
REBRANDING - A LIVING SOLUTION WITHIN A SUSTAINABLE EVOLUTION OF THE THIRD SECTOR COMPANIES

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Abstract

Regardless of the sector in which a company operates, it is recognized worldwide that the brand is now an element that can not be ignored and especially a source of competitive advantages. More and more companies focus on branding and develop strong strategies in this regard, taking advantage of the benefits of the emotional relationship a brand can create with customers. In a constantly changing society, where consumers have new and new requirements, the development of a brand is no longer sufficient; this has to be in a continuous process of adaptation, so that rebranding becomes an essential aspect of any brand, no matter how powerful it is. The current global context, marked by resource depletion, imposes increased attention to sustainability enhancing measures. In this sense, the present article seeks to identify, through clients' perception, the way of interpenetration of the two phenomena, rebranding and sustainable development, in the third sector, which is now oriented towards sustainability.

Keywords

rebranding, brand management, sustainability, services

JEL Classification

C83, L83, Q01, Z32

Introduction

Brands, a key element in the modern society, represent a real source of competitive advantages through the strengthening of the company's image on the market and through attracting customers' sympathy. Brands are omnipresent and have become part of the symbolic language of modern material culture, so it becomes very difficult for someone to still think of them as just discrete, external components of current products and services (Marquardt, Olaru & Ceausu, 2017). Strong brands are important for the success of products or services, as evidenced by the fact that, according to studies (Grossberg, 2012), 72% of consumers say they are willing to pay 20% more for the brand they chose compared to the closest competitor brand, 50% of consumers would pay 25% more, while 40% would pay up to 30% more for their favorite brand. Moreover, 25% of American customers claim that the price does not matter when they buy a brand they are loyal to. (Scott, 2002) If at first branding was designed to protect products from failing on the market, gradually it has become an almost indispensable factor in marketing success. This has the role of transforming marketing into a process based on building perceptions rather than just on

product experience. Because perception is a fragile and shifting element, if the brand image becomes tarnished for one reason or another, the company of that brand can be endangered. Branding has become the universal way to increase the value of an offer on the market and to ensure maximum return on investment for its creator or promoter. The ability to exploit the image or brand message to convey quality derives, first of all, from the fact that the product or service in question provides the consumer with performance with respect to quality. Globally, there are many examples of how different brands have created value simply because the products they represent are widely valued for quality or uniqueness.

If, however, 20 years ago companies could have the certainty that the vast majority of customers would stay for years, with the consumer goods market being very stable, this is no longer true at present. Recent studies conducted by the NPD Group show that about half of those who claimed to be highly loyal to a brand were no longer loyal to it one year later. Other studies show, moreover, that only 4% of consumers would be willing to remain loyal to a brand if its competitors offered more value at the same price. On an increasingly competitive market, consumers are constantly looking for something better, giving companies the opportunity to introduce new and new products and services. (Surowiecki, 2004) Consumers' fickleness, and adding the fact that downward adjustments to the performance of a product or service may lead to a decline in consumers' confidence that the brand promise will be delivered when that product or service is purchased, can create a detrimental situation for companies. As a result, companies that rely on branding can suffer if they do not pay enough attention to the installation of brand deterioration.

The development of a brand represents a very important process, but, if in the past companies could afford to review their identity rarely, once 7-10 years or even more, the acceleration of the pace of change at the economic and social level has gradually induced the increasing need for rebranding. Even the strongest brands erode over time, so that brands' reinvention, the identity rejuvenation, and the alignment of products and services to current trends and needs are becoming increasingly important for a business' success. Rebranding should represent a balance between keeping the valuable brand elements and the notoriety and introducing any new aspects that are not addressed by the current brand. (Luck, 2012) Currently, one of the trends, derived from the current market demands and, implicitly, from its profound transformations as a result of the challenges generated by global resource depletion, is rebranding with a focus on the sustainable component.

Sustainability – central pillar of the brand development strategy

Globally, tourism, an important component of the third sector, is currently the fastest-growing sector, being, at the same time, an area in which brands create strong relationships with customers and make them loyal, and sustainability has a special meaning and is increasingly appreciated by consumers. In this context, attention is frequently focused on the hospitality industry, where sustainable development initiatives are more tangible and often precisely derive from the fact that hotels belong to a certain brand (Nagel-Picioruș, Nagel-Picioruș & Sârbu, 2016).

Although it may appear surprising, the importance of branding has been harder recognized in the hospitality industry, and only during the last 25 years it has begun to make sense to hoteliers, to be considered and recognized as a key element in the marketing strategy. This new perspective comes as a result of the expansion of hotel brand segmentation – the hotel segmentation strategy is based on the fact that a brand name confers tangibility and provides consumers with valuable information on products and services. The brand can create a differentiated identity for hotels where the functional features of the products are not fundamentally different, and industry specialists argue that a brand's personality is the main reason why consumers choose a particular brand. This outlines a brand more specifically in

their minds and, thus, has the ability to reduce the degree of intangibility associated with the hospitality industry.

The Sheraton brand is owned by the Starwood Hotels & Resorts international chain, one of the world's leading hospitality industry players, with over 2,000 hotels around the world. Sheraton's history began in 1937, when Ernest Henderson and Robert Moore acquired their first hotel in Springfield. In a three years time, they bought three more hotels in Boston, also deciding for the name of the hotel chain – Sheraton. The expansion continued, and in 1947 Sheraton became the first hotel chain listed on the New York Stock Exchange, moment that opened new horizons for international development. From the very beginning, Sheraton has undergone numerous transformations and is continuously adapting to the ever changing market requirements and demands, but with permanent emphasis on the company's core values, on innovation and on commitment to customers. (Starwoodhotels.com)

Regarding sustainable development, at the Starwood Hotels & Resorts chain level some clear objectives concerning environmental protection were established since 2009, the main issues concerning the reduction of energy consumption by 30% and of water consumption by 20% globally by 2020, but also the reduction of carbon emissions by 30% over the same time horizon, element which was added in 2013. According to company reports, during the 2008-2014 time interval, energy consumption decreased by 12.08%, carbon emissions by 16.07%, and water consumption by 17.26%, under conditions of a global development at a sustained pace. (Greenhotelier.com, 2015) Sustainability goals are challenging Starwood Hotels & Resorts to create short and long-term programs and partnerships designed to protect the environment, to reduce operating costs, to improve customer experience and to provide the necessary conditions for increasing properties' sustainability.

In order to measure and reduce carbon emissions, Starwood uses various tools, including a hotel industry-specific one, HCMI, developed by the International Tourism Partnership (ITP) and the World Travel & Tourism Council (WTTC) in partnership with KPMG and 23 hotel companies worldwide. These tools are used to implement low cost initiatives such as switching to high-efficiency LED lighting, fitting bathrooms with low-flow taps, improving or replacing different mechanical systems. In most of the chain's properties, operational initiatives represent about one third of the progress made in Starwood's sustainability program, and are estimated to contribute, at chain level, to saving a billion dollars in less than 10 years. An example of a hotel where you can easily see the positive results of applying the measures taken for the entire Starwood chain in terms of sustainability is Sheraton Santa Fe in Mexico, part of the Sheraton brand. Since 2008, energy consumption has been reduced by 26.1%, carbon emissions by 35.61% and water consumption by 39.33% by using LED lighting, motion sensors and low flow taps, by collecting rainwater and recycling used water. In addition, larger projects have also been developed within the hotel, such as the rethinking of water heating systems and the installation of control systems designed as a result of the use of Starwood's internal reporting system for decision-making and setting hotel needs. (Greenhotelier.com, 2015)

Recently, Starwood Hotels & Resorts announced the merger with Marriott International, thus going to give birth to the largest hotel company in the world. In the case of Marriott International too, the efforts towards sustainable development are intense and clear lines in this respect are defined at the level of the chain until 2025. These directions primarily seek to reduce water consumption, carbon emissions and waste, the use of renewable energy sources, the eco-certification of hotels, support for local communities, results being visible to customers through the hotel chain website. (Marriott International, 2017)

Sheraton Bucharest Hotel, a positive example of rebranding in the hospitality industry

The building in which one of the most important hotels in Bucharest, Sheraton Bucharest Hotel, currently operates, considered to be a landmark for Bucharest's architecture and hotel landscape, has a long history that dates back in 1976, when the Dorobanți Hotel was opened. In 2004, the hotel's owners concluded their first partnership with an international chain (Wyndham Hotel Group) – the Dorobanți Hotel took over the Howard Johnson brand, Romania thus becoming the first country in the south-east of Europe where a license for this brand was sold. The hotel was renovated after an investment of about 30 million dollars; the modernization works had already started in 2000 and were funded through a syndicated bank loan, granted for a period of eight years. Howard Johnson Grand Plaza was operated under a franchise contract and represented the highest level of the five divisions of the international chain (Howard Johnson Grand Plaza, Howard Johnson Plaza Hotel, Howard Johnson Hotel, Howard Johnson Inn, Howard Johnson Express Inn). Its first full year of operation was 2005, and during the first six months of its operation it reported an average occupancy rate of 50% (Ziarul Financiar, 2015) and a 12.5 million euro turnover (51% more than during the previous year) and a double profit compared to the same period in 2004 (up to one million euros). (Wall-Street, 2007) The hotel offered 285 rooms spread over 18 floors, plus a conference center with more than 800 seats, two restaurants, a pastry shop, a bar, a spa and underground parking.

The development plans of Howard Johnson's brand operators, which included a franchise network in Romania and the affiliation of eight hotels in six years, have failed though.

During the fall of 2014, it was decided that the Howard Johnson Hotel would go through a rebranding process, turning into the first Sheraton hotel in Romania. The operation of the hotel under the new brand belonging to the American Starwood hotel group, merged with Marriott International, is also done on the basis of a franchise contract.

The rebranding process, which lasted for a year, required significant investments, estimated at around six million euros, these being necessary in order to reach the level of the Sheraton brand, which involves many of specific facilities. Apart from the modernization of the public spaces (reception, hallways etc.), which have been completely changed, the rooms have also been completely renovated, both in terms of design, and functionality and security. The number of rooms has been restructured (from 285 to 270 rooms) and the hotel has returned to the five-star rating, which was dropped in 2013 in order to be able to address the events organized by the pharmaceutical industry. (Bursa, 2015) The Sheraton personalized items, such as the Sheraton Sweet Sleeper Bed (plush mattresses and luxury bedding), the Shine for Sheraton cosmetics line, the Sheraton fitness access or the restaurant program, Color Your Plate, are also available. An important part of the rebranding process, of the redefinition of standards offered by the hotel to its guests, was the investment in general facilities, including the conference center (1,200 square meters divided into several multifunctional halls), the fine dining area, which comprises two of the most appreciated restaurants in Bucharest (Benihana Japanese Steakhouse & Sushi Bar and Avalon), a pastry boutique (Centro Sweet) and the Business Club located on the hotel's 18th floor, offering a spectacular view over the city. The modernization of the hotel was also very much based on the technological component, making Sheraton Bucharest Hotel one of the most digitized hotels in Bucharest at the moment.



Fig. no. 1 Rebranding and sustainability in the hospitality industry

In 2016, the first full year of operation of the hotel under the Sheraton brand, the average occupancy rate increased significantly, exceeding the average of the previous years, and thus aligned with local competitors. Besides, there were certain periods, such as September and October, when the accommodation capacity was 100% occupied. As a result, Daniel Ben-Yehuda, the hotel general manager, said, at the end of 2016, that the next step is to increase the accommodation capacity and develop the general facilities. In this respect, land was purchased in the vicinity of the hotel in order to build a spa center, a new large conference room, and to also extend the number of rooms (between 60 and 100 rooms). Additionally, focus on developing digital projects that aim at cutting-edge technology will continue, one of the most important one being to fully digitize the access in rooms and other specially-designated areas (this will be done by means of smartphones, through a keyless access system). These development plans span a period of three years, the investment being considerable. (HORECA, 2016)

The rebranding-sustainability model and clients' perception

In order to have a vision on the impact of the Sheraton Bucharest Hotel rebranding and on the actions taken in the direction of sustainable development after this process, a research that put the hotel's guests in the foreground was carried out, illustrating their perception on the two subjects. Furthermore, this research can help find the right tools to build a model that would describe the actual phenomenon and allow for in-depth analysis.

The research was conducted during the first quarter of 2018, the tool behind it being a questionnaire with 15 questions. This aimed at identifying the perception of Sheraton Bucharest Hotel's guests on the impact that the rebranding process (in particular the transformation of the former Dorobanți Hotel, subsequently Howard Johnson, into Sheraton, part of the Starwood international chain) had on the hotel especially in terms of the level of offered services' quality and sustainability initiatives. The perception of the surveyed tourists is the result of using the services of this hotel, mostly also even before the rebranding process, so we can trust that their answers faithfully reflect the reality. In addition, 66.67% of the respondents frequently use hotel services in Bucharest, which means that they have a clear opinion on the services offered by Sheraton Bucharest Hotel compared to other hotels in the city (figure 2).

According to the survey participants' affirmations, most of them (83.33%) were once clients of the Sheraton Bucharest Hotel (even if it was the period when it was called Hotel Dorobanți or Howard Johnson – 66.67%), their fidelity being reflected in figure 3:

How often do you use hotel services in Bucharest?

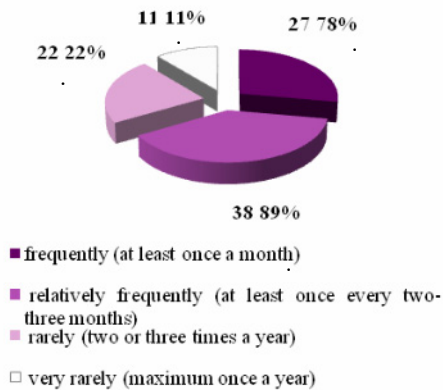


Fig. no. 2 Frequency of respondents' use of hotel services in Bucharest Dorobanți, respectively Howard

Have you ever used Sheraton Bucharest Hotel's services?

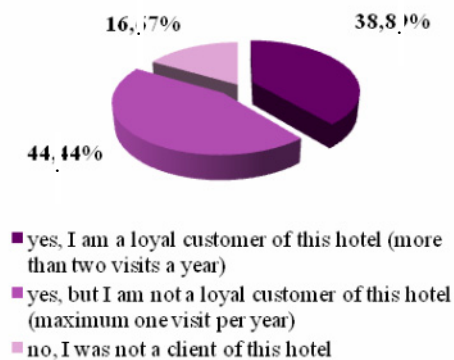


Fig. no. 3 Frequency of use of the Sheraton Bucharest Hotel (formerly Johnson) services

Identifying this perception of the hotel customers supports the outline of an opinion regarding the rebranding success both in terms of improving the offered services and applying the principles of sustainability, which may or may not be a model for rebranding on the domestic hotel market. The questionnaire was sent to 75 persons in Romania (by e-mail or interviews at the hotel) and 52 responses were obtained.

Regarding the structure of the respondents, they were:

- almost equally distributed in terms of age: 9 persons aged between 18 and 25 years old, 14 persons aged between 26 and 35 years old, 12 persons aged between 36 and 45 years old, 9 persons aged between 46 and 55 years old and 9 persons aged over 55 years old
- 17 secondary school graduates (highschool/vocational school) and 35 university graduates
- people with different occupations: PhD students, economists, accountants, engineers, lawyers, professors, sales representatives, tourism or HR specialists etc.
- out of the 52 respondents, 20 currently live in Bucharest, 17 live in another city in Romania (Cluj, Braşov, Timişoara, Constanţa) and 14 live abroad (Iran, Germany, Italy)

Asked about how they appreciate the quality of the services of Sheraton Bucharest Hotel, clients stated, for the most part, that this is a good one (14 clients) or a very good one (20 clients). There are also clients who position themselves at the extremes, claiming that the services are of an excellent quality (6 persons), or only satisfactory (3 persons). It is noteworthy, however, that no client among the study participants considers that the services of the hotel in question are of an unsatisfactory quality level (see figure 4).

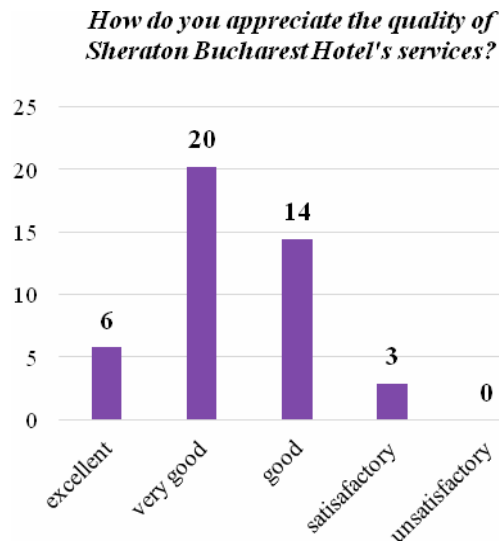


Fig. no. 4 Customers' perception on the quality of Sheraton Bucharest Hotel's services

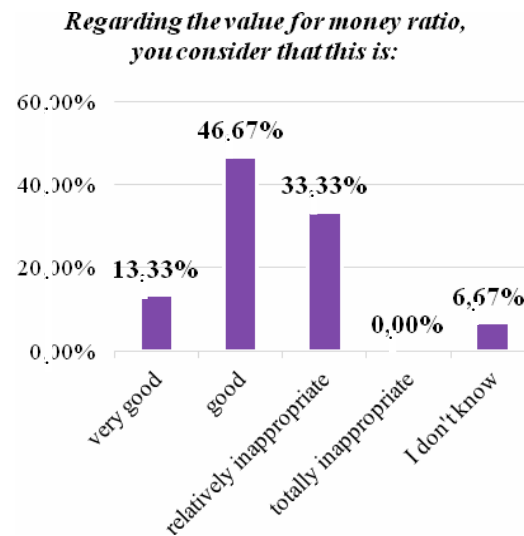


Fig. no. 5 Customers' perception on the value for money ratio in the case of Sheraton Bucharest Hotel

Considering these answers, it can be said that Sheraton Bucharest Hotel has a good image among the clients, in terms of the quality of the offered services. The location of the hotel is at the top of the elements for which customers choose this hotel, followed by its cleanliness and the trust granted by being part of an international hotel chain. According to the results of the study, these are followed, at a short distance, by the design of the spaces, the comfort of the rooms and the kindness and professionalism of the staff, elements that can even be identified with the hotel's belonging to a renowned hotel chain. The hotel's restaurant (ambience, dishes etc.) and facilities for business people (conference rooms, business center etc.) are less attractive for clients.

When it comes to the value for money ratio, opinions are divided – if 46.67% of respondents say this is a good one, 33.33% of them think that the price is relatively inappropriate in relation to the offered quality (see figure 5 above). In the case of this question, however, it is also worth pointing out that no respondent stated that the value for money ratio for this hotel is, in their opinion, totally inappropriate.

Regarding the rebranding process (turning the Howard Johnson Hotel into Sheraton), most of the surveyed clients (73.33%) consider this to be a beneficial one for the hotel, bringing with it significant improvements in terms of offered services. Asked to list three positive elements that they think rebranding has brought, the Sheraton Bucharest Hotel customers most frequently recalled the following:

- higher quality standards
- increase in the staff's level of professionalism
- improved, but also diversified services
- increase in market awareness
- a new design of spaces
- a new vision
- intensifying innovation activities

Most of the participants in the study (53.33%) say that, in their opinion, at the moment, Sheraton Bucharest Hotel emphasizes on corporate responsibility (dedicated programs for managing the impact of the hotel's activity on the environment and on local communities).

20% of them say the opposite, while the remaining 26.67% responded “I don’t know“. Further, persons who responded affirmative were asked if these initiatives are, in their perspective, more intense after the rebranding, and the answers were as follows (figure 6):

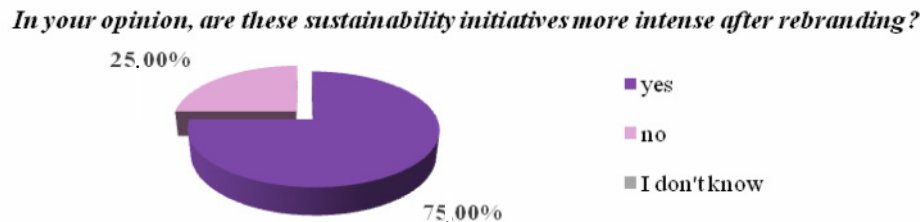


Fig. no. 6 Customers’ perception on the intensification of sustainability initiatives after rebranding

Conclusions

A well-built brand not only highlights products, services and the company as a whole, but also creates important competitive advantages by establishing a strong emotional bond with the consumer. Brand has gradually transformed itself into an extremely high value item for any company, especially for those in the hotel industry that rely on consumer-built relationships. In the context of the frequent and strong changes that take place in the global society and economy, which are constantly evolving, the careful development of a brand is not, however, enough anymore, but especially its continuous adaptation to the new requirements of the market. The former Dorobanți Hotel in Bucharest is a good example in this respect, going through some important changes that culminated with its last rebranding, which turned it into Sheraton Bucharest Hotel. According to the conducted survey, this enjoys a positive image on the market, customers appreciate especially the offered services and the location of the hotel, and its belonging to an international hotel chain gives them confidence. According to customers' perception, the rebranding has been a beneficial change, bringing with it, besides increased awareness, better services, higher quality standards and better prepared staff. Moreover, the fact that at the entire hotel chain level the emphasis is on sustainability is also visible inside the Sheraton Bucharest Hotel, with the majority of customers reporting more intense activity in this direction after rebranding.

However, as no scientific action is well out of limits, these refer, in this case, to the subjectivity of the answers given by the questioned clients, their perception on the studied aspects being purely personal. Thus, a study based on concrete elements, on statistical data regarding the impact that rebranding had on the Sheraton Bucharest Hotel’s activity, as well as on sustainability initiatives would be useful, as a starting point for drawing up new development strategies.

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