Brand as an Indicator of Rate Potential: An Examination of Holiday Inn Express

A Thesis Presented to the

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Dedication

This paper is dedicated to my husband, Jeremy Belarmino, and my mother, Karleen Mapel, for their love and support.

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I would like to acknowledge my advisor, Dr. Yoon Koh, for her support and insight in helping to introduce me to academic writing and the fascinating world of research. I would like to acknowledge Dr. Ki-Joon Back and Dr. Carl Boger for their help and support throughout my Master's degree and the thesis process.

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Abstract

Industry professionals assume that guests are willing to pay more for a full-service hotel than a select-service hotel because of the difference in amenities. Brand, however, has not been studied as an indicator of rate potential for these select service hotels in respect to their relationship with their parent brand. Holiday Inn Express, the select service brand extension of Holiday Inn, is a highly successful brand extension whose advertising campaign helped to make it one of the leaders in the select service segment. Meanwhile, the Holiday Inn has not remained a leader in the mid-priced, full service segment. This study examines the rate potential for the Holiday Inn Express and determined that it can achieve a statistically significant same or higher rate than the Holiday Inn. An examination of on-line reviews also determined that the Holiday Inn Express does receive a higher star rating and better comments than the Holiday Inn.

Keywords

Revenue Management Brands Select-Service

CHAPTER I

Introduction

Industry professionals assume that guests are willing to pay more for a full-service hotel than a select-service hotel because of the difference in amenities. However, for 22 of 30 days in March 2014, a Holiday Inn Express in Houston, a select-service hotel, was able to command a higher Best Available Rate than the Holiday Inn, a full-service hotel, in that market. The two properties are located .88 miles away from each other and have the same demand factors of the Texas Medical Center and NRG Stadium. Therefore, this paper argues that a contributing factor that led the phenomenon must be the brand for this brand extension. In addition, if brand is the reason, evidences that go against the conventional wisdom should be found in other regions as well, and there must be reasons that lodging customers perceive Holiday Inn Express higher than Holiday Inn despite Holiday Inn Express in a lower market segment. The majority of limited service and select service hotels are brand extensions, with notable exceptions like La Quinta and Best Western. Therefore, for limited service and select service hotels, brand may be a contributing factor to rate potential. The purpose of this paper is, therefore, threefold; (1) to examine whether or not Holiday Inn Express charges as much as Holiday Inn or higher although Holiday Inn Express is lower segment hotel, (2) to investigate whether or not Holiday Inn Express brand is perceived higher than Holiday Inn brand, and if so, (3) to document which factors affected the Holiday Inn Express' perceived value.

The Holiday Inn was founded by Kemmons Wilson in 1952 (Wilson, 1996), grew rapidly through the 1950's and 1960's, became publicly traded in 1967, and had annual revenues in excess of $1 billion by 1972 (Orrill, 2014). However, the success of Holiday Inn began to decline in the late 1970's and throughout the 1980's due to dilution of the brand by franchising

(Bly, 2002), and the company responded by developing the Holiday Inn Express Brand in 1991 (IHG.com, 2010). According to Chekitan Dev, a hospitality professor, a successful marketing campaign of Holiday Inn Express led to a rapid market acceptance which began to overshadow its older, tired parent (Orrill, 2014).

Similar example of brand extensions is found in the beer industry. With the insights from Meister Brau Lite when John Murphy, the then new president of Miller, purchased Meister Brau in 1972, Miller launched a light beer in the Miller brand (Herrewig, 2013). Miller Lite was lunched with what would become the tag line for all light beer, “less filling” (Herrewig, 2013), and eventually surpassed the parent brand (Gallagher, 2012). This brand extension resulted in Miller Light’s share of the market growing from 9.5% in1978 to 19% in 1986 and Miller High Life declining from 21% to 12% over the same time period (Aaker, 1990).

The case of Holiday Inn and Holiday Inn Express is worth closer investigation as success of Holiday Inn Express allows them to charge similar or higher room rate than Holiday Inn although Holiday Inn Express is a lower segment hotel and provides less amenities. This case raises question on the conventional wisdom that higher segment hotels charges higher room rates, and brings the evidence that brand may be a better indicator of rate potential than segment, especially for the select-service hotels. Select service hotels are the fastest growing segment of the hotel industry (Zhang, 2007), and the ability to maximize their revenue based on brand and demand rather than being limited by market segment is a unique phenomenon that has opportunities for revenue maximization. Despite the increasing significance of the select-service hotel to the lodging industry and its uniqueness, the select-service has not gained enough attention. This study adds value to the literature by opening the conversation regarding the relationships between brand and rate for the newer segment of the lodging industry—select-service hotels. Furthermore, this paper identifies the most important factors that affect brand values for the select-service hotels through customer reviews for the Holiday Inn Express. Understanding this phenomenon and the important factors will uncover the unique characteristics of the select-service hotels in the lodging industry, help the lodging industry develop brand portfolios in consideration with the select-service hotels, and bring a new insight in room rate pricing by providing evidences of a lower-end select-service brand charging significantly more than a higher full-service brand.

CHAPTER II

Literature Review

Select Service Hotels

Select service hotels are the most rapidly expanding segment of the hotel market (Ruggles, 2008). In 2004, select service hotels began to expand from suburban markets to urban markets (McMullen-Coyne, 2004), and select service hotels have been attracting developers because these hotels are less expensive to build than a full service, almost half in fact. The current cost of a select service hotel is between $109,000 (without food and beverage) and $129,400 per key (with food and beverage), while full service hotels cost $267,900 per key (Bishop, 2014).

Hotel companies have traditionally focused on developing new brands rather than the positioning of existing brands (Cullen & Rogers, 1988). The most successful brand extensions occur when the brand plays a role as an "endorser" to make the new brand more credible in the mind of the consumer (Aaker, 2004). Brand positioning is complicated by the fact that guests often switch brands for variety not just because of dissatisfaction (Raju, 1984), and indeed one study showed that 65% of customers will switch among lodging brands because of an increasing tendency to view hotel rooms as a commodity (Kim and Kim, 2007).

The lodging industry has been extending their brand portfolios in select service hotels,– which originated as hotels with less amenities than full service hotels and no on site restaurants (Zhang, 2007). Twenty four new select service hotel brands were launched in 2005 and 2006 (Zhang, 2007) and the amenities offered by select service hotels has expanded in order to make each brand unique and more competitive (Zhang, 2007). For example, Marriott renovated the Courtyard brand, adding in Bistros that that offer Starbucks coffee, a full breakfast, dinner, and a full bar (Marriott, 2012). Four Points by Sheraton provides an offer of purchasing breakfast for one dollar with a night's stay that seems geared at competing with properties that offer a complimentary breakfast (Siegel, 2013). This trend of expanded amenities can be charted back to the slowing down of the economy in 2008 (Ruggles, 2008), and shows no signs of slowing down. Price seems to be the clear cut difference but even that is not clear. Brand positioning is also not clear and major companies often price their select service hotels primarily based on demand rather than brand positioning (Hilton Revenue Management Personal Communication, 2014).

Select service hotels have led the way for hotel expansion abroad as well, and Hanson from PriceWaterhouseCoopers stated that select service hotels can be adapted internationally due to their simple technology and adaptive service concept (Higgins, 2006). In early 2014, 53% of the hotels in the U.S. pipeline are upscale or upper midscale select service hotels (Mayock, 2014), with Holiday Inn Express adding the most new rooms in the US market of any brand (Peltier, 2014). Mayock also states that developers choose select service properties over economy properties because they cost the same to build but yield higher revenue (Mayock, 2014).

As the construction of hotels begins to accelerate in the U.S. in 2014, full service hotels are enjoying resurgence, although mostly primarily when they are public funded (Bishop, 2014). However, as of May 2013, financing for full service hotels is still hard to find and most hotel brands do not invest in full service projects (Mayock, 2013). When looking at resale value, in June 2013 a full service Sheraton in Pittsburgh sold for $175,000 per key while a Courtyard in the same market sold for $226,000 per key (Schooley, 2013). Therefore, a review of rate potential for these hotels would be of interest to the lodging industry. The major hotel companies and their select service brand extensions are:

Table 1: Brands and Brand Extensions

Parent Company	Brand Extension
Holiday Inn (1952)	Holiday Inn Express (1991)
Marriott (1957)	Courtyard by Marriott (1983)
Hilton (1919)	Hilton Garden Inn (1996)
Hyatt (1957)	Hyatt Place (1995)
Sheraton (1937)	Four Points by Sheraton (1995)

Room Rate Pricing

When revenue mangers set prices, the prices are not solely based on the cost of the room but are priced by looking at the competition, profit goals, supply and demand, and price sensitivity of guests (Kim, Han, and Hyun, 2004). Much of revenue management literature involves looking at theoretical models for optimal room prices that factor in all of the variables needed for determining room rates (Pan, 2007) or that incorporate risk measurements to prevent loss of revenue by creating models to best optimize pricing (Levin, McGill, and Nediak, 2008). Steed and Gu (2004) lay out the ideal set of concepts to examine when creating a pricing strategy, that include researching the market and competition, calculating cost, segmenting your market, researching the market segment, comparing different pricing models, making sure your yield management does not alienate guests, and sell at the same price across distribution channels. However, brand has not been considered as a determinant of a room rates despite its increasing roles with the introduction of the select service hotels.

Hotels are broken into market segments, and different pricing levels is commonly considered an indicator of the segment. When conducting a study of pricing based on segment, the examination begins with the available literature on price sensitivity. Rates are typically based upon demand and price sensitivity or lack thereof. Customers look at price as an indicator of value when making selections in the hospitality industry, and their sensitivity to price is dictated by the market for a particular property as well as their range of acceptable prices for that market (Lewis and Shoemaker, 1997). According to Piercy, Craven, and Lane in their 2010 study, "the way prices are set not only influences demand, price also shapes how buyers use the product or service, and can have a lasting impact on customer relationships" (Piercy, Craven, and Lane, 2010). Conversely, when consumers are faced with a large amount of sorted options when booking on line, the relative quality of the hotels is equalized and price sensitivity increases (Diehl, Kornish, and Lynch, 2003). Indeed, according to Arnold, Hoffman, and McCormick (1989), the more choices a person has when booking, the more important price becomes as a deciding factor. This implies that for hotels, market segment becomes less of a factor when potential guests are looking a long list of hotels on a third party booking site.

One of the key metrics of any hotel is the revenue per available room (RevPAR) achieved by that hotel, and the success for a brand or brand extension may be linked to RevPAR. Revenue managers can take the perspective that RevPAR is an accurate predictor of market value for a property and an indicator of brand success (Love, Walker, and Sutton, 2012), or can entertain the idea that the brand is an indicator of RevPAR potential, (O'Neil and Quo, 2006). Either way, it is clear that brand and RevPAR have a relationship. Loyal guests tend to be less price sensitive, therefore brand loyalty can potentially increase RevPAR for select service and full service hotels. A recent study has shown that it takes a deeper discount for guests to switch between full service hotel brands than to switch between select service hotel brands (Tanford, Raab, and Kim, 2012). Therefore, a select service hotel that can consistently command a higher price may have more brand loyal guests.

Revenue management makes pricing in hotels often an elastic measurement (Kimes 1989). The way hotels are priced, however, varies by hotel as there is no universally accepted pricing model for "all hotels, at all times and in all places" (Steed and Gu, 2004). Indeed, many studies indicate that discounting does not positively contribute to RevPAR (Canina and Carvell, 2005, Canina and Enz, 2006, Enz, 2003, Enz, Canina, and Lomanno, 2009). Enz, Canina, and Lomanno conducted a study over a seven year period and determined that hotels that priced their room 5-10% higher than the competition saw an increase in RevPAR while those who discounted had higher occupancy but with lower RevPAR. They also note that the midscale with food and beverage benefits less from discounting than other properties (Enz, Canina, and Lomanno, 2009). Therefore, when a property is priced higher than its competitors, it may be a strategy to increase ADR or it may be because it has higher demand.

Holiday Inn and Holiday Inn Express

The relationship between a brand and consumer can be broken due to a shock to brand, a shock being defined "as something that will cause a structural break in the time path in brand value" (Yeung and Ramasamy, 2012). Yeung and Ramasamy found in their study that some products and services may suffer a temporary decline and others may suffer a permanent shock (Yeung and Ramasamy, 2012). The conclusion of this study was that a positive shock must be applied quickly to those brands more likely to be negatively impacted by a negative shock to prevent permanent loss of market share (Yeung and Ramasamy, 2012). An examination of the history of the Holiday Inn brand indicates that there was a “shock” that resulted in the cannibalization by the Holiday Inn Express.

The Holiday Inn was founded by Kemmons Wilson in 1952 as a response to the substandard conditions of motels he had experienced on road trip with his family (Wilson, 1996). Named after the 1942 movie *Holiday Inn,* the brand redefined the way families traveled in the post-war economy of the 1950’s and 1960’s (Luckerson, 2012). In 1956, the United States expanded the highway system with a $76 billion project that allowed Wilson to expansion opportunities (Orrill, 2014). Indeed, many of Wilson’s innovations are now standard: kids stay free, free ice, clean pools, and a consistent, standard product (Wilson, 1996). In addition to revolutionizing family travel, Wilson was also a pioneer in the concept of franchising a hotel brand, which allowed the company to grow into one of the largest hotel chains in the world (Luckerson, 2012; Wilson, 1996). The company became publicly traded in 1967, and by 1972, it was the first hotel company to have annual revenues in excess of $1 billion (Orrill, 2014).

The franchising, however, is cited as cause of Holiday Inn’s loss of market share in the 1970’s (Bly, 2002). The lack of consistency among franchise owners threatened their slogan that “the best surprise is no surprise” (Bly, 2002). This lack of consistency, coupled with the recession of the 1970’s and brand extensions from competitors saw its market share dwindle by the 1980’s (Bly, 2002). The company went through a series of restructurings through the 1980’s and 1990’s, with Wilson selling off his share in 1990. The chain was acquired by Bass, renamed as Six Continents Hotel Group, and finally spun off into Intercontinental Hotel Group (ihg.com, 2014). IHG launched a remodel of the brand in 2007 (ihg.com, 2014), in large part as response to customer feedback that the Holiday Inn “had not remained an attractive option”, especially for business travelers (Clarke, 2010). As a result of the re-launch, more than 1,200 underperforming hotels were removed from the brand (Luckerson, 2012). The goal of this effort was to regain the consistency that had been at the core of the Holiday Inn brand image in the beginning (Luckerson, 2012). The company spent a $100 million on an advertising campaign to promote the brand after the re-launch (Clarke, 2010). This remodel, training, and subsequent revocation of franchise licenses paint a picture of a brand in a decline, a brand that had sustained a series of negative “shocks” which caused a decline in market share and caused the parent company to react in a dramatic fashion to regain the brand image.

In response to growing brand extensions like the introductions of the Courtyard by Marriott brand in 1983 (Marriott, 2012), Bass Hotels launched the Holiday Inn Express brand in 1991 (IHG.com, 2010). The Courtyard can be considered an example of the brand relevance model where a company creates a new subcategory to fulfill a need for the customer and thereby becoming the preferred brand (Aaker, 2011). The concept, meant to appeal to business travelers, came about at the right time. In 1996, the Express concept was expanding at the rate of one new hotel every four days, and the 2000th hotel opened in 2008 (Infographics, 2014).

A large part of differentiating the Holiday Inn Express brand has been the successful advertising campaigns to differentiate the brand (Howard, 2001, Levere, 2014). From 1998 to 2009, the “Stay Smart” campaign featured commercials with ordinary people doing extraordinary things after they had stayed at a Holiday Inn Express (Beltrone, 2013; Howard, 2001). The campaign is attributed with helping the Holiday Inn Express obtain a 75% average occupancy versus the market segment standard of 72% in early 2001 (Howard, 2001). According to Jennifer Zeigler, the vice president of marketing for Bass in 2001, “The advertising is creating awareness of the brand and causing more consumers to try it ... And we have data that shows once they try it, they are three times more likely to stay at a Holiday Inn Express again,” showing that the campaign had successfully created brand awareness (Howard, 2001). The ads were so popular that Al Gore used the line, “But I did stay at a Holiday Inn Express Last Night” in his 2000 presidential campaign (Trejos, 2013). In fact, the campaign is so identified with the Holiday Inn Express brand that a review used in this study for the Holiday Inn Express Seattle City Center pulled from IHG.com starts with “I'm not a Seattleite, but I did stay at a Holiday Inn Express!”

The Holiday Inn Express rapidly expanded from 500 hotels in 1996 to 1,700 in 2008 (Trejos, 2013). The advertising campaign was so successful that, according to Chekitan Dev, marketing professor at Cornell University, there was a “rapid market acceptance of Holiday Inn Express [which] began to overshadow its older, tired parent” (Trejos, 2013).

The Holiday Inn Express was also included in the re-launch done between 2007 and 2010 (Clarke, 2010). Like the Holiday Inn, the Express was also given a new logo, revamped hotel rooms, and a nationwide advertisement campaign (Clarke, 2010). However, the Express brand was secondary to the parent brand in the renovation and marketing focus (Trejos, 2013). According to Heather Balssey, the senior vice president of the Americas Holiday Inn Brand Family, IHG used the renovation “to really put our efforts and focus on the Holiday Inn family to bring the brand back to relevancy" (Trejos, 2013). With a budget of $20 million in 2013, the Stay Smart campaign was re-launched (Trejos, 2013) (Beltrone, 2013), and in 2014, the Express brand launched an all-digital advertising campaign with Jim Gaffigan to attract the millennials, (Levere, 2014). The Express brand continues to find ways to reinvent itself for business travelers, including introducing healthier breakfast options and brand named in-room amenities (Trejos, 2013).

When examining the relationship between the Holiday Inn and the Holiday Inn Express, it appears that the brand, the Holiday Inn, did not hurt the extension, the Holiday Inn Express; however the extension hurt the brand (Aaker, 1990). While a brand extension is ideally a compliment to the parent brand (Aaker, 1990), in the case of the Holiday Inn Express the extension appears to have cannibalized the parent brand by outgrowing and outpacing the Holiday Inn.

This case is also an example of a brand being a room rate potential over a segment of a hotel. Although literature has discussed many factors involved in room pricing, the contributing factors should be re-examined for the newer and burgeoning select-service hotels due to its uniqueness. With an example of the Holiday Inn and the Holiday Inn Express, this paper provides evidences of a brand being a contributing factor to room pricing over a lodging segment to the select-service hotels. To examine whether or not Holiday Inn Express charges as much as Holiday Inn or higher, the first hypothesis is:

Hypothesis I: Holiday Inn Express, a lower-end select-service hotel brand, charges as much as or higher than Holiday Inn, a higher segment hotel.

Although the relationship between a lodging segment and a brand value is not always positive and linear, higher-ends brand tend to be better perceived among the customers. However, this paper argues that it may not be the case to the select-service hotels to the full-service hotels; select-service hotels may be perceived higher than its full-service counterparts despite its fewer amenities offered. Therefore, the second hypothesis is:

Hypothesis II: The Holiday Inn Express earns a higher star rating than the Holiday Inn.

Having said that customers may perceive a select-service hotel highly than its full-service counterpart, investigating the factors that affect customers' perceptions on a select-service hotels is meaningful. Therefore, the third hypothesis is:

Hypothesis III: The Holiday Inn Express experiences the same or stronger positive impact on the key areas identified as influencing the overall star rating.

a) Location has a similar positive impact on star rating for both brands.
b) Parking has a similar positive impact on star rating for both brands.
c) Noise has a similar positive impact on star rating for both brands.
d) Bathroom has a stronger positive impact on star rating for the Express.
e) Room size has a stronger positive impact on star rating for the Express.
f) Room condition has a stronger positive impact on star rating for the Express.
g) Restaurant has a stronger positive impact on star rating for the Express.
h) Air conditioning has a similar positive impact on both brands.
i) Cleanliness has a similar positive impact on both brands.
j) Housekeeping Staff has a similar positive impact on both brands.
k) Front Desk Staff has a similar positive impact on both brands.

CHAPTER III

Methodology

Data Collection

Purpose of this paper is threefold; (1) to examine whether or not Holiday Inn Express charges as much as Holiday Inn or higher although Holiday Inn Express is lower segment hotel, (2) to investigate whether or not Holiday Inn Express brand is perceived higher than Holiday Inn brand, and if so, (3) to document which factors affected the Holiday Inn Express' perceived value. To empirically investigate the first purpose, this study documented the rates of 20 sets of hotels from September 1, 2014 through February 28, 2015. Cities were chosen for geographic diversity to prevent regional bias, and six months were used to control for other factors such as corporate promotions, advertising, and other anomalies that might affect the rate. All the pairs of the Holiday Inn and Holiday Inn Express are located in five miles. This study examines the best available rate (BAR) rather than the actualized average daily rate (ADR) because of the limited availability of brand specific data and because BAR is exempt from the impact of employee rates, reward nights, etc.

During the course of this rate survey, the Holiday Inn in Urbana, Illinois became the Urbana Plaza Hotel and Conference Center (Travel Weekly, 2014). This necessitated a change from looking at rates for the Holiday Inn and Holiday Inn Express in Urbana to the Holiday Inn and Holiday Inn Express in Bloomington-Normal, Illinois. Bloomington-Normal is very similar to Urbana-Champaign; both cities are home to a major state university which is the largest demand driver in both areas and are located in Central Illinois, where the cities are 53 miles apart.

Figure 1: List of cities and dates of Best Available Rate Measured

To compare the customer perception of the two brands, the second purpose, and determine the factors that affect the perceptions on the select-service hotel, the third purpose, customer reviews from TripAdvisor, Expedia, and IHG were coded. Three different websites were used to control for variability on the websites. Expedia and IHG both solicit reviews from verified guest stays and can be viewed as being reliable, however, challenges involved in these websites include that the companies have a vested interest in the content of their on-line reviews. TripAdvisor is considered a neutral site because it is not a booking site, however the raters are not verified travelers. For the thirty-nine of the forty hotels, fifteen reviews from each of these sites were used. However, for the Holiday Inn Express Raleigh-Durham Airport, Hotels.com was used instead of Expedia because that hotel is not listed on Expedia. Hotels.com was used as the alternative because it is owned and operated by Expedia and the reviews on Expedia for hotels integrate reviews from both Expedia and Hotel.com.

This study used fifteen reviews and ratings from each of the three websites, TripAdvisor, Expedia, and IHG.com, for 20 pairs of hotels; therefore, total eighteen hundred reviews were examined ($15 \times 3 \times 20 \times 2 = 1,800$). Previous literature has found a significant relationship between the valence of the reviews and customer's attitudes towards the reviewed product (Sen and Lerman, 2007). This study expects that the valence of the reviews on the Express to be similar to or greater than the Holiday Inn.

The areas reviewed to examine the third hypothesis were location, parking, bathroom, noise, room size, bugs and other creatures, restaurant, air conditioning, safety, cleanliness, housekeeping staff, front desk staff based on factors determined in a previous study that influence guests' perceptions of the hotel (Levy, Duan, and Boo, 2012). Each area was coded 1 for positive mention, 0 for neutral, -1 for negative, and left blank for no mention. A second reviewer was used to gain inter rater reliability. Then, the third reviewer reconciled the ratings for the ones with discrepancies.

Models

To answer the first and second study objectives, which compares room rates and star ratings of the Holiday Inn Express to those of the Holiday Inn, respectively, the *t*-test is used. The third objective is to investigate factors that significantly affect the star ratings for the Holiday Inn Express, a select-service hotel. To answer the question, an ordinal logistic regression analysis is conducted. The ordinal logistic regression is applied with two or more categories' outcome exists where the categories are with order. In the study's case, star rating is the dependent variable, which ranges from 1 through 5, where 1 means the lowest rate and 5 the highest.

Based on the previous literature (Levy, Duan, and Boo, 2012), twelve factors that may affect guests' perceptions on the brand are identified: location, parking, bathroom, noise, room size, room condition, restaurant, air conditioning, safety, cleanliness, housekeeping staff and front desk staff. Levy discusses bugs and other creatures, however this was not mentioned in any of the reviews pulled for the content analysis whereas room condition was of concern. As the area covered in each comment varies and positive and negative mention affect star rating in different direction to star rating, the study created two independent variables for each factor, one for positive mention and the other one for negative mention. As a result, the model has a total 26 independent variables. The model is:

$$STARRATING_{it} = a_0 + a_1PLOCATION_{it} + a_2NLOCATION_{it} + a_3PPARKING_{it} + a_4NPARKING_{it} + a_5PBATHROOM_{it} + a_6NBATHROOM_{it} + a_7PNOISE_{it} + a_8NNOISE_{it} + a_9PROOMSIZE_{it} + a_{10}NROOMSIZE_{it} + a_{11}PROOMCOND_{it} + a_{12}NROOMCOND_{it} + a_{13}PRESTAURANT_{it} + a_{14}NRESTAURANT_{it} + a_{15}PAIRCON_{it} + a_{16}NAIRCON_{it} + a_{17}PSAFETY_{it} + a_{18}NSAFETY_{it} + a_{19}PCLEAN_{it} + a_{20}NCLEAN_{it} + a_{21}PHOUSEKP_{it} + a_{22}NHOUSEKP_{it} + a_{23}PFRONTDESK_{it} + a_{19}NFRONTDESK_{it} + \varepsilon_{it}$$

where, STARRATING represents a guest's perceived brand value, measured with star rating; PLOCATION represents a positive comment on location; NLOCATION represents a negative comment on location; PPARKING represents a positive comment on parking; NPARKING represents a negative comment on parking; PBATHROOM represents a positive comment on the bathroom; NBATHROOM represents a negative comment on the bathroom; PNOISE represents a positive comment about noise; NNOISE represents a negative comment about noise; PROOMSIZE represents a positive comment about room size; NROOMSIZE represents a negative comment about room size; PROOMCOND represents a positive comment about room condition; NROOMCOND represents a negative comment about room condition; PRESTAURANT represents a positive comment about the restaurant; NRESTAURANT represents a negative comment about the restaurant; PAIRCON represents a positive comment about air conditioning; NAIRCON represents a negative comment about the air conditioning; PSAFETY represents a positive comment about safety; NSAFETY represents a negative comment about safety; PCLEAN represents a positive comment about cleanliness; NCLEAN represents a negative comment about cleanliness; PHOUSEKP represents a positive comment about housekeeping staff; NHOUSEKP represents a negative comment about housekeeping staff; PFRONTDESK represents a positive comment about the front desk staff; NFRONTDESK represents a negative comment about the front desk staff; ε represents an error term; and subscript of i and t represents individual hotel firm and time, respectively.

Each independent variable is a dummy variable with an assigned value of 1 if a comment indicates such item and 0 otherwise. For example, a comment indicate positive room condition, negative restaurant, and positive front desk, PROOMCOND, NRESTAURANT, and PFRONTDESK are indicated 1 and 0 for all other variables. Neutral comment and no comment were considered the same with the assigned value of 0 because (1) there are few neutral comments found, and (2) the difference between impact of neutral comment and no comment is considered insignificant.

CHAPTER IV

Results

Rates Comparison

To examine the rates for the test cities, a t-test was run between the Holiday Inn and Holiday Inn Express in each city. For the test, the rates of the pairs for the 20 cities from September 1, 2014 through February 28, 2015 were taken. For the days when the rooms are sold out, BAR rates were unavailable; if this occurred for at least one of the property pairs, the data points for the dates are excluded. 117 room rate pairs out of 3620 pairs were excluded; therefore, total rate pairs of 3503 were used for the analysis.

The t-test showed that for 57% of the cities (twelve of twenty-one), the p value was less than 0.05 for both t-test. In seven of these cities, the rates for the Holiday Inn Express were higher. One city, San Francisco, has a one tail p-value of 0.03 and a two tail p-value of 0.06 with the Holiday Inn Express having the higher mean rate. Of the remaining seven cities where the null hypothesis cannot be rejected, the rates are essentially equal with a difference in rate ranging between $0.05 and $5.03. Finally, a t-test was run between the average rate for Holiday Inn and Holiday Inn Express, and the resulting p-value for both one and two tail is larger than 0.05. The difference in the mean rate is $0.80 with the advantage going to the Holiday Inn Express. Therefore, even though literature supports the stance that a fundamental difference between a full service and limited service hotel is room rate (Yapp, 2015), (Tanford, Raab, and Kim, 2013), these t-tests demonstrate that this rule of thumb does not always hold true.

Table 2: Room Rate Comparisons between Holiday Inn Express and Holiday Inn

City	Number of Obs.	Year Built HI/HIE	Mean HIE	Mean HI	Mean HIE - HI	HIE > HI	HIE < HI
Atlanta	156	1985/1917	$ 141.37	$ 137.99	$ 3.38	*	
Austin	165	2014/2001	$ 138.15	$ 139.94	$ (1.79)		
Bloomington-Normal	143	2007/1998	$ 102.55	$ 115.87	$ (13.32)		***
Colorado Springs	181	2001/1996	$ 99.92	$ 100.37	$ (0.45)		
Danbury	181	1973/2001	$ 114.02	$ 108.24	$ 5.78	***	
Des Moines	180	1975/2011	$ 123.13	$ 110.51	$ 12.63	***	
Dover	173	1975/2002	$ 98.65	$ 94.53	$ 4.12	***	
Helena	180	1972/2011	$ 112.28	$ 123.98	$ (11.64)		***
Houston	172	1984/2003	$ 154.54	$ 118.05	$ 36.50	***	
Manchester	178	2003/2003	$ 103.57	$ 103.90	$ (0.36)		
Nashville	174	1981/1987	$ 123.79	$ 114.89	$ 8.90	***	
Orlando	176	1977/2008	$ 104.51	$ 103.47	$ 1.04		
Phoenix	168	1981/1999	$ 117.26	$ 119.76	$ (2.51)		*
Portland	179	1979/1996	$ 105.86	$ 105.90	$ (0.05)		
Raleigh	179	2007/1999	$ 99.86	$ 107.56	$ (7.70)		***
Richmond	176	2008/1998	$ 95.51	$ 106.62	$ (11.11)		***
San Diego	179	1987/1986	$ 97.19	$ 106.14	$ (8.95)		**
San Francisco	175	1967/2002	$ 171.93	$ 165.65	$ 6.28	†	
Seattle	181	2001/2001	$ 130.17	$ 147.02	$ (16.86)		***
St Louis	181	1981/2013	$ 119.64	$ 114.04	$ 5.59	***	
Urbana	26	1996/2006	$ 131.86	$ 110.11	$ 21.75	***	
All Hotels	**3,503**		**$ 117.64**	**$ 116.95**	**$ 0.69**	*	

Note: † *, **, and *** denote significant at the 0.10, 0.05, 0.01, and 0.001 levels, respectively.

Please note that the number of observations varies because dates were one of the hotels was sold were excluded from the study.

Please note that while the Holiday Inn Express is the newer brand, it is not always the newer building. When taking note of the year the properties were built, there is no consistent pattern as to the age of the hotels. For the hotels in Manchester, New Hampshire and Seattle, Washington, the properties were built the same year. In seven of the sets, the Holiday Inn is the newer building while in the remaining 12, the Express is the newer building.

Star Ratings Comparison

Ogut and Tas (2012) explored the relationship between bookings and online reviews. Specifically, they explored the relationship between sales and the overall ratings for an online source, in this case booking.com. Their empirical results demonstrate that higher online ratings lead to an increase in sales per room. For their sample sets in Paris and London, a 1% increase in positive reviews resulted in a 2.68% and 2.62% overall increase in bookings. More importantly for this study, they also showed that increases in star ratings lead to increases in rates for the studies hotels (Ogut and Tas, 2010). Therefore, the relationship between overall hotel perception and rate has been established.

To investigate whether or not the extended brand, Holiday Inn Express, is perceived better than the original brand, Holiday Inn, 45 star ratings from three websites for 40 hotels were reviewed, which results in total number of 1,800 ratings. Please note that reviews were taken for the Bloomington-Normal hotels and not the Urbana hotels as the majority of the rate data was taken from the Bloomington-Normal set and not the Urbana. Table 3 reports star ratings for Holiday Inn Express and Holiday Inn, for each city and all the sampled cities.

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Table 3: Star Rating Comparisons between Holiday Inn Express and Holiday Inn

City	Number of Obs.	Mean HIE	Mean HI	Mean HIE – HI	HIE > HI	HIE < HI
Atlanta	45	3.64	3.69	-0.05		†
Austin	45	4.02	4.69	-0.67		†
Bloomington-Normal	45	4.44	4.11	0.33	***	
Colorado Springs	45	4.22	4.13	0.09		
Danbury	45	4.27	4.29	-0.02		***
Des Moines	45	4.31	3.6	0.71	***	
Dover	45	4.58	3.73	0.85		
Helena	45	4.4	4.27	0.13	***	
Houston	45	4.04	3.4	0.64	***	
Manchester	45	3.87	3.96	-0.09		
Nashville	45	4.29	4.24	0.05	***	
Orlando	45	4.16	3.04	1.12		
Phoenix	45	4.09	3.82	0.27		
Portland	45	4.31	4.27	0.04		
Raleigh	45	4.33	3.89	0.44	***	
Richmond	45	4.4	4.42	-0.02		***
San Diego	45	3.69	3	0.69	**	
San Francisco	45	4.02	3.27	0.75	**	
Seattle	45	4.31	4.13	0.18	***	
St Louis	45	4.49	3.87	0.62	***	
All Hotels	**900**	**4.29**	**3.95**	**0.25**	***	

Note: † *, **, and *** denote significant at the 0.10, 0.05, 0.01, and 0.001 levels, respectively.

The starred cities have a p-value of less than 0.05 with a higher mean for the Holiday Inn Express. An average of the ratings also shows a p-value of less than 0.05 with the Holiday Inn Express having the higher mean. It is also notable that in Atlanta, Colorado Springs, Danbury, Helena, Manchester, Orlando, Richmond, and Seattle, the Holiday Inn Express star rating was higher or equal to the Holiday Inn even though it was not significantly so. For 40% of the cities, the star rating for the Holiday Inn Express was higher than the Holiday Inn and the significance level was 0.001.

Factors that Affect Star Ratings

To examine which factors affect the Holiday Inn Express' star ratings, each individual review was coded for location, parking, bathroom, noise, room size, room condition and furniture, restaurant, air conditioning, safety, cleanliness, housekeeping staff, and front desk staff (Levy, Duan, and Boo, 2014). Three reviewers were used for inter-rater reliability. Two raters reviewed each on-line review and the third reviewer reconciled the coding. The factor for each review was rated 1 for a positive comment, -1 for a negative comment, and 0 for neutral comment.

Table 4 reports cross-tabulation of each factor and star ratings, where the relationship with the star rating for each factor. The results of the cross-tabulation show that, when examined, bivariate relationships between each variable and star rating, all are found to have significant Chi2 values and be important factors of the overall star rating. Front Desk Staff, Cleanliness, and Room Condition were the most highly correlated. Parking and Room Size were the least correlated but were still significant.

For the Holiday Inn Express, several factors influence the overall star rating. The service of the front desk staff is highly correlated with the overall star rating, with 345 of the guests who gave the Holiday Inn Express a five star rating also rated the front desk staff as positive, and a negative rating for the front desk staff also correlated to a negative overall star rating. Cleanliness is also highly correlated with 256 positive ratings correlating with a five star rating and negative ratings for cleanliness correlated to a lower star rating as well. The room condition is highly correlated to the overall rating. 294 positive ratings for the room condition equal a five star rating, and 30 negative ratings for room condition led to a one or two star overall rating. For the restaurant rating, which is the breakfast for the Holiday Inn Express, correlates highly with a positive rating, with 247 positive ratings equating to a five star rating. However, negative ratings for the breakfast do not necessarily equal a lower rating, with a total of thirty-eight guests rating the breakfast as a negative experience and still giving a four or five star overall rating.

Table 4. Cross-Tabulation of Each Factor and STAR Ratings

Location					
STAR Rating	Negative	Neutral	Positive	Total	Pearson χ^2
1	0	28	4	32	
2	1	27	11	39	
3	4	58	40	102	34.52***
4	13	134	129	276	
5	3	243	205	451	
Total	21	490	389	900	
Parking					
STAR Rating	Negative	Neutral	Positive	Total	Pearson χ^2
1	3	29	0	32	
2	3	33	3	39	
3	7	93	2	102	24.63***
4	9	251	16	276	
5	4	422	25	451	
Total	26	828	46	900	
Bathroom					
STAR Rating	Negative	Neutral	Positive	Total	Pearson χ^2
1	0	22	0	32	
2	9	30	0	39	
3	11	89	2	102	91.64***
4	13	259	4	276	
5	7	421	23	451	
Total	50	821	29	900	
Noise					
STAR Rating	Negative	Neutral	Positive	Total	Pearson χ^2
1	4	28	0	32	
2	9	29	1	39	
3	15	83	4	102	50.72***
4	19	228	29	276	
5	11	397	43	451	
Total	58	765	77	900	

Table 4. Cross-Tabulation of Each Factor and STAR Ratings (Cont'd)

Room Size					
STAR Rating	Negative	Neutral	Positive	Total	Pearson χ^2
1	3	29	0	32	
2	1	37	1	39	
3	6	88	8	102	22.62***
4	9	236	31	276	
5	4	400	47	451	
Total	23	790	87	900	
Room Condition					
STAR Rating	Negative	Neutral	Positive	Total	Pearson χ^2
1	15	14	3	32	
2	15	16	8	39	
3	26	52	24	102	212.16***
4	21	121	134	276	
5	4	153	294	451	
Total	81	356	463	900	
Restaurant					
STAR Rating	Negative	Neutral	Positive	Total	Pearson χ^2
1	8	22	2	32	
2	5	27	7	39	
3	14	62	26	102	77.6***
4	20	130	126	276	
5	18	186	247	451	
Total	65	427	408	900	
Air Conditioning					
STAR Rating	Negative	Neutral	Positive	Total	Pearson χ^2
1	5	27	0	32	
2	5	34	0	39	
3	9	92	1	102	56.79***
4	6	270	0	276	
5	2	444	5	451	
Total	27	867	6	900	

Table 4. Cross-Tabulation of Each Factor and STAR Ratings (Cont'd)

		Safety			
STAR Rating	**Negative**	**Neutral**	**Positive**	**Total**	**Pearson χ2**
1	**3**	**29**	**0**	**32**	
2	**0**	**39**	**0**	**39**	
3	**4**	**98**	**0**	**102**	**30.33*** **
4	**6**	**134**	**2**	**276**	
5	**1**	**243**	**12**	**451**	
Total	**14**	**872**	**14**	**900**	
		Cleanliness			
STAR Rating	Negative	Neutral	Positive	Total	Pearson χ^2
1	10	16	6	32	
2	14	17	8	39	
3	16	52	34	102	161.78***
4	12	130	134	276	
5	1	194	256	451	
Total	53	409	438	900	
		Housekeeping Staff			
STAR Rating	Negative	Neutral	Positive	Total	Pearson χ^2
1	2	29	1	32	
2	0	38	1	39	
3	5	96	1	102	24.99***
4	3	273	0	276	
5	2	442	7	451	
Total	12	878	10	900	
		Front Desk Staff			
STAR Rating	Negative	Neutral	Positive	Total	Pearson χ^2
1	17	13	2	32	
2	10	22	7	39	
3	16	44	42	102	241.55***
4	10	85	181	276	
5	5	101	345	451	
Total	58	265	577	900	

Note: *** denote significant at the 0.001 levels.

Table 5 reports the main findings. Although 410 people mentioned location in their review comments, it found neither positive nor negative perceptions on location didn't significantly affect overall satisfaction of a guest's stay. Safety and housekeeping were found not to significantly affect guests' overall star rating as well, but volume of comments on that factors was significantly smaller than that of location. Meanwhile, factors such as parking, noise, room size, air conditioning, and cleanliness did not significantly and positively affect star ratings when guests have favorable experience whereas those significantly and negatively affect star ratings when guests have unfavorable experience. Bathroom conditions, room conditions, restaurants, and front desk are found significantly affect guests' overall ratings in both directions; positive experience in those areas significantly affected to get higher ratings whereas negative experience in those areas significant affected to get lower ratings on their stay.

Table 5. Factors that affect star ratings of the Holiday Inn Express

Variable	Coefficient	Z	P>|z|
Plocation	0.851	1.05	.295
Nlocation	-.359	-1.08	.282
Pparking	-.420	-.93	.354
Nparking	-.927	-2.2	.028*
Pbathroom	1.017	2.11	.035*
Nbathroom	-1.328	-4.23	.000***
Pnoise	.153	.64	.523
Nnoise	-1.285	-4.52	.000***
Prmsize	.129	.58	.554
Nrmsize	3.87	-4.85	.000***
Prmcondition	4.29	4.25	.000***
Nrmcondition	4.16	-8.39	.000***
Prestaurant	.606	3.39	.001***
Nrestaurant	-.501	-1.62	.106
Paircon	1.664	.82	.412
Naircon	-1.191	-2.70	.007**
Psafety	1.179	1.25	.213
Nsafety	-.634	-.88	.378
Pcleanliness	.142	.89	.375
Ncleanliness	-1.965	-6.73	.000***
Phousekeeping	.278	.04	.966
Nhouskeeping	-.672	-.77	.440
Pfrontdesk	.753	3.51	.000***
Nfrontdesk	-2.222	-6.52	.000***
N		**900**	
R^2		**0.233**	

Note: † *, **, and *** denote significant at the 0.10, 0.05, 0.01, and 0.001 levels, respectively.

Table 6. Factors that affect star ratings of the Holiday Inn

Variable	Coefficient	z	P>|z|
plocation	.350	.27	.783
nlocation	-1.002	-3.09	.002**
pparking	.594	2.15	.031*
nparking	-.863	-2.2	.028*
pbathroom	-.196	-.57	.568
nbathroom	-1.111	-5.14	.000***
Pnoise	.267	.91	.365
Nnoise	-1.176	-6.97	.000***
prmsize	.334	1.16	.247
nrmsize	-.736	-1.96	.050*
prmcondition	.667	6.2	.000***
nrmcondition	-1.541	-6.5	.000***
prestaurant	.574	3.31	.001***
nrestaurant	-.648	-3.86	.000***
paircon	.494	1.27	.203
naircon	-1.265	-3.64	.000***
psafety	.644	1.12	.261
nsafety	-2.729	-1.76	.078†
pcleanliness	.205	1.35	.178
ncleanliness	-1.333	-3.94	.000***
phousekeeping	.030	.08	.935
nhouskeeping	-1.416	-2.99	.003**
pfrontdesk	.780	4.78	.000***
nfrontdesk	2.322	-7.82	.000***
N		**900**	
R^2		**0.25**	

Note: † *, **, and *** denote significant at the 0.10, 0.05, 0.01, and 0.001 levels, respectively.

CHAPTER V

Discussion

When looking at the rates, the difference between the Holiday Inn and Holiday Inn Express may be explained simply by a lack of demand for the Holiday Inn hotels, and the operators may be discounting rates to increase their occupancy with a desire to increase overall revenue. Many operators still hold with the theory that “An empty hotel room for one night is lost forever,” as Jim Rosenberg of Winston Hotels stated (Paige, 2002). Some studies indicate that discounting may increase overall profitability for full service hotels (Jeffrey, et al. 2002; Tellis, 1986), as increased occupancy increases ancillary revenue (Croes and Semrad, 2012). The case study performed by Croes and Semrad showed that a hotel in Central Florida was able to increase overall profit through discounting, and this makes an argument for discounting in hotels that have additional sources of revenue rather than for select service hotels (Croes and Semrad, 2012). Looking at this concept in the scope of this study may explain why revenue managers would price a full service property at a similar or lower rate than their select service counterpart. However, based upon the rate survey conducted at the beginning of this study, this relationship only exists between the Holiday Inn and Holiday Inn Express brands. If this theory were the only reason, then there would be more discounting seen across all brands.

When reviewing the content of the reviews, several notable points were found to explain why guests would be willing to pay more for the select service brand. For the Holiday Inn Express, even when a guest was unhappy with the location, they indicated a loyalty to the brand. For example, a guest from the Holiday Inn Express La Mesa San Diego stated “I’ve stayed at many Holiday Inn Expresses . . ., and this one is on the lower end . . . it did not provide the experience I expect from this brand.” Another guest at the Holiday Inn Express Phoenix

Airport stated, “The staff was pleasant but not as attentive as other Holiday Inn Expresses we’ve stayed in recently.” Then, there are reviews where the guest states they choose the hotel because it was a Holiday Inn Express. Quotes include: “Holiday Inn Express is always dependable,” “we stay at Holiday Inn Express whenever we can,” and “Holiday Inn Express is the only hotel I tend to stay at.” Other positive comments include a guest at the Holiday Inn Express Bloomington-Normal who stated, “I expect certain consistency when I visit a Holiday Inn Express property and this hotel delivered,” and a guest from the Holiday Inn Express Dover said, “HIE is one of our favorite chains.” A guest from the Raleigh-Durham airport location said, “I truly enjoy staying at Holiday Inn Express. It is our choice for hotels when we travel.” These comments on loyalty, however, do not carry over to the parent brand. A guest from the Holiday Inn Express Dover said, “. . . this HIE puts a shame on Holiday Inn.”

When examining the reviews of the Holiday Inn, there were some ambiguous statements. These statements indicate that the guests have a lower expectation of Holiday Inn and therefore it would take a deeper discount for them to stay at this brand. One guest at the Holiday Inn Portland, Oregon Airport had the statement, “It's a holiday inn... A place to rest. How much more do you want me to write here?” A guest at the Holiday Inn San Francisco Airport said, “This hotel is a typical Holiday Inn, suitable for transit or business.” Some of the reviewers expressed surprise that they had a pleasant stay because they had expected less out of the Holiday Inn. A guest at the Holiday Inn Helena said, “Holiday Inn properties can vary widely. This was a really nice one.” Another guest from the Seattle location said, “I usually stay at a more upscale hotel when I visit Seattle, but this last visit was a last-minute trip, and my normal hotel were both fully booked, so I took a chance on the Holiday Inn, as it was in the location I wanted.”

Aaker (1990) explains that when a brand suffers a shock, it takes swift action to recover the brand reputation. Holiday Inn had a documented shock to the brand in the late 1970's and 1980's due to inconsistency in franchises and lack of quality control (Trejos, 2013). IHG's subsequent reinvestment in the brand in 2008 does not seem to have been sufficient enough to recover the brand image. Some reviews stated that they had a bad or mediocre stay and that was they expected from the brand. For example, guest from the Holiday Inn Nashville Airport said, "Customer service seems "okay" nothing to write home about, but it IS a holiday inn after all. Perhaps I'm just accustomed to Hilton and Marriott properties where it's their "pleasure" to be of service." A reviewer from the Holiday Inn Houston wrote, "I didn't feel ripped off but it wasn't anything to write home about, I mean it is a Holiday Inn."

One of the interesting phenomena observed in the content analysis were reviews that stated that they were disappointed that the Holiday Inn was not as nice at the Express. This is notable as not a single review of the Express mentioned that they would prefer the full service version. A guest from the Holiday Inn Des Moines stated, "We checked into this Holiday Inn expecting it to be as good as the other Holiday Inn "Express" we stayed at on our trip. It was a very dated hotel . . .," and a guest from the Richmond Airport had the statement, "On my next trip I chose same Holiday Inn but the express version . . . The Express version is just 100 yards away. For a normal Holiday inn i (sic) think should be better than the express and this one was not." These comments and the data analysis support Hypothesis II that the Express can earn a higher star rating than the Holiday Inn.

Possible counter explanations for the difference in rates and star ratings may be the age of the hotels. By their very nature as brand extensions, Holiday Inn Express hotels would newer builds. However, this is also true of other brand extensions where the rate difference was not observed. The initial part of this study consisted of a sampling of rates for parent brands and their brand extensions for a 30 day period from February 15, 2014 to March 15, 2014. Table 6 shows the results of this comparison. Initially, the full service hotel had the higher rate for every brand (Sheraton, Marriott, Holiday Inn, and Hilton). However, this sample was taken during a special event for the Houston market, Houston Rodeo. The Holiday Inn is the closest hotel in Houston to the venue. Once the dates of Rodeo were factored out, the Express demonstrated a significantly higher rate than the Holiday Inn. Differences in sample sizes are due to sold out dates. In this small pilot study, there is only instance where the full service hotel was newer than the limited service, and that was the Sheraton Houston West. Therefore, if age were a significant factor in rate potential, then there would be an observable rate difference for other brands as well. However, as previously noted, the Holiday Inn Express is not always the newer hotel in this sample.

Table 7: Room Rate Comparisons Houston

Property	Number of Obs.	Mean	Mean Select-Full	Age of Property	Select >Full	Select < Full
Sheraton Houston West	32	$ 206.82	$ (38.13)	2008		***
Four Points Houston West	32	$ 168.69		1975		
Holiday Inn	26	$ 238.35	$ (63.54)	1984		***
Holiday Inn Express	26	$ 174.81		2003		
Holiday Inn Adjusted	12	$ 152.08	$ 25.50	1984	**	
Holiday Inn Express Adjusted	12	$ 177.58		2003		
Marriott West Loop	32	$ 244.63	$ (20.25)	1976		***
Courtyard by Marriott Houston Galleria	32	$ 224.38		2007		
Hilton Post Oak	32	$ 209	$ (27.62)	1982		**
Hilton Garden Inn Galleria	32	$ 181.38		2005		
All Hotels	**268**		**$ (24.81)**			

Note: † *, **, and *** denote significant at the 0.10, 0.05, 0.01, and 0.001 levels, respectively.

Conclusion: Theoretical and Practical Implications

For Hypothesis I, this study found that the Holiday Inn Express can command an equal or higher rate than a Holiday Inn. This study focused on hotels that were within five miles of each other and in the same city to control for outside factors. The hotels in this study showed that in 50% of the cities, the Holiday Inn Express had a higher rate than the Holiday Inn. Traditionally, brand is not considered a part of the equation in determining the room rate for a hotel. This study has endeavored to prove that when a brand has a strong positive presence in the mind of the guest, the guest is willing to pay a premium for that brand regardless of market segment. As Chris Elder stated in his work on hotel classes, "the line between full-service and the select-service hotels has become increasingly blurred," and with this blurring, it is logical that the line between price has become blurred (Elder, 2010). The Holiday Inn Express brand does have the ability to command an equal or higher rate than the Holiday Inn. The review of star ratings shows that the Holiday Inn Express has a significantly higher star rating than the Holiday Inn, and six of the hotels with the significantly higher rating also had significantly higher rates.

As a lodging company preparing to launch a new brand extension, this study provides a cautionary tale of what can happen when the parent brand is neglected at the expense of the brand extension. The Holiday Inn Express was launched at a time when the Holiday Inn had suffered a shock, and the Holiday Inn Express appears to have cannibalized the same market at the parent brand. When preparing to launch a new brand, lodging companies are encourage to consider if the parent brand needs to be strengthened before launching the brand extension, not simply because of the implications on the extension but for the potential impact on the parent brand. Another consideration when creating a new brand is to clearly review the target market and the potential subsidiary markets to determine if the parent brand will is too similar and may lose market share. Ideally, the brand extension would not eclipse the parent brand, unless the target of the extension is to eliminate that brand

Hypothesis II explored the link between brand and star rating. An implication of this study is that there is a relationship between brand, star rating by guests, and room rate. Further research would be needed to more fully explore this relationship, however this study does demonstrate there is an impact. Ogut and Tas (2012) discussed this relationship in the European market with full service hotels, and this study further supports the results demonstrated in this prior study.

For Hypothesis III, 45 reviews for each hotel were examined to determine the ratings of the hotels and the factors that determined the ratings for the hotels. The most influential factors were bathroom conditions, room conditions, restaurants, and front desk service. These helped to determine the total star rating of the hotel. When launching a new brand extension or remodeling an existing brand, the brand perception will be influenced by these factors. The similarities in the brands may be the cause behind the negative impact of the restaurant on the star rating for the Holiday Inn since the Holiday Inn Express set the expectation that the breakfast would be complimentary. The difference in amenities between the parent and brand extension may change the expectation of the guest towards the parent brand.

The difference in customer perception can be summed up in two reviews. A guest from the Helena, Montana Holiday Inn observed, “Holiday Inn properties can vary widely,” while a guest from the Holiday Inn Express San Francisco Airport said, “This is a typical Holiday Inn Express property. And that isn’t a bad thing.” These viewpoints show that the Holiday Inn has never fully recovered from the shock to the brand from poorly managed franchises, and the brand extension has successfully displaced its parent in the mind and pocketbook of the traveling public.

Limitations and Suggestions for Further Study

One of the limitations of this study was the need to change one of the test cities from Urbana, Illinois to Bloomington-Normal, Illinois because the Holiday Inn Urbana was changed to an unbranded hotel. These hotels are located in the same state fifty-five miles apart, both in cities with major state universities, and this modification allowed the study to continue without interruption. Therefore, the rate data for one month was for Urbana and the other five months were for Bloomington-Normal. Taking a sample over a different time period, with different economic conditions could yield different results. A duplication of this study during a different time period and with different sets of hotels would be beneficial to strengthening these results. Three on-line rating sites were used with fifteen reviews from each site, and additional reviews or additional sites would be useful in an extended study on the subject. A simplistic coding method was used with 1 for a positive comment and -1 for a negative comment. Degrees of how positive or how negative the experience was were not measured in this coding, as this was an exploratory study of this topic. This would be an interesting topic for further study.

This study is limited to cities within the United States, and brand perceptions in an international market might be different, as well as price sensitivity. Further studies could include examining the brand relationship between other parent brands and brand extensions. A topic of interest could be comparing different brands in the same brand family and same market segment to determine which brand has the ability to command the higher rate, such as Town Place Suites by Marriott and Springhill Suites by Marriott.

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