From branded to endorsement corporate identity strategy: the case of the Fattals Hotel Management Group

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Abstract

Purpose – During the past several years, many hotel management firms have changed their corporate identities. Such corporate identities are based primarily on one of the following three approaches: monolithic, endorsed and branded. The purpose of this paper is to describe the process of designing a corporate identity for a hotel chain management firm based on the transition from a branded corporate identity to an endorsement corporate identity.

Design/methodology/approach – This paper describes the transition from a branded corporate identity to an endorsement corporate identity as undergone by the Fattals Hotel Management Group, which manages a chain of 12 hotels. The paper examines the various stages of the process, from the decision to change the company's identity up to the final stage of examining the results.

Findings – The case presented here illustrates the extent to which assimilating the new identity requires the cooperation of all members of the organization and must be executed both vertically (top-down and bottom-up) and horizontally.

Originality/value – This case study, which presents differences between the various strategies adopted by the company during its identity change from one extreme approach to another, adds a new element to the process of creating and assimilating corporate image in the hospitality industry.

Keywords Corporate identity, Hospitality services, Hotels, Managers, Employees, Marketing strategy

Paper type Case study

Introduction

During the past decade, many companies have realized that the formula for success involves not only increasing the firm’s effectiveness, but also designing and developing its image among both internal and external stakeholders (Balmer and Greyser, 2003). This understanding has raised managers’ awareness of the importance of developing and managing their corporate identity. Whereas in the past this approach was limited to a small number of firms, today corporate identity designing processes characterize both product- and service-oriented companies.

One sector that is adopting this approach as an effective means for promoting its business in a brand-saturated world is the hospitality sector (Balmer and Gray, 2003). This sector is characterized by mergers and acquisitions and by an incessant attempt to transition from local to global management (Kedidi and Torfve, 2005). Many hotels have, in recent years, adopted new corporate identities with the objective of establishing their market position and improving their reputation among clients, as well as among their employees and shareholders. In practice, the process of planning and building a corporate identity necessitates ongoing activity that simultaneously integrates all of the company’s audiences, but more than anything else, is based on the full cooperation and involvement of the company’s employees (Balmer and Wilson, 1998). This process becomes even more complex in transitioning from an identity that upholds the management of individual brands...
to a new identity approach whereby the company name is endorsed onto its well-established brands.

This paper introduces the three facets of corporate identity management (strategy, culture and structure (SCS)), but focuses on the structure facet that appears to be the most meaningful in creating and implementing a corporate identity process (Van Riel and Balmer, 1997). The purpose of this paper is to learn about the various stages of the transition process from a branded corporate identity structure to an endorsement corporate identity structure in the hospitality sector. This complicated corporate identity transition process is examined through a case study of Fattals Hotel Management Group, which recently experienced this process.

Evolution of the corporate identity management approach

Today, changing from one corporate identity to another is an accepted phenomenon that plays a significant role in the strategies of organizations worldwide. The recognition that corporations need to rebuild their identity every few years is an outcome of the development of the idea of brand management over the past 30 years. From the moment managers began managing their products more professionally so as to turn them into brands, a similar need was recognized for organizational branding, a process that over the years became known as corporate branding. This managerial area offers stakeholders and consumers a way in which to comprehend the organization (Balmer and Greyser, 2003). By developing strong corporate brands, organizations add value to their basic service or product, and can thereby develop consumers’ preference for and loyalty towards it (Knox and Bickerton, 2003).

Parallel to the development of corporate branding, a new area, referred to as corporate identity, began to develop as well. Whereas in corporate branding processes managers deal mainly with the company’s external appearance from the viewpoint of its clients, in corporate identity management processes emphasis is placed on the overall perception of the company from the viewpoint of all stakeholders (both external and internal) (Balmer and Gray, 2003). A main difference between the two concepts is that whereas the concept of identity can be applied to any entity (company or organization), not every entity has, wants, or even needs a corporate brand (Balmer, 2001).

Van Riel and Balmer (1997) and Cornelissen and Elving (2003) aver that the notion of corporate identity has three patterns in academic and practitioner writings. The first, which derives from public relations and communications industry perspectives, refers to this notion in terms of the organization’s logos and symbols that are considered as “identifying” the organization to third parties. Olins (1978), Birkigt and Stadler (1986) and Van Riel and Balmer (1997) define it in terms of “visual identity.” The second pattern derives from the public policy and legal sphere, and refers to the notion in terms of organization personality. Christensen and Cheney (1994, p. 224) claim that each corporation is a person with attendant rights. The third pattern derives from organizational behavior studies (Cornelissen et al., 2007; Haslam et al., 2003), and refers to corporate identity in terms of a set of intrinsic characteristics or “traits” (e.g. strategy, culture, core competencies) that accord the organization its specificity, stability and coherence (Larcon and Reitter, 1979). Although there are three patterns to the corporate identity notion, the most common objective of corporate identity management among European academics and practitioners is that which define it as securing a competitive advantage for an individual organization (Balmer and Stotvig, 1997). According to Gray and Balmer (1998), it is based on the notion that the effective management of an organization’s identity results in the acquisition of a favorable corporate image and, over time, of a favorable corporate reputation, which in turn leads the organization’s key stakeholders to be favorably disposed toward it. As a consequence, such groups are more inclined to use the organization’s products and services (retail customers), trade with the organization (industrial customers), purchase the company’s stock (shareholders), work for the company (employees), provide a sympathetic legal framework (government), and to speak well of the organization (the media and local communities) (Balmer and Wilson, 1998).
The underlying idea in the process of creating corporate identity is to define the company's "genetic code." Olins (1989) maintains that there are four stages in the process of building corporate identity: the preparatory stage of research, analysis and strategic recommendations; developing identity; presenting the identity, and the stage of implementing and assimilating it. This process requires methodical work to generate a clear and distinctive identity for the organization that will be uniformly interpreted, understood and internalized by the various interested parties that interact with it. A great number of interested parties are influenced by the company's corporate identity and includes stakeholders within and outside the organization. Some, however, are uninterested, unwilling and unable to influence the designing of the company's corporate identity. The factors that directly impact on the designing of corporate identity and constitute the sub-corporate identities are the company's products, brands, and stakeholders. While the first two factors receive more substantial exposure in branding management literature, the third is addressed far less, despite the fact that it has a more significant impact on the ability to assimilate corporate identity.

Most researchers identify three facets of corporate identity management: strategy, culture and structure (Cornelissen and Elving, 2003):

1. **Strategy.** In order to create a distinctive corporate identity, an organization is required to position its identity in the market. This requires in-depth knowledge of the organization's strategy. The strategy of any organization is derived from the organization's vision, from the business objectives of its owners and managers, and from the missions that it undertakes to execute. This strategy must be expressed by the company's corporate identity for all of its relevant audiences. Hence, a company's history, its products and services, its managerial culture and its business outlook must be imparted by the company's different symbols and must be easily decipherable by its various audiences (Balmer, 1995).

2. **Culture.** An organizational culture includes the beliefs and values that motivate decisions and policies established by the company. These beliefs and values must be defined by the company's owners and managers and assimilated in the consciousness of employees, to ensure that the various units and employees provide the appropriate product or level of service. The company culture shaping process ensures clear guidelines as to work approaches and the company's code of behavior. To guarantee that the company's beliefs and values are visible to all, the company must publicize them using all possible means of advertising, beginning with the transmitted and printed mass media and ending with individualized media such as direct marketing (Balmer and Wilson, 1998).

3. **Structure.** The third key facet of corporate identity management is the structure of the company or organization, which is related to both its strategy and culture (Van Riel and Balmer, 1997).

**Three structural approaches to the creation of a corporate identity**

According to Olins (1989) and Selame (1997), there exist three types of company structures, representing three different approaches to the implementation of a corporate identity strategy: monolithic, endorsed and branded.

According to the monolithic approach, the same name and visual style are used for all forms of external communication. This is because such companies market a single leading product rather than a series of products that are dissociated from the company's name. Because these companies have developed naturally and have not based their business on the acquisition of brands and on mergers with other companies, over the years their names have become identified with a single strong brand. Benetton, IBM and SONY are good examples of companies that have adopted this approach. In addition, it can be seen that these companies operate in markets that are defined as being essentially homogeneous, i.e. markets characterized by a narrow product mix. Companies with this type of structure tend to create a single, clear internal organizational culture that facilitates the assimilation of the
corporate identity among its employees, suppliers, distributors and other external stakeholders. Nevertheless, should such a company wish, at some stage, to promote a new brand or series of brands, it is likely to encounter difficulties due to the inability of its internal as well as external audiences to assimilate a different culture. Employees of a company with such a structure, conditioned to the company’s reputation and a certain company culture, are likely to find it difficult to adapt to the new or “foreign” culture that can be expected to follow a merger or acquisition. This greatly limits such companies when they begin trying to achieve a competitive advantage in the sector in which they operate.

The endorsed approach occurs when a corporation has several products or businesses, each having its own semi-independent identity but each also endorsed by the corporation. Companies with this organizational structure tend to be established international corporations that actually function as concerns and, by definition, acquire brands and companies in order to take advantage of the high-quality multi-national distribution systems at their disposal. Such companies include corporations such as Nabisco, Rowntree and 3M. These corporations acquire strong brands and established companies throughout the world. Through association with the name of the corporation, the new brands capture the strongest brand positions even in countries in which they are being marketed for the first time. Although brand managers enjoy especially large marketing budgets, the process of merging an existing company personality with the personality of a new brand, so that both personalities complement each other, is not simple and usually requires special skills.

The branded (decentralized) approach relates to situations in which firms promote several different brands separately, and the customer cannot discern the corporate parent merely by looking at the brand. This approach is suitable mainly for companies that engage in the acquisition of strong brands and, in particular, companies that delegate authority to the managers of successful divisions, bestowing upon them a great deal of power in marketing, advertising and sales. Procter & Gamble, Unilever and Grand Metropolitan are good examples of companies that fall into this category. Of all the approaches, the branded approach is the most expensive because each brand is based on a different marketing strategy designed to build a distinctive, individual identity.

The role of corporate identity in the hospitality sector

During the past several years, many hotel management firms have changed their hotels’ corporate identities. Several factors have contributed to this trend, including mergers and acquisitions, increased competition, and globalization (Burgess et al., 1995). The trend dates to 1995, when a major change took place in the hotel industry as chains began to acquire hotels through worldwide mergers and acquisitions, using already well-established brand names. In this way, hotel management firms have gained market share and penetrated additional market segments, thereby reaching a larger audience (Kedidi and Torfve, 2005). Developing or acquiring a new brand name is a meaningful strategic step in becoming an established hotel chain – but at the risk of damaging the chain’s current identity. In such cases, the idea behind creating a new corporate identity is to reinforce the connection between the chain’s image and the internal and external stakeholders’ perception of it.

In practice, there are several ways to create and manage a corporate identity. The Hilton Hotels chain, for example, established its corporate identity based on the aura of luxury associated with the organization’s name. Customers who stay at a Hilton Hotel expect to find an atmosphere that corresponds to these expectations (Gray and Balmer, 1998). By contrast, the corporate identity of the Holiday Inn chain is based on separate sub-brands endorsed by the corporation. In general, implementing the corporate identity of any hotel chain is a holistic process involving accommodations (restaurants, bars, swimming pools, golf courses), room atmosphere, and other service aspects. A much more complicated process is the transition from one corporate identity approach to another.
The case of Fattals Hotels, a hotel chain management company

The case presented here describes a complex process of building and designing the corporate identity of a hotel chain management company. It demonstrates the importance of an intermediate identity strategy and the unique role of employees’ participation in the transition from branded identity to endorsement identity. It is a classic example of a process experienced by many organizations in the hotel sector in recent years as a result of rapid structural changes within the sector (Connell, 1992; Jones et al., 1998). Since the purpose of this study was to better understand the process and mechanisms through which the new identity was assimilated, the research methodology was based on interviews and hard data collection. These techniques were found to be most appropriate for learning and understanding in depth organizational transformation processes (Patton, 2002; Yin, 2003). The first phase contained semi-structured interviews (60-120 minutes each) with the group CEO, marketing manager, sales manager, human resources manager and four hotel managers who represent each of the four various hotel brands (Le Meridien, Golden Tulip, Club Med and Magic). In addition, 12 interviews were held with senior employees from these four various hotel brands. These senior employees were managers of hotel departments. The interviews were held during a period of two months in 2006 in the chain headquarters in Tel-Aviv and at four hotels located in the Dead Sea area and in Eilat. The second phase consisted of collecting and reviewing “raw” documents that related to the process and the changes that have taken place during the last seven years. The written material included minutes of meetings, periodical reports, human resources records (mainly on absenteeism and turnover) and satisfaction surveys carried out among workers and customers.

Fattals Hotels’ three management strategies

Fattals Hotels began building its renewed corporate identity after seven years of activity as an Israeli hotel management company. The hotel sector is one of the most important sectors in the local Israeli economy, and the Fattals chain excels in its international-standard facilities as well as in its use of the most advanced and professional managerial knowledge. Over the years, Fattals became one of three main competitors that gained control of the hotel and tourism sector in the local market. All three competitors were hotel management chains that began in recent years to carry out mergers and acquisitions involving both local and global hotel chains, with the objective of branding and managing them according to the management and service standards accepted among the world’s leading hotel chains. Currently, Fattals Hotels is the largest hotel management company in Israel, with 12 hotels under its management throughout the country, for a total of 4,000 rooms. Coming in second is its competitor, Dan Hotels, with 3,150 rooms. Isrotel Hotels is in third place, with 2,650 rooms.

Branded corporate identity strategy

A review of the management strategy of Fattals Hotels over the years shows that the chain operated according to three different management strategies (Table I). At first, the chain’s business strategy was to take over leading hotels in Southern Israel and run each one separately without changing its identity or personality (branded corporate identity strategy). At the same time, the company management aspired to turn these local hotels into international hotels while guaranteeing an especially high standard of service quality. During the execution and implementation of this strategy, the company took over four different hotels, three of them local and one belonging to a chain, Le Meridian Hotels. On acquiring the management of each of the three local hotels, the chain management immediately began changing its identity from its local identity to that of the Dutch chain Golden Tulip Hotels. Until the beginning of 2000, reservations could be made either directly through the four hotels or through travel agents scattered throughout the country. Due to growing competition on the part of its two main competitors, the company management began considering steps to streamline the chain’s operations. The first step, which seemed to be most essential, was to improve the efficiency of the reservation process. This was accomplished by establishing a reservation center, which began operating only upon transition to the second management strategy. While the idea of establishing a reservation
center for the chain was being explored, the chain management realized that most of its clients did not even associate the Fattals Hotels chain with the four different hotels under its management.

**Intermediate corporate identity strategy**

At this point, the chain management adopted a second strategy that promoted the creation of four separate hotel brands, each of which was given a clear and distinct image. The idea was to create a wider, more attractive product mix than that offered by the competitors, and to attract diverse client audiences, which the chain management segmented into four groups: clients seeking elegant European-style vacations; clients seeking vacations with a European flavor; clients seeking Mediterranean-style vacations; and clients seeking a pampering Israeli-style vacation. To this end, the chain management began looking into various global hotel chains with the aim of associating their name with those local hotels that were to undergo a change of image. After studying several global chains and negotiating at length with their management, the chain decided to base its four brands on three global hotel chains and one existing local brand. The group of hotels that were to cater to clients seeking an elegant European-style vacation were to be called Le Meridien; the group suited to clients seeking a vacation with a European flavor were to be called Golden Tulip; the group offering a Mediterranean-style vacation were to be called Club Med; and the hotels that were to offer a pampering Israeli-style vacation were to be called Magic.

To ensure efficient management of the chain’s reservation center on the one hand, and on the other hand to take advantage of the Fattals brand name, which was highly recognized in the sector, the chain management began studying prevalent management approaches in both the local and global markets. To this end they put together a team comprised of the chain’s director general, its head of marketing and sales, its head of operations, and representatives of the chain’s advertising firm. After studying new management trends in the hotel sector, the

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**Table I** Comparison between three corporate identity assimilation strategies of Fattals Hotels’ Management Group

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<tbody>
<tr>
<td>Management pattern</td>
<td>Four hotels managed independently, with a separate self-identity for each hotel; Three hotels with local images and one hotel with a European image</td>
<td>Seven hotels managed independently, with four different identities: Le Meridien (France); Golden Tulip (Holland); Club Med (France); and Magic (Israel)</td>
<td>12 hotels based on four sub-brands, which are associated with the identity of a leading management company (Fattals Hotel Management)</td>
</tr>
<tr>
<td>Objectives</td>
<td>To create an individual image that will suit the personality of the local client audience</td>
<td>To create an individual image that will suit the personality of the local and international client audience</td>
<td>To create a single image for the hotel management company that imparts a uniform message: “Hospitality is all about love”</td>
</tr>
<tr>
<td>Service quality</td>
<td>Standard</td>
<td>High</td>
<td>Very high</td>
</tr>
<tr>
<td>Client type</td>
<td>Primarily local</td>
<td>Primary: local; Secondary: international</td>
<td>Primary: international; Secondary: local</td>
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<tr>
<td>Client character</td>
<td>One kind: Seeking standard vacation</td>
<td>Four kinds: Seeking elegant European-style vacation; seeking vacation with European flavor; seeking Mediterranean-style vacation; seeking pampering Israeli-style vacation</td>
<td>Four kinds: Seeking elegant European style vacation; seeking vacation with European flavor; seeking Mediterranean style vacation; seeking pampering Israeli style vacation</td>
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<tr>
<td>Reputation</td>
<td>Local</td>
<td>International</td>
<td>Global</td>
</tr>
<tr>
<td>Marketing</td>
<td>Through travel agents and agents in each hotel</td>
<td>Primary: Travel agents; Secondary: Reservation center</td>
<td>Primary: One reservation center; Secondary: Travel agents</td>
</tr>
<tr>
<td>Geographical deployment</td>
<td>Minimal: Southern Israel (Eilat)</td>
<td>Extensive: Southern Israel (Eilat, Beer Sheba and the Dead Sea)</td>
<td>Very extensive: Southern and Northern Israel (Eilat, Beer Sheba, the Dead Sea, Haifa and Tiberias)</td>
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team decided to adopt the strategy of creating an identity for a single, main brand that was to include all four sub-brands created by the chain over the years.

Implementation of the new endorsement corporate identity strategy

Implementation of the endorsement corporate identity began, in effect, in the second half of 2003 and included various internal processes. Since the team, headed by the company’s director general, had from the start supported a management approach that promoted improving service quality, the first step was to define the level of service that the chain wished to provide, and compare this level with that provided by the two competing hotel management chains. To this end, the chain’s differentiation management strategy was re-evaluated. This process took place at two different levels: senior employees of the company’s management, and the general directors of the individual hotels. At the management level, a new brainstorming approach called TRIZ was adopted. This method is based on the principle that rather than developing new ideas from scratch, it should be possible to identify and explore ideas that already exist within the organization (in its various divisions) or within competing organizations. The process was put into effect at a meeting between the company’s general director, head of human resources, head of marketing and sales and head of advertising, in which many ideas for differentiating the chain from its competitors were suggested. After a screening process, it was decided to examine and potentially adopt a small number of ideas that had not been implemented by any of the chain’s competitors.

At the level of the individual hotels, the company management asked the directors to establish special brainstorming teams to identify the main points of differentiation that might be suitable for the chain. These hotel management teams held meetings of their own with the objective of suggesting ideas using the classic brainstorming method. During the meetings, the teams adhered to the following four principles: Encourage participants to express themselves freely regardless of differences in status; encourage ideas that seem “crazy” and that are considered unorthodox in the sector; aim to elicit the greatest possible number of ideas from all participants; and encourage integration and improvement of ideas suggested in the course of the discussion.

Following the two sets of meetings, managers and team leaders presented their conclusions to a special forum that included all senior managers and hotel managers, with the aim of identifying those values that could serve as a basis for the differentiation of the chain and for the new, desired identity. The findings of the joint forum indicated that Fattals could not differentiate itself from its competitors based on particular aspects of service, such as hotel facilities, food or rooms, but rather must build an identity based on a perfect and complete hospitality experience. This meant that the brand name Fattals had to convey additional experiential values. Ultimately, the joint forum concluded that the company had to create a true affinity between it and its clients, based on the value expressed by the slogan ‘Hospitality is all about love’. In other words, every aspect of service that Fattals Hotels provided to its clients in any of its hotels must convey the feeling that the service was provided out of caring and not out of necessity (this idea that clients wish to feel personally cared for arose during the company’s initial exploration of practices at other hotels). In order to execute this marketing idea, the forum decided to review a range of services offered in the hotel sector and to identify the interface points between service providers at the various levels and the chain’s clients. A diagram was drawn that described the relationship between the various service providers and clients. Those employees in direct contact with clients would then be required to convey, in their approach, actions and words, the idea of a hotel chain that extends loving hospitality.

The next stage in creating the new corporate identity was to compile an internal manual of the work procedures required by each division in the various hotels to ensure a new standard of service. This manual was compiled by the company directors, revised somewhat following review by the hotel managers and by the heads of the hotels’ various divisions, then distributed to the managers and division heads for implementation. Each hotel manager then began an internal marketing process whereby separate meetings were held with each
of the hotel divisions, in which the manager presented the chain's new image, its objective and manner of implementation, as well as measures to ensure its assimilation. In parallel, the chain began informing its clients about the image change undergone by the company. A chain-wide image magazine was published, specifying the services offered by each hotel in the chain and stressing the willingness of hotel employees to serve each guest personally and to meet their needs professionally and quickly – that is, creating an association between the chain and the slogan ‘‘Hospitality is all about love.’’ A special children’s magazine containing games and child-oriented features was also established to convey the firm’s message to families among its clients.

Results

The transition from a branded corporate identity to an endorsement corporate identity bestowed upon Fattals Hotels many advantages over its competitors. Internally, employees were now committed to acting according to more rigid and unambiguous standards. The transition eliminated the problem of differential pay between employees of the chain’s different hotels, as salary levels were equalized across the chain. Moreover, the transition ended competition among the different hotels, freeing the chain to compete against its real rivals: the second and third ranked hotel chains. Today, employees of the Fattals chain speak a common language that is based on the company’s new values, while enjoying a uniform management format and identical training and incentive programs. Results from focus groups revealed very high motivation levels and high satisfaction and willingness to work in this hotel management chain. Based on yearly focus groups tests, 75 percent of Fattals employees claimed that they felt secure working in this chain. A total of 80 percent believed that they have a realistic chance of promotion in the chain. Externally, clients at any of the chain’s 12 hotels are treated according to the same chain values, which are expressed by the personal treatment given to clients by the hotel employees. In addition, the name Fattals is prominently displayed alongside the name of the hotel in all advertising materials, both on hotel signs and in the various media channels.

An analysis of client satisfaction with service (in 12 hotels) revealed that 90 percent of local customers stated that they would consider one of Fattals’ hotels as their first choice in planning their next vacation.

Lessons

Hotel managers who wish to change their corporate identity from a branded corporate identity to an endorsement corporate identity must execute this process gradually, while adopting an intermediate management strategy during the transition. Assimilation of the new identity requires the full cooperation of employees at all different levels of service, with a gradual change in the definition of the identity’s objectives, service quality standards, type and character of client, reputation, marketing steps, and a precise definition of the product mix. This process must be executed both vertically (top-down and bottom-up) and horizontally, both at the chain management level and at the level of each individual hotel.

References


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