand, cruise ships and hotels bring their customers into physical contact with one another more than do other industries. Research in psychology and sociology tells us that the people prefer affiliating with those who are similar to them, which is why one can observe residential enclaves, for example.¹³ Thus, the direct contact that cruise and (to a lesser extent) hotel customers have with one another may make them particularly sensitive to information about a brand's typical customer. Thus, if a particular brand has had even small successes in attracting a particular market segment, that should further enhance the appeal of the brand to that particular market segment, in a positive feedback loop. Ultimately, this positive feedback loop should result in substantial brand segmentation.

Studying U.S. Travelers

Given these conflicting arguments, questions about the extent of brand segmentation in the cruise and hotel industries must be answered empirically. Consumer data provided by D.K. Shifflet and Associates permits such an empirical

¹² See: Kirby D. Payne, "Is Segmentation in the Hotel Industry New? Is It Even Segmentation?," www.hotel-online.com/Trends/Payne/Articles/SegmentationInHotelIndustrys.html; accessed 7/24/2006; and Rebecca Tobin, "Report: Same Thing, Different Ship," www.travelweekly.com/printarticle.aspx?pageid=40976, accessed 7/25/2006.

¹³ David G. Myers, *Social Psychology*, 3rd edition (New York: McGraw Hill, 1990), pp. 425-428; R. Wilkes and J. Iceland, "Hypersegregation in the Twenty-First Century," *Demography*, Vol. 41 (February 2004), pp. 23-36.

assessment. By agreement with the Center for Hospitality Research, D.K. Shifflet provided survey data on 278,499 trips that were completed during 2003 and 2004 by a large sample of U.S. consumers. The surveys, which are sent to 45,000 households each month, ask for information about each overnight and day trip (over 50 miles from home) completed in the previous three months. For each trip, the following segmentation variables are obtained and analyzed (for the current analyses, the levels of the variables were collapsed to those shown in parentheses):

- (1) Sex of traveler (Male or Female);
- (2) Race of head of household (White or Non-White);
- (3) Household Income (\$29,999 or less; \$30,000–\$49,999; \$50,000–\$99,999; and \$100,000 or more);
- (4) Marital Status (Married; Never Married; or Divorced, Widowed, or Separated);
- (5) Household Size (One Member; Two Members; Three or More Members);
- (6) Age of Traveler (Teens and 20s and 30s; 40s and 50s; or 60s and up), and
- (7) Purpose of Trip (Business or Leisure).

In addition, the name of the cruise line or hotel providing overnight accommodations for each trip was recorded. The consumer profiles of cruise lines and hotel brands receiving at least 450 stays in the data set were examined. However, one condition of my being given access to the data was that specific brands not be identified in connection with their customer profiles. Thus, although the brands involved in this study are listed here (see Exhibit 1), I do not mention the brands by name in my findings.¹⁴ I conducted separate analyses on economy, mid-level, and high-end hotels (which were defined using D.K. Shifflet's three-level segmentation of the industry). Due to small numbers of cruise brands meet-

¹⁴ A reviewer requested that I identify the different disguised brands' target segments. However, doing so would effectively identify the various brands to knowledgeable readers, so I did not comply with this request. Moreover, such identification is not germane to the main findings.

EXHIBIT 2
Percentage of trips on cruise lines by demographic characteristic

Characteristic	C R U I S E L I N E						All Lines
	A	B	C	D	E	F	
Male*	19.22%	37.12%	25.49%	27.11%	22.65%	22.32%	24.28%
MAD score for sex	(5.06)	(12.84)	(1.21)	(2.83)	(1.63)	(1.96)	(4.26)
Household Headed by Whites*	88.84%	96.45%	94.38%	94.32%	96.41%	93.92%	93.45%
MAD score for race	(4.61)	(3.00)	(.93)	(.87)	(2.96)	(.47)	(2.14)
Marital Status							
Married Persons	65.66%	66.67%	65.12%	64.89%	66.67%	67.38%	66.14%
	(.48)	(.53)	(1.02)	(1.25)	(.53)	(1.24)	
Never Married	9.88%	6.80%	8.76%	12.13%	6.50%	10.77%	9.40%
	(.48)	(2.60)	(.64)	(2.73)	(2.90)	(1.37)	
Divorced, Widowed, Separated	24.46%	26.54%	26.12%	22.98%	26.83%	21.85%	24.46%
	(0)	(2.08)	(1.66)	(1.48)	(2.37)	(2.61)	
MAD score for marital status	.32	1.74	1.11	1.82	1.93	1.57	1.42
Household Size							
1 Person	23.03%	22.17%	27.18%	26.61%	24.60%	19.32%	23.38%
	(.35)	(1.21)	(3.80)	(3.23)	(1.22)	(4.06)	
2 Persons	42.87%	57.76%	63.92%	55.05%	58.58%	51.86%	53.39%
	(10.52)	(3.37)	(10.53)	(1.66)	(5.19)	(1.53)	
3+ persons	34.10%	21.06%	8.90%	18.35%	16.83%	28.82%	23.23%
	(10.87)	(2.17)	(14.33)	(4.88)	(6.40)	(5.59)	
MAD score for household size	7.25	2.25	9.56	3.26	4.27	3.73	5.05
Household Income							
\$0 to \$29,999	15.34%	7.86%	12.66%	13.37%	15.86%	12.93%	13.41%
	(1.93)	(5.55)	(.75)	(.04)	(2.45)	(.48)	
\$30,000 to \$49,999	23.40%	16.16%	21.05%	19.96%	18.77%	15.76%	19.39%
	(4.01)	(3.23)	(1.66)	(.57)	(.62)	(3.63)	
\$50,000 to \$99,999	41.36%	34.50%	41.28%	43.59%	38.67%	43.74%	41.06%
	(.30)	(6.56)	(.22)	(2.53)	(2.39)	(2.68)	
\$100,000+	19.90%	41.48%	25.00%	23.08%	26.70%	27.58%	26.14%
	(6.24)	(15.34)	(1.14)	(3.06)	(.56)	(1.44)	
MAD score for income	3.12	6.17	.94	1.55	1.51	2.06	2.56
Respondent's Age							
20s & 30s	21.46%	8.52%	3.62%	9.52%	7.61%	16.26%	12.75%
	(8.71)	(4.23)	(9.13)	(3.23)	(5.14)	(3.51)	
40s & 50s	48.16%	40.83%	32.07%	40.66%	35.76%	49.60%	42.64%
	(5.52)	(1.81)	(10.57)	(1.98)	(6.88)	(6.96)	
60s & older	30.39%	50.66%	64.31%	49.82%	56.63%	34.14%	44.61%
	(14.22)	(6.05)	(19.70)	(5.21)	(12.02)	(10.47)	
MAD score for age	9.48	4.03	13.13	3.47	8.81	6.98	7.65

*For all variables, the absolute deviation is shown in parentheses. For dichotomous variables, the absolute deviation and mean absolute deviation (MAD) are the same.

ing the 450-stay criteria, the analyses were performed on mainstream and premium cruise lines together.

Results

I assessed the degree of brand segmentation in the cruise and hotel industries using the mean absolute deviation method that I explained above. Following Ehrenberg's methodology, I obtained the percentages of each brand's business attributable to consumers of various types and calculated the absolute deviations of those percentages from the average for the competitive set. I then averaged the absolute deviations for those characteristics that constituted different levels of a single variable to obtain mean absolute deviation (MAD) scores. The results are presented in Exhibits 2 through 5. Again, the brand names of the cruise lines and hotels are disguised, so that there is no way to connect the listings in the tables to the actual brands.

Brand Segmentation in Cruise Lines

An examination of Exhibit 2 reveals that the customer profiles of the different cruise lines are remarkably similar. The 36 MAD scores (one score for each demographic variable at each cruise line) ranged from 0.3 to 13.13 with a mean of 3.85 and a standard deviation of 3.36. Only nine of the 36 scores had values greater than 5, which Ehrenberg argues is the minimum score necessary to reflect meaningful brand segmentation. These low MAD scores indicate that no cruise line in this study can be said to "own" a market segment or set of segments. Thus, strategic STP marketing—in the sense of selecting and owning one or two segments while leaving other segments to competitors—does not appear to be viable in this industry.

Although an STP strategy isn't working, the data show clear evidence of a limited amount of brand segmentation based on specific demographic attributes. In this regard, Cruise Line A attracts more women, more three-person households (but fewer two-person households), and younger people than do the others. Cruise Line B attracts more men and high-income people than do the others. Cruise Line C attracts more two-person households (but fewer three-person households) and older people than do the others.

I believe that these differences in customer profiles are large enough to be meaningful. Thus, my findings suggest that the observation of Ehrenberg and his colleagues that brands often compete in one undifferentiated market does not apply to the cruise industry. Instead, cruise brands appear to compete in many slightly differentiated markets at the same time. Cruise brands are making effective tactical use of STP marketing in the sense that, while they are not excluding any particular passenger segment, they are differentially appealing to specific demographic segments' particular wants and needs.

Brand Segmentation in Economy Hotels

An examination of Exhibit 3 (on the next page) reveals that the customer profiles of the different economy hotels are also similar. The 56 MAD scores (one score for each segmentation variable at each hotel brand) ranged from 0.0 to 9.8 with a mean of 2.65 and a standard deviation of 2.18. Only eight of these scores had a value greater than five. As with cruise lines, there is no evidence that any economy hotel brand has carved out its own segment of the consumer market. However, two hotel brands do have customer profiles different enough to be worth mentioning. Hotel brand E attracts a higher proportion of men, unmarried people, and one-person households than is typical of the economy segment as a whole. Hotel brand F also attracts a larger proportion of men and unmarried people than is typical, but it really stands out in attracting more business travelers than the other hotels in this category. Thus, again I find insufficient brand segmentation to support the idea that these hotels have succeeded with a strategy of selecting and targeting some segments while ignoring others. However, I see enough brand segmentation to support the wisdom of using STP marketing in a tactical way to compete on a segment-by-segment basis.

Brand Segmentation in Mid-Level Hotels

An examination of Exhibit 4 (also overleaf) reveals both similarities and differences in the customer profiles of different mid-level hotel brands. The 84 MAD scores (one score for each segmentation variable at each hotel brand) ranged from 0.2 to 10.1 with a mean of 3.13 and a standard deviation of 2.39. Fourteen of these scores had a value greater than 5. Thus, once again, there is no evidence of successful strategic STP marketing in this competitive set. However, the numerous differences between brands in customer sex, income, and purpose of stay are large enough to be meaningful. For example, hotel brand J attracts fewer women, while hotel brands L and Q attract more women than is typical of other brands in this category. In addition, hotel brand J attracts higher income people than the average for this segment, while hotel brand L attracts lower-income people than is typical of other brands in this category. Of particular note are the differences in purpose of stay, with hotel brands J and K attracting a substantially higher proportion of business travelers, and hotel brands I, L, N, and P attracting a substantially higher proportion of leisure travelers than is typical of other brands in this category. These modest but meaningful differences in customer profiles indicate that it is possible for hotel brands to gain a disproportionate share of a particular market segment, which supports the potential utility of tactical STP marketing.

EXHIBIT 3

Percentage of stays at various economy hotel brands by customer characteristics

Characteristic	HOTEL "BRAND"								All Hotels
	A	B	C	D	E	F	G	H	
Male*	36.55%	34.10%	33.77%	32.48%	42.46%	42.99%	34.66%	33.20%	35.78%
MAD score, sex	(.77)	(1.68)	(2.01)	(3.30)	(6.68)	(7.21)	(1.12)	(2.58)	(3.17)
Household Head									
White*	89.18%	93.72%	92.9%	93.18%	89.22%	93.28%	94.67%	94.14%	92.86%
MAD score, race	(3.68)	(.86)	(.04)	(.32)	(3.64)	(.42)	(1.81)	(1.28)	(1.51)
Marital Status									
Married	58.64%	70.27%	64.97%	63.22%	49.00%	57.57%	66.28%	67.35%	63.64%
	(5.00)	(6.63)	(1.57)	(.42)	(14.64)	(6.07)	(2.64)	(3.71)	
Never Married	19.49%	12.11%	15.61%	14.04%	21.23%	21.52%	14.55%	15.81%	15.75%
	(3.74)	(3.64)	(.14)	(1.71)	(5.48)	(5.77)	(1.20)	(.06)	
Divorced, Widowed, Separated	21.88%	17.62%	19.42%	22.74%	29.77%	20.91%	19.17%	16.84%	20.61%
	(1.27)	(2.99)	(1.19)	(2.13)	(9.16)	(.30)	(.93)	(3.77)	
MAD Marital Status	3.34	4.42	.97	1.42	9.76	4.05	1.59	2.51	3.51
Household Size									
1 Person	26.40%	19.16%	21.93%	24.36%	33.26%	26.47%	22.47%	22.27%	23.47%
	(2.93)	(4.31)	(1.54)	(.89)	(9.79)	(3.00)	(1.00)	(1.20)	
2 Persons	41.39%	46.27%	41.51%	45.49%	38.01%	45.92%	45.23%	47.27%	43.60%
	(2.21)	(2.67)	(2.09)	(1.89)	(5.59)	(2.32)	(1.63)	(3.67)	
3+ persons	32.21%	34.57%	36.55%	30.14%	28.73%	27.61%	32.31%	30.46%	32.93%
	(.72)	(1.64)	(3.62)	(2.79)	(4.20)	(5.32)	(.62)	(2.47)	
MAD HHSize	1.95	2.87	2.42	1.86	6.53	3.55	1.08	2.45	2.84
Household Income									
\$0 to \$29,999	23.64%	16.52%	21.37%	29.17%	33.71%	24.90%	23.86%	18.94%	22.95%
	(.69)	(6.43)	(1.58)	(6.22)	(10.76)	(1.95)	(.91)	(4.01)	
\$30,000 to \$49,999	26.91%	23.50%	25.28%	27.56%	26.61%	23.68%	26.61%	27.49%	25.41%
	(1.50)	(1.91)	(.13)	(2.15)	(1.20)	(1.73)	(1.20)	(2.08)	
\$50,000 to \$99,999	37.64%	42.56%	40.57%	33.55%	30.88%	39.02%	38.48%	39.71%	38.74%
	(1.10)	(3.82)	(1.83)	(5.19)	(7.86)	(.28)	(.26)	(.97)	
\$100,000 +	11.82%	17.42%	12.79%	9.72%	8.80%	12.40%	11.05%	13.85%	12.90%
	(1.08)	(4.52)	(.11)	(3.18)	(4.10)	(.50)	(1.85)	(.95)	
MAD Income	1.09	4.17	.91	4.19	5.98	1.12	1.06	2.00	2.56
Respondent's Age									
20s & 30s	27.27%	24.05%	29.37%	26.18%	25.48%	28.56%	24.80%	22.81%	26.21%
	(1.06)	(2.16)	(3.16)	(.08)	(.73)	(2.35)	(1.41)	(3.40)	
40s & 50s	45.27%	45.03%	43.40%	43.06%	41.28%	46.44%	44.23%	44.40%	43.95%
	(1.32)	(1.08)	(.55)	(.89)	(2.67)	(2.49)	(.28)	(.45)	
60s & older	27.45%	30.92%	27.23%	30.77%	33.25%	25.00%	30.97%	32.79%	29.84%
	(2.39)	(1.08)	(2.61)	(.93)	(3.41)	(4.84)	(1.18)	(2.95)	
MAD Age	1.59	1.44	2.11	.63	2.27	3.23	.96	2.27	1.81
Business Traveler*	34.91%	41.00%	39.41%	33.55%	42.31%	48.68%	40.29%	41.34%	40.48%
MAD score	(5.57)	(.52)	(1.07)	(6.93)	(1.83)	(8.20)	(.19)	(.86)	(3.15)

*For all variables, the absolute deviation is shown in parentheses. For dichotomous variables, the absolute deviation and mean absolute deviation (MAD) are the same.

EXHIBIT 4

Percentage of stays at various mid-level hotel brands by demographic characteristics

Characteristic	HOTEL "BRAND"												All Hotels
	I	J	K	L	M	N	O	P	Q	R	S	T	
Male*	35.06%	46.13%	41.67%	29.93%	37.67%	34.87%	34.46%	34.39%	32.34%	39.99%	33.75%	38.64%	37.85%
MAD score, sex	(2.79)	(8.28)	(3.82)	(7.92)	(.18)	(2.98)	(3.39)	(3.46)	(5.51)	(2.14)	(4.10)	(.79)	(3.78)
Household Head White*	93.81%	90.30%	90.69%	90.75%	89.46%	92.75%	91.50%	93.87%	97.28%	94.29%	94.68%	92.78%	92.60%
MAD score, race	(1.21)	(2.30)	(1.91)	(1.85)	(3.14)	(.15)	(1.10)	(1.27)	(4.68)	(1.69)	(2.08)	(.18)	(1.80)
Marital Status													
Married	66.83%	67.43%	67.11%	62.52%	67.51%	66.01%	62.33%	71.66%	74.87%	70.14%	76.29%	66.48%	67.57%
	(.74)	(.14)	(.46)	(5.05)	(.06)	(1.56)	(5.24)	(4.09)	(7.30)	(2.57)	(8.72)	(1.09)	
Never Married	13.37%	19.81%	14.83%	16.22%	13.84%	14.08%	16.64%	14.13%	10.89%	14.90%	11.23%	14.75%	14.62%
	(1.25)	(5.19)	(.21)	(1.60)	(.78)	(.54)	(2.02)	(.49)	(3.73)	(.28)	(3.39)	(.13)	
Divorced	19.79%	12.76%	18.06%	21.26%	18.64%	19.91%	21.03%	14.20%	14.24%	14.96%	12.48%	18.77%	17.82%
	(1.97)	(5.06)	(.24)	(3.44)	(.82)	(2.09)	(3.21)	(3.62)	(3.58)	(2.86)	(5.34)	(.95)	
MAD Marital Status	1.32	3.46	.30	3.36	0.55	1.40	3.49	2.73	4.87	1.90	5.82	0.72	2.49
Household Size													
1 Person	22.11%	20.65%	20.71%	20.07%	22.91%	20.93%	23.36%	19.97%	16.35%	20.93%	14.70%	20.67%	20.89%
	(1.22)	(.24)	(.18)	(.82)	(2.02)	(.04)	(2.47)	(2.92)	(4.54)	(.04)	(6.19)	(.22)	
2 Persons	45.89%	40.51%	40.36%	43.12%	45.91%	44.24%	41.23%	47.23%	38.84%	47.55%	48.14%	42.07%	43.73%
	(2.16)	(3.22)	(3.37)	(.61)	(2.18)	(.51)	(2.50)	(3.50)	(4.89)	(3.82)	(4.41)	(1.66)	
3+ persons	32.00%	38.83%	38.92%	36.80%	31.18%	34.83%	35.41%	34.80%	44.80%	31.52%	37.16%	37.26%	35.37%
	(3.37)	(3.46)	(3.55)	(1.43)	(4.19)	(.54)	(.04)	(.57)	(9.43)	(3.85)	(1.79)	(1.89)	
MAD HHSize	2.25	2.31	2.37	.95	2.80	.36	1.67	2.33	6.29	2.57	4.13	1.26	2.44
Household Income (\$000s)													
\$0 to \$29	17.31%	5.31%	15.22%	21.51%	16.84%	15.26%	19.72%	11.94%	13.43%	10.47%	13.16%	14.76%	14.71%
	(2.55)	(9.45)	(.46)	(6.75)	(2.08)	(.50)	(4.96)	(2.82)	(1.33)	(4.29)	(1.60)	(.05)	
\$30 to \$49	22.39%	14.27%	18.49%	26.43%	24.09%	26.60%	23.26%	18.43%	18.41%	18.14%	19.66%	20.49%	
	(1.90)	(6.22)	(2.00)	(5.85)	(3.60)	(6.11)	(2.77)	(2.06)	(2.08)	(2.35)	(.83)	(.27)	
\$50 to \$99	41.29%	38.12%	43.03%	38.89%	41.12%	41.77%	41.64%	41.67%	45.61%	42.28%	45.74%	42.26%	42.38%
	(1.10)	(4.26)	(.65)	(3.49)	(1.26)	(.61)	(.74)	(.71)	(3.23)	(.10)	(.12)	(3.36)	
\$100 +	19.03%	42.30%	23.26%	13.26%	17.95%	16.37%	15.38%	27.97%	22.55%	29.12%	24.92%	18.80%	22.37%
	(3.34)	(19.93)	(.89)	(9.11)	(4.42)	(6.00)	(6.99)	(5.60)	(.18)	(6.75)	(2.55)	(3.57)	
MAD Income	2.22	9.97	1.00	6.30	2.84	3.31	3.87	2.80	1.71	3.37	1.28	1.81	3.37
Respondent's Age													
20s & 30s	21.32%	27.50%	28.92%	31.90%	27.44%	25.23%	29.47%	23.73%	23.71%	23.03%	27.09%	27.57%	25.77%
	(4.45)	(1.73)	(3.15)	(6.13)	(1.67)	(.54)	(3.70)	(2.04)	(2.06)	(2.74)	(1.32)	(1.8)	
40s & 50s	46.81%	56.05%	46.97%	44.80%	44.65%	45.52%	42.82%	45.76%	52.90%	45.82%	51.39%	47.09%	46.88%
	(.07)	(9.17)	(.09)	(2.08)	(2.23)	(1.36)	(4.06)	(1.12)	(6.02)	(1.06)	(4.51)	(.21)	
60s & older	31.87%	16.45%	24.11%	23.30%	27.91%	29.24%	27.71%	30.51%	23.38%	31.15%	21.52%	25.34%	27.35%
	(4.52)	(10.90)	(3.24)	(4.05)	(.56)	(1.89)	(.36)	(3.16)	(3.97)	(3.80)	(5.83)	(2.44)	
MAD Age	3.01	7.27	2.16	4.09	1.50	1.26	2.71	2.11	4.02	.53	3.89	1.48	2.83
Business Traveler*	41.69%	58.22%	57.91%	38.35%	46.23%	40.24%	46.02%	42.30%	45.77%	50.37%	45.20%	47.01%	48.16%
MAD score	(6.47)	(10.06)	(9.75)	(9.81)	(1.93)	(7.92)	(1.96)	(5.86)	(2.39)	(2.21)	(2.96)	(1.15)	(5.21)

*For all variables, the absolute deviation is shown in parentheses. For dichotomous variables, the absolute deviation and mean absolute deviation (MAD) are the same.

Brand Segmentation in High End Hotels

The story is similar for high-end hotels, as shown in Exhibit 5. The 84 MAD scores (one score for each segmentation variable at each hotel brand) ranged from 0.0 to 7.2 with a mean of 2.41 and a standard deviation of 1.77. All but nine of these scores had a value of less than 5. Based on these data, no high-end hotel brand can be said to own or dominate any one segment or set of segments. Nevertheless, I found meaningful differences for some of the brands in customer sex, income, and purpose of stay. Hotel brands AA and CC both attract a larger proportion of women than is typical of other brands in this category, while hotel brand FF attracts fewer affluent people than is typical of other brands in the category. Furthermore, hotel brand X attracts a larger proportion of business travelers while hotel brands AA, DD, FF, and GG attract a larger proportion of leisure travelers than is typical for the category. The existence of these differences provides evidence that modest brand segmentation is possible in this category, which supports the potential utility of tactical STP marketing.

Conclusions

The results of this study largely replicate previous research demonstrating that strong brand segmentation is rare. Out of 570 absolute deviations in this study, just 97 (17%) had a value that exceeded 5, and only 17 (3.0%) had a value that exceeded 10. These numbers show stronger brand segmentation than the findings reported by Rachel Kennedy and Andrew Ehrenberg.¹⁵ (They found 8 percent of absolute deviations exceeded a value of 5, and 2 percent exceeded a value of 10.) Despite some large absolute deviations, however, the average value of the MAD scores in this study was 2.71, a number similar to the average MAD value of 3 reported by Kennedy and Ehrenberg.¹⁶ Thus, although brand segmentation does appear to be a little more prevalent in the cruise and hotel industries than in other industries, it is still not common or strong.

The rarity of strong brand segmentation raises serious questions about the feasibility of strategic STP marketing (i.e., selecting some segments for targeting and ignoring other segments). If competing in the marketplace by selecting and targeting specific segments of the market with different brands were effective, then brands should have distinctive consumer profiles. However, the available evidence indicates that different brands within a competitive set attract roughly the same types of consumers.

This absence of strong brand segmentation in many different industries suggests that creating and maintaining

a fortress market for your brand is just not possible today. There are two likely reasons for this. First, consumer segments are often just not internally homogeneous enough or different enough from other segments to support segment marketing strategies. Second, competition ensures that any successful STP strategy will be copied, so that what may have begun as one brand's offering to a specific segment rapidly becomes a product subcategory with many competing brands.¹⁷

While the results of this and previous studies of brand segmentation do not support the effectiveness of STP marketing as a strategic approach, the studies do support a tactical use of STP marketing to achieve modest advantages in attracting disproportionate numbers of some segments. Rachel Kennedy and Andrew Ehrenberg concluded that the weak brand segmentation they found indicated that "marketers more often operate in a large, virtually unsegmented mass market."¹⁸ My data do not support that conclusion. Instead, I found that certain cruise lines and hotel brands attracted a disproportionate share of customers in specific demographics, such as women business travelers or three-person households. While none of the differences in customer profiles is large enough to justify a strategy of concentrating on only one or two segments to the exclusion of others, these data do demonstrate that it is possible for a brand to appeal to some segments of consumers more than do its competitors. Thus, marketers do not compete in a single mass market (as Kennedy and Ehrenberg suggested), but in many slightly differentiated markets. Given those many slightly differentiated markets, STP marketing clearly has a place, but as a tactical rather than strategic activity.

In summary, the results of this study suggest that cruise line and hotel brand marketers should avoid both a niche STP marketing strategy and a strategy of marketing to an undifferentiated mass market (the latter of which seems unlikely given the hotel industry's current structure). Rather, cruise line and hotel brand marketers should use STP marketing tactics to compete on a segment-by-segment basis. Among other things, this means that they should compare their performance with that of competitors not just overall but also on a segment-by-segment basis. If some competing brand enjoys a disproportionate share of some segment's business, as was occasionally observed in this study, then analyses should be conducted to understand why that is true so that the company can work to replicate that success, if that is appropriate to the brand. Where the brand is exceptionally strong, its marketers should again ascertain why that is so and figure out ways to strengthen that position and defend it from competitors. ■

¹⁵ *Ibid.*

¹⁶ *Ibid.*

¹⁷ *Ibid.*

¹⁸ *Ibid.*

EXHIBIT 5

Percentage of stays at various high end hotel brands by demographic characteristic

Characteristic	H O T E L " B R A N D "												All Hotels
	U	V	X	Y	Z	AA	BB	CC	DD	EE	FF	GG	
Male*	38.7%	39.45%	40.57%	41.12%	44.18%	34.05%	37.27%	34.22%	35.71%	43.22%	37.83%	45.26%	40.53%
MAD score, sex	(1.83)	(1.08)	(.04)	(.59)	(3.65)	(6.48)	(3.26)	(6.31)	(4.82)	(2.69)	(2.70)	(4.73)	(3.18)
Household Headed by													
Whites*	88.76%	87.88%	88.89%	89.07%	89.33%	90.69%	89.80%	90.51%	88.80%	89.78%	94.06%	90.79%	89.44%
MAD score, race	(.68)	(1.56)	(.55)	(.37)	(.11)	(1.25)	(.36)	(1.07)	(.64)	(.34)	(4.62)	(1.35)	(1.08)
Marital Status													
Married	64.88%	70.14%	65.02%	61.44%	68.92%	61.59%	63.79%	61.92%	63.27%	61.24%	63.53%	68.29%	65.68%
	(.86)	(4.46)	(.66)	(4.24)	(3.24)	(4.09)	(1.89)	(3.76)	(2.41)	(4.44)	(2.15)	(2.61)	
Never Married	19.75%	15.17%	17.33%	23.02%	15.35%	19.80%	18.92%	22.49%	20.83%	21.29%	18.34%	17.91%	18.06%
	(1.84)	(2.74)	(.58)	(5.11)	(2.56)	(1.89)	(1.01)	(4.58)	(2.92)	(3.38)	(.43)	(.15)	
Divorced	15.38%	14.69%	17.66%	15.54%	15.73%	18.61%	17.29%	15.59%	15.90%	17.47%	18.12%	13.66%	16.41%
	(1.03)	(1.72)	(1.25)	(.87)	(.68)	(2.20)	(.88)	(.82)	(.51)	(1.06)	(1.71)	(2.75)	
MAD Marital Status	1.22	2.97	.83	3.41	2.16	2.73	1.26	3.05	1.95	2.96	1.43	1.84	2.15
Household Size													
1 Person	21.88%	19.82%	22.84%	27.21%	20.28%	27.46%	23.66%	26.76%	24.53%	27.63%	24.83%	20.06%	22.86%
	(.98)	(3.04)	(.02)	(4.35)	(2.58)	(4.60)	(.80)	(3.90)	(1.67)	(4.77)	(1.97)	(2.80)	
2 Persons	43.89%	35.05%	43.67%	40.09%	41.16%	40.91%	39.83%	40.06%	41.72%	40.36%	37.59%	41.02%	41.05%
	(2.87)	(5.97)	(2.65)	(.93)	(.14)	(.11)	(1.19)	(.96)	(.70)	(.66)	(3.43)	(.03)	
3+ persons	34.22%	45.12%	33.49%	32.70%	38.56%	31.63%	36.51%	33.18%	33.75%	32.01%	37.59%	38.89%	36.12%
	(1.90)	(9.00)	(2.63)	(3.42)	(2.44)	(4.49)	(.39)	(2.94)	(2.37)	(4.11)	(1.47)	(2.77)	
MAD HHSize	1.92	6.00	1.77	2.90	1.72	3.07	.79	2.60	1.58	3.18	2.29	1.87	2.47
Household Income (000s)													
\$0 to \$29	9.21%	7.19%	9.60%	8.30%	7.30%	14.75%	10.97%	5.90%	7.29%	9.43%	15.04%	6.17%	8.96%
	(.25)	(1.77)	(.64)	(.66)	(1.66)	(5.79)	(2.01)	(3.06)	(1.67)	(.47)	(6.08)	(2.79)	
\$30 to \$49	16.22%	14.22%	15.60%	14.43%	12.92%	18.95%	15.92%	15.49%	17.48%	16.50%	18.14%	16.84%	15.09%
	(1.13)	(.87)	(.51)	(.66)	(2.17)	(3.86)	(.83)	(.40)	(2.39)	(1.41)	(3.05)	(1.75)	
\$50 to \$99	42.01%	43.52%	38.21%	40.04%	39.92%	38.87%	39.37%	38.94%	44.38%	46.17%	42.70%	42.56%	40.19%
	(1.82)	(3.33)	(1.98)	(.15)	(.27)	(1.32)	(.82)	(1.25)	(4.19)	(5.98)	(2.51)	(2.37)	
\$100 +	32.56%	35.08%	36.59%	37.23%	39.86%	27.43%	33.74%	39.68%	30.85%	27.90%	24.12%	34.44%	35.76%
	(3.20)	(.68)	(.83)	(1.47)	(4.10)	(8.33)	(2.02)	(3.92)	(4.91)	(7.86)	(11.64)	(1.32)	
MAD Income	1.60	1.66	.99	.74	2.05	4.83	1.42	2.16	3.29	3.93	5.82	2.06	2.54
Respondent's Age													
20s & 30s	29.89%	28.59%	25.78%	29.31%	25.93%	28.26%	26.75%	32.45%	31.76%	27.90%	30.31%	30.83%	27.47%
	(2.42)	(1.12)	(1.69)	(1.84)	(1.54)	(.79)	(.72)	(4.98)	(4.29)	(.43)	(2.84)	(3.36)	
40s & 50s	48.71%	54.22%	49.55%	49.30%	52.09%	45.14%	51.54%	49.26%	53.19%	48.13%	49.34%	50.53%	50.54%
	(1.83)	(3.68)	(.99)	(1.24)	(1.55)	(5.40)	(1.00)	(1.28)	(2.65)	(2.41)	(1.20)	(.01)	
60s & older	21.40%	17.19%	24.67%	21.39%	21.97%	26.60%	21.71%	18.29%	15.05%	23.97%	20.35%	18.65%	21.99%
	(.59)	(4.80)	(2.68)	(.06)	(.02)	(4.61)	(.28)	(3.70)	(6.94)	(1.98)	(1.64)	(3.34)	
MAD Age	1.61	3.20	1.79	1.05	1.04	3.43	.67	3.32	4.63	1.61	1.89	2.24	2.16
Business Traveler*	62.16%	58.52%	62.05%	69.48%	64.40%	56.37%	62.24%	62.83%	56.69%	63.65%	55.97%	56.54%	62.30%
MAD score	(.14)	(3.78)	(.25)	(7.18)	(2.10)	(5.93)	(.06)	(.53)	(5.61)	(1.35)	(6.33)	(5.76)	(3.25)

*For all variables, the absolute deviation is shown in parentheses. For dichotomous variables, the absolute deviation and mean absolute deviation (MAD) are the same.

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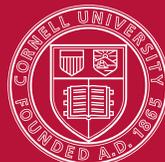


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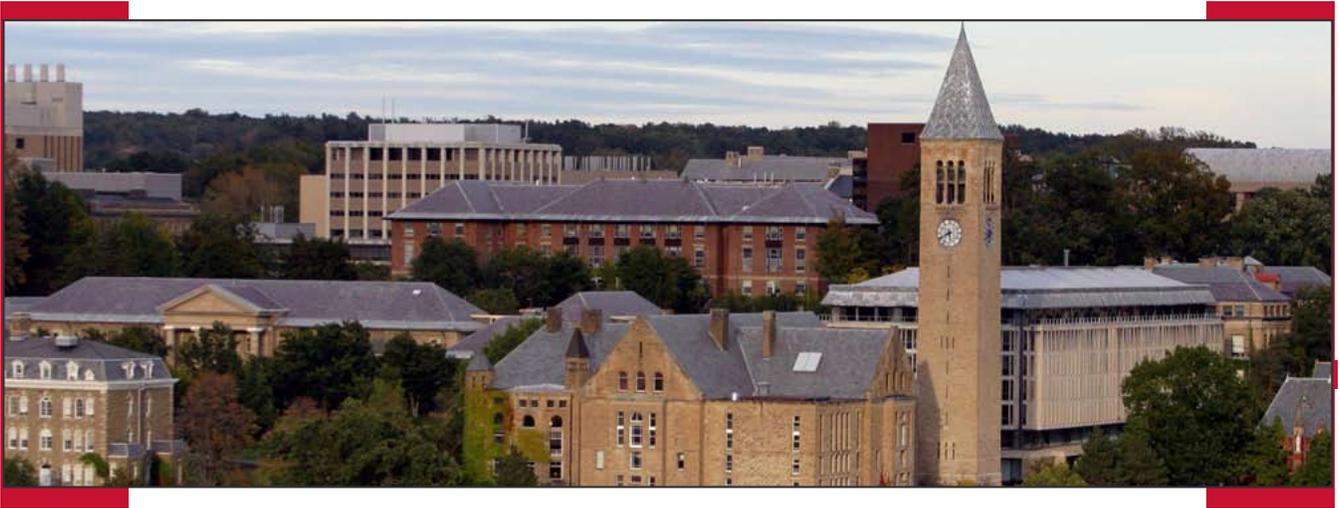
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