

Design for the Emerging Markets: Interview with Marriott International

Interviewed by Steven Babitch and Joyce Chen
Edited by Patrick Whitney



Belinda Pote

Belinda Pote is Senior Vice President of International Marketing for Marriott International.

Belinda Pote joined Marriott International's Asia Pacific regional team, based in Hong Kong, on September 1, 1999 and was promoted to Senior Vice President, International Marketing in July 2005.

With 20 years of marketing experience in London, Hong Kong and Asia, Belinda's current role is to determine the most effective marketing communications strategies to build brand awareness and recognition for Marriott International's portfolio of brands outside North America: Marriott Hotels, Resorts and Suites, Renaissance Hotels and Resorts, Courtyard Hotels by Marriott and Marriott Executive Apartments.

Prior to joining Marriott International, Belinda worked in London, UK in the advertising agency industry for seven years and then at McCann-Erickson Agency in Hong Kong for eight years, managing brands across the Asia Pacific region.

Interview questions and email responses from Belinda Pote, Senior Vice President, International Marketing

Steve: What would you like to learn about emerging markets? What Chinese trends are you trying to identify?

Belinda: We're trying to identify trends in purchasing products and services, for instance: travel behavior and trends in business and leisure, purchasing power, brand loyalty and how to develop brands in specific markets, consumer insights – Generation X versus Baby Boomers, media habits and usage – how to effectively target consumers.

Steve: What emerging markets are you interested in learning about?

Belinda: China, Russia, and India

Steve: Marriott is a large and successful company. Could you tell me why emerging markets are important to Marriott?

Belinda: Marriott is a growth company outside the U.S. Thirty-eight percent of all full service hotels are now open outside the U.S. and the growth in international distribution is aggressive and fast. We are expanding into new markets where Marriott is not known. It is important to understand the environment, media market and consumers in those markets to succeed as a new entrant.

Steve: What has Marriott's and your experience been in emerging markets?

Belinda: Our growth has been fast in emerging markets like China, but we have to do things differently to succeed. Manpower is an issue. Finding experienced associates is difficult, and training is essential to build bench-strength. Awareness is an issue, so public relations and local marketing efforts are important to establish the brand.

Steve: How transferable are Western ideas, products and business models?

Belinda: The principles are generally transferable with some tweaking to make them relevant at a local level. Language and cultural awareness is extremely important. It's more important to be able to communicate effectively rather than just expect to transfer Western standards. Business must be conducted with sensitivity. Efforts must be made to understand the local behaviors and courtesies while doing business. Overall products and ideas are transferable. It is the delivery of these ideas that requires tailoring to meet local needs.

Steve: Can you tell me about a specific product you've worked on in an emerging market, a bit about the success or lack of success and why you believe it played out that way?



Mariana Cavalcanti

Mariana Cavalcanti is Director of User Experience at Marriott International.

She and her 25-person team are charged with continually improving the user experience for Marriott's flagship corporate site, as well as 17 localized, country-specific versions of the site. Since an increasingly larger proportion of Marriott's bookings happen online, her team's expertise -- in user research, interface design, information architecture, and content development -- has become a central part of Marriott's business rather than simply a "nice-to-have."

Mariana studied architecture and graphic design in her native Brazil before coming to the United States to experience firsthand the Internet boom of the 1990s. She established her Marriott team four years ago, bringing along many people she knew and worked with in the agency world.

Belinda: Marriott Rewards, our loyalty program, is a good example. Launching it into new markets has to be treated differently than how we work in the U.S. where Marriott leads in brand preference. Outside the U.S., we have to work with strategic partners, airlines in Asia Pacific for example, to build good brand associations and gain access to new customers. We have been working with airlines to access their databases and establish our program among their frequent fliers. In Asia Pacific the airline FFPs are the currency of choice for loyalty programs. In Asia Pacific we have many more Marriott Rewards members signed up to collect airline miles rather than hotel points. In the US hotel points are the currency of choice when joining Marriott Rewards, so we need to work closely with airlines to build our membership and awareness.

Steve: What risks do companies face when entering emerging markets?

Belinda: There is always a risk in believing you can continue to do business the way you have been doing it in established markets. Market acceptance is not guaranteed. It is important to research and assess the market to understand the opportunities and challenges as a new entrant.

Steve: What methods have you used to understand consumers in emerging markets?

Belinda: We engage our associates in new markets to better understand behavior and customer needs. We undertake brand tracking studies to find out which attributes customers place importance on when choosing a hotel and how we compare with our competitors in that market. We talk to our customers as we develop relationships with corporate companies and we seek out strategic partnerships to build alliances.

Steve: When you think of emerging markets, what's the most interesting thing that comes to mind?

Belinda: Cultural differences and yet the ability to adapt quickly to new products and brands, if the brands are well positioned and have strong identities.

Steve: How does Marriott view the emerging markets?

Belinda: Emerging markets are essential to global growth. They are becoming the source markets for future business. We need to invest in them now.

Steve: In light of the speed at which emerging markets are changing, how do you handle market segmentation?

Belinda: Our primary focus is the business traveler and secondly the leisure traveler. The demographics of these segments change very little today as you move from market to market. Household income will vary, and exposure to global brands will vary, but consumer



Luis Babicek

Luis Babicek is Director of International eCommerce for Marriott International.

Luis Babicek joined Marriott International's eCommerce team, based in Washington DC, in June 2002.

Luis has been working in eCommerce since the early days of the Internet, and now, with 9 years of experience, his current role is to determine the most effective strategies to build Marriott's online presence, directly to the consumer, outside the United States.

A native of Buenos Aires, Luis has lived in the US for over 20 years and is an alumnus of the University of California, Los Angeles. Prior to joining Marriott International, Luis worked for iXL, Inc., at their Washington DC office.

behavior to travel adapts very quickly as travel purchasing power increases. China is an example; ten years ago we would not have seen many Chinese business travelers in our International gateway city hotels. Today they are probably the fastest growing segment.

Steve: How does the political landscape of each emerging market impact your business?

Belinda: We have to be sensitive to the political status of each country if we are to succeed.

Phone Interview with Mariana Cavalcanti and Luis Babicek

Steve: Thank you very much for the opportunity to interview you regarding this very interesting topic.

Mariana: We are glad to have the opportunity to speak with you as well.

Steve: You've already provided answers from Belinda Pote, Senior Vice President, International Marketing for Marriott, which we've received via email. Thank you very much for this. What are you interested in learning with respect to the emerging markets?

Luis: We do a lot of work with travel agents and Internet solution systems. So, the purpose of this discussion, and the upcoming conference, is to discover ways to sell directly to our consumers. We don't have a great deal of leverage when it comes to the way we sell through an Internet distribution system or a third party, but we do have leverage in how we reach out to the consumer directly through our loyalty program or website. In places like China, a website is not so much an exercise in selling hotel rooms. It's more of an exercise in brand awareness. It's an effective way for us to familiarize the people of China with Marriott. There are very few international markets in which I can say Marriott is a household name is the way it is in the U.S.

Mariana: Four years ago, Marriott's only online presence was the U.K. and the Japanese websites. In the last three years, we have developed 17 international sites in partnership with our internal User Experience team and local agencies. It has been interesting to understand the technology penetration around the world, to learn about the different cultures, and how to tailor sites for the specific markets. We're interested in understanding Chinese consumer habits and upcoming market trends.

Luis: Any assumption about how you build a website for the U.S. market should be put away when considering China and other emerging markets. Markets such as the U.K. have fewer differences than the U.S., so building a website for the U.K. is going to be an exercise in how many people are booking and how I am selling online.

For China this is not the case. First of all, we are talking about a country that has many “countries” in one. What works in Beijing and Shanghai does not necessarily work for China near the border with India. They may not have an Internet connection. In Beijing, Shanghai, and Tianjin and along the coast you have clusters of growth that are almost beyond imagination. There’s a tremendous passion and thirst for consuming that nothing seems to quench.

Yet we sell a service, hospitality, which you reserve with a credit card, but very few people in China have a credit card, so the question for us becomes how you sell in a place where cash is king and our offering cannot be reserved online with cash. How do you position the brand? We have to work very closely with someone who knows the market very well. That’s when we work very closely with our international marketing and branding teams based in Asia/Pacific. They help us understand what makes the consumer tick, particularly in China and Korea where access to information is still rather restricted.

Steve: What methods have you used to understand the consumers?

Mariana: We are deep believers in the user-centric approach to design. As part of the development of our international sites over the last three years, we conducted user research and interviews in eight markets, including one-on-one interviews, usability labs testing, and in some markets we even went to some of the interviewees’ offices to observe their work tasks.

We sent various team members to different countries so our team would learn how different cultures use our products. In emerging markets there were large differences between rich and poor. In some markets, people don’t have much confidence in technology; they place more emphasis on interpersonal communication – not online communication. The potential is there, but the population ready to purchase our product represents a small percentage of the countries’ total population. Luis is from Argentina, and I am from Brazil, and we have observed very interesting things. For instance, user research results from Brazil were very similar to those in China – how people embrace technology, what they were looking for when visiting a website, what steps they would expect when booking a reservation. At the time we conducted this research, I would not have thought these two countries were similar in these ways.

Joyce: Can you go into more detail about the similarities?

Mariana: Both countries used the website only for viewing hotel information, and would call to make a reservation. That’s probably a result of a series of things: credit card distribution is not very high, there seems to be a lack of trust in technology, and both cultures really value personal relationships. Another interesting point was how they viewed the Marriott brand and how they viewed the loyalty program and usage of points, which is paramount to Marriott’s strategy.

Joyce: What do you do to gain a better understanding of the local markets?

Luis: Usually we rent out testing facilities relying on our User Research agencies, and then an interview is conducted and you have different users – the business user, the leisure user, the meeting booker or meeting planner, and the Marriott Rewards (Loyalty program) member. So you get a range of users that you know are going to comprise your online universe, and then you have a conversation with them, and they're usually given a task. Ultimately my team is interested in how they use the site and how they interface with it. That's where the User Experience team gets the inspiration for what needs to be done next. On my end, I'm interested to hear their perception of our brands.

Mariana: On Belinda's side, the marketing team conducts market research and quantitative work. Our e-commerce team tends to balance both. We do some quantitative research, but the qualitative research is what informs our design and points to areas of new development.

Luis: The e-commerce User Experience team is not a small group. We have around 30 professionals, and we tend to focus on the qualitative side. That's why I count on Mariana on our team to deliver the product that will stick with the Chinese consumer. On my end, on the business end, we refer to an annual "brand tracking" study in China. Basically, we track our brands against our competitive set. So, in China, it would be Hilton, Sheraton, Shangri-la, the Mandarin Oriental, and the Peninsula—those are the groups we use to track our brands against. In China we currently operate five brands: Marriott, Renaissance, Courtyard by Marriott, JW Marriott, and Marriott Executive Apartments.

Mariana: This tracking from the marketing team happens not only in China, but also in key markets all over the world.

Luis: You measure the differences between aided and unaided preferences (unaided means without any assisted prompting of the hotel brand names) to understand the business travelers. That's how we really measure our progress. In the U.K., we were the number two preferred brand five years ago. Currently, Marriott is the number one preferred hotel brand for business travelers in the U.K. This information helps us plan and adapt our marketing strategies in a given market.

Mariana: Traditionally, companies rely on market research and focus groups much more often than interviews. We had to explain to the different groups within Marriott International the value of our approach. Last year the Marriott Rewards Loyalty program team conducted quantitative research in global markets and we followed up with interviews. Our findings provided insights unrelated to e-commerce, but it was a unique time to be one-on-one with the user. We didn't understand why users weren't going online to join the program or redeem rewards, but the issue had nothing to do with

going online to book. We learned through qualitative research that they simply just didn't understand our Rewards program for various reasons. We started getting into some questions that were beyond the e-commerce arena.

Steve: Was it beyond the scope of what quantitative research can discover?

Mariana: Yes, the interviews help us understand the thinking and habits of the users. It informs our designs and presents opportunities for enhancements that the traditional market research doesn't.

Luis: Allow me to go back to what Mariana brought up earlier. People in some international markets don't have credit cards, and that makes it very difficult to market and sell hotel rooms online. Let me demonstrate my point with this example: You don't know who is accessing your website. It could be a kid trying to make a reservation for three rooms that he or she has no intention of actually honoring. Without requiring a credit card to reserve a room, we have fewer ways to protect ourselves from that type of activity. Consequently, we have guests who can't reserve rooms, because the hotel appears to be all booked. But in reality rooms are available and we may actually never sell them.

You have to protect yourself against this. The airlines have been far more aggressively seeking solutions. In Japan, you book online, then you go to your 7-eleven store on the corner, you pay there, (the store has a connection with the travel supplier, which registers the payment) and your reservation is confirmed.

In Asia frequent flier miles are king. In the U.S. everyone for the most part knows what Marriott Rewards is for. You can collect Marriott Reward points for redemption for hotel stays and other rewards. However, if for example, you want to stay in a Chicago Marriott, you may also choose to collect United Airlines frequent flyer points. In China, you may choose Air China or Cathay Pacific mileage program currency when you stay at our hotels. This is important in Asia, as miles have traditionally been the currency of choice with respect to loyalty programs. So it is important to position your loyalty program very carefully to meet the needs of the local market and build alliances accordingly with local partners.

Steve: As you expand into China, and more and more Chinese cities have Marriott hotels, do you expect that the hotel program will thrive because people can stay at a Marriott regardless of their travel destination?

Luis: Growth in distribution does lead to growth in loyalty and preference and our program is growing fast outside the U.S. where we are opening more hotels. It's also prestige. In the U.S., nobody bats an eye when you mention membership in Marriott Rewards or United Mileage Plus. In China, there's a prestige factor associated with being a Marriott Rewards member. Marriott is a quality tier hotel brand whose average hotel rates are considered higher and

more expensive for the average Chinese consumer.

Steve: Why is it that hotel points are not the travel currency of choice in China?

Mariana: The airlines loyalty programs are very simple and easy to understand and also there seems to be more loyalty towards airlines than hotel brands. One day I may stay at a Marriott, the next at a Hilton; so I may not collect enough of the same points. It is often easier to collect mileage points although we are seeing more and more members choosing to collect Marriott Rewards points as our distribution and awareness of our program increases.

Luis: The hotels in China specifically thrive when it comes to the public space. In China you see the emergence of a middle class that demands quality products. Someone who lives in Shanghai and has to go to Beijing will stay at a Marriott because they know the brand, and we're certainly not alone. Hilton, Sheraton, Intercontinental, and others are fighting for market-share. And there seems to be room for everyone in China. Then you have the Asian brands: Peninsula, Shangri-La, and Mandarin Oriental. The services they offer are second to none, and that's what the Asian consumer expects when they travel. They're accustomed to this. In China, people value the food and beverage service in hotels. This may have been the case in the U.S. thirty years ago, but who really does this anymore in the U.S.? But in China, and I saw this first hand, the food and beverage operation is what carried the hotels through the SARS crisis. In China people tend to live in smaller houses, they're very socially active, but entertainment is not done in their homes, so they tend to be social in hotels. Food and beverage must be of top quality, and it is what maintains the hotel's existence. People from Beijing go to the Peninsula for lunch, so there's a different approach.

Mariana: Another question we had in going through our research was the use of the English language. As you know, most of the travel systems are English only. We wanted to know how important it would be to translate our reservation systems. And we wanted to know if it is something we should do. Should we invest in translating all these systems? And we found that some countries are willing and more accustomed to go back and forth from their local language to English and some not. Sometimes that relationship is based on knowledge, but sometimes it is based on how they perceive an American company.

Steve: Have you had any experience in identifying this issue of language in China?

Luis: Yes. The website is just an interface between our central reservation system and the consumer, right? Those mainframe systems were developed around the 70's when globalization was not really a keyword. So, they are not able to support foreign languages, let alone languages that are based on characters. In China, very few people speak English, so there is a barrier when trying to reach the masses because the mass consumers in China use the web.

What we did with the website, again, is a brand awareness exercise, and then we tried to let people know as much as possible about the local properties, the world of Marriott, Marriott Rewards, the company, employment opportunities. They are then directed to phone numbers to make in-language reservations, or if you feel comfortable you can reserve in English online.

Along the lines of the discussion of our core systems being in English, I'm going to fast forward the clock 25 years from now, and I'm thinking, do Chinese people have to speak English? I don't think so.

Mariana: From an eCommerce point of view, we don't see reservation volume as the reason the websites are being created, because there are not enough people going online to make reservations. What we just described is the potential. We thought about the right positioning and how and where the embracing of technology will take us. And we want to be there when people are ready to go online and book their reservations.

Marriott has a non-channel bias policy. You will find the same prices and offers over the web, on the phone or at the hotels. We do see however a huge migration to online with our sites growing an average of 40% a year. In China, and in most international markets, we are positioning the Marriott brands correctly, and watching the local market trends so we are ready when millions of people in China are ready to book online.

Steve: Belinda mentioned consumer insights, and a comparison of the consumer habits of Generation X versus the consumer habits of Baby Boomers. I read an article in BusinessWeek that outlined how you've used IDEO to conduct user-research on the hotel experience. Based on all of this, it appears Marriott is undertaking a new marketing strategy. How does this affect the emerging markets?

Luis: There are two answers. One is the question of Marriott's new branding image. Marriott has a worldwide reputation for taking care of its customers. Yet we are not traditionally known as a company that is innovative and quick to adapt to changes. However, in terms of product development we are moving very fast and have become more innovative and responsive to change and we need to be able to communicate this to our customers. In the U.S. you see Starwood with brands such as Westin, Sheraton, and W. They have been able to capture the youthful demographic. We need to position our brands as being more distinctive and innovative and be more aggressive about communicating that to new customer segments. If you look at some of the new products we are launching around the world, our newest hotels, you will see that we are certainly meeting the needs of the younger traveler and some of our hotel products in China are a great example of this.

In China, most of our hotels are newer and meet the product and positioning strategy for our brands. For example, let's say I stay in one of our hotels in a small town two hours west of Shanghai,

called Suzhou, which has a huge industrial park. Our hotel there is an on-strategy Renaissance hotel and has the latest bedding and product design that we are now launching in the U.S. and around the world. Belinda is asking how the purchasing power, core values and consumer preferences of Chinese consumers are evolving. How is the mindset of the Chinese consumer changing as traditions are upheld but technology, consumer lifestyle and economic conditions have changed so fast? How can we better adapt to meet the needs and expectations of the younger Chinese traveler?

Mariana: Adapting to the younger consumer in China also affects us in terms of how we staff our hotels. It is becoming more difficult to employ and retain younger, quality staff because there are so many opportunities now open to young people in China.

Luis: It is about attracting and retaining talent. How do you attract qualified talent in China that is going to help us grow and position the brand the way we should be portrayed?

Mariana: Based on news reports of the Chinese government's annual meeting, it seems as though there has been an attitude shift in the government that is leading to conversations about environmental sustainability rather than growth for the sake of growth.

Luis: I've never been past the major financial and commercial centers of Shanghai and Guangzhou. I've never been to Beijing for instance, but the levels of pollution can be high in some of the industrial cities. The government has been focused on growth. But I suspect that the new generation is going to start questioning that, and they may want to see a conservation movement come out of China.

Steve: That's a cultural shift.

Luis: Exactly. We will tap into the consumer insights, and how you market to the emerging Chinese consumers. And there is still a huge divide between more affluent consumers living in the bigger cities and the poorer consumers in the provinces.

Steve: What is your global online strategy?

Mariana: We try to balance our globalization and localization efforts. We have a global structure for the sites with localized products and content. Ideally we would evolve into more of a localized site model, but the challenge is the cost associated with that and the potential loss of brand consistency.

Luis: So, if you're going to splurge over a couple years and spend many millions of dollars to really globalize and localize your reservation system, is there an ROI there?

Steve: Obviously, the big focus is China, but Belinda's mentioned Russia and India. What about Central and South America? It sounds like you're focused on all of them. But is it just a sheer numbers game?

Luis: Those are the three big markets where we see the growth happening. You could add Brazil to that; there's so much growth you could have in Brazil. There's so much growth you could have in Mexico. But India, China, and Russia – and some of the ex-Soviet Republics like Kazakhstan – is where we're opening a lot of hotels and where the market is going to be both a destination market and a source market as well.

There will also be a great deal of intra-country travel as well within these markets. Those that are traveling outbound can be extremely wealthy. There's also a growing population of middle-income outbound travelers – people who are traveling outside the country on group tours. You see a lot of our hotels in Europe – in London, in particular – seeing increases in customers from these emerging source markets.

Steve: We certainly appreciate your time and contribution to this topic. We're excited about the conference in Beijing. I think you'll find it a positive experience.

Mariana: Thank you very much. We look forward to it.