WHITE PAPER

Weighing Scale:
The Challenges of Growing a Luxury Brand

By Laura Powell

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Luxury hospitality is experiencing unprecedented demand, driven by a surge in global wealth, the rise of the aspirational middle class, and a shift in consumer values toward experiences over possessions. According to UBS, there will be more than 85 million millionaires in 2027, a rise from 59 million today. As high-net-worth individuals and aspirational Millennials and Gen Zers alike seek personalized stays, the luxury hotel market finds itself at a critical inflection point.

Top-tier hotel brands know they need to grow to meet the burgeoning demand. Yet amid this growth arises a pressing question: Can luxury be scaled without compromising its essence?

This report explores the friction between growth, exclusivity, and quality—digging into the redefinition of luxury, challenges of scale, ownership structures, labor dynamics, and emerging models for sustainable excellence.

Redefining Luxury

Traditionally, luxury hospitality has been defined by opulence: prime real estate, lavish interiors, and white-glove service. But today's discerning traveler wants more than marble lobbies and monogrammed bathrobes.

"Luxury for a long time was about creating set pieces (as backdrops for) thought-through, orchestrated performances," says Piers Schmidt, managing partner of Luxury Partners.

It was a one-size-fits-all-luxury-travelers approach, which did not allow for much personalization.

But today, "the real magic is in the personalized details," notes Richard Valtr, founder of Mews, a hospitality management system technology. "Guests want to be seen as individuals—not as part of a pre-scripted performance."

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> Managing partner
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> "

This shift reflects broader consumer trends:

- Personalization at Scale: McKinsey reports that Gen Z values personalized service 2.5 times more than baby boomers. Today's traveler expects service that feels tailor-made, even across a global network of properties.
- Experiential over Material: Luxury no longer means uniformity. Guests want immersive design, hyper-local culinary offerings, and authentic cultural touchpoints.
- Singular versus Standardized: According to the Preferred Travel Group Luxury Travel Report, 70 percent of travelers believe luxury hotels have lost their soul to standardization.
- Human Touch Meets High Tech: Technology may enhance the guest journey—but it cannot replace intuitive, empathetic service. As Richard Clarke, senior analyst global hotels, cruise lines and online travel for Bernstein, emphasizes, "High touch is non-negotiable in luxury."

These evolving expectations place new demands on brands attempting to scale without losing their standards and identities.

Weighing Scale

The luxury hotel landscape is more crowded than ever, spanning independent properties, high-end consortia like Preferred Hotels & Resorts and Relais & Châteaux, small luxury hospitality companies like Corinthia Hotels and Kempinski Hotels, soft-brand collections under the banners of the sprawling conglomerates like Marriott and Hilton, and the hard brands (Ritz-Carlton, Waldorf Astoria, Park Hyatt) operated by those same hospitality giants. With incredible market demand, the temptation may be to grow, grow, grow.

But yielding to temptation may not be the smartest strategy.

"Scale is absolutely an enemy of ultimate luxury and quality," says Simon Casson, chief executive officer of Corinthia Hotels, which currently has 12 hotels in North America, Europe, the Middle East, and Africa. Casson sees a sweet spot between 25 and 45 properties, a range that allows executive leadership to maintain close connections with each hotel team and ensure consistency without sacrificing individuality.

"It's incredibly difficult to build a global brand and remain relevant in every market," says Philipp Weghmann, chief development officer at Preferred Travel Group. "In each continent, you have to do it a little bit differently, and then you end up not having a global brand anymore; you end up having different collections."

Systemization, necessary for managing scale, often clashes with luxury's core promise of uniqueness. Companies must standardize processes to manage growth efficiently. However, systemization often results in homogenization, which contradicts the core of luxury, which, of course, is uniqueness.

In a bid to standardize service across continents, brands risk diluting what makes them special.

Systemization, necessary for managing scale, often clashes with luxury's core promise of uniqueness. Companies must standardize processes to manage growth efficiently.

"As they scale, they have to become systemized, which leads to a lowest-common denominator approach," Schmidt said

In other words, the brand is only as good as its lowest-performing member. Additionally, he says, larger brands need to set up regional headquarters in order to manage the systems, but that can put an opaque layer between the vision of corporate headquarters and the individual hotel.

Ownership Models: Private Vision vs. Public Pressure

Behind the challenges of scale lie even deeper tensions related to ownership and corporate structure. Luxury brands tend to perform better when their ownership structure aligns with long-term brand stewardship rather than short-term financial gains.

Privately held companies, such as Four Seasons, often take a patient approach to growth.

"It's always easier to maintain brand standards if you own the brands," notes Bernstein's Clarke. "An individual owner will care the most."

On the other hand, publicly traded hotel corporations face quarterly earnings pressure and shareholder expectations.

"If you are publicly traded, you have to look through a commercial lens where the only stakeholder is the shareholder," says Preferred's Weghmann.

That can drive decisions that prioritize rapid expansion over maintaining the brand's DNA.

Schmidt underscores the risk: "At the heart of this issue is the ownership and governance structure."

Asset-light models, which license brands to third-party operators, offer financial efficiency but often erode operational consistency. Clarke points out that, in these cases, brand standards can drift over time, particularly in regions where oversight is less robust.

Ultimately, Casson believes it's up to the brand's shareholders or principals to strike a deliberate balance between "remaining very special versus driving growth."

A Middle Way: Consortia as a Scalable Alternative

Some independent luxury hotels have found a middle ground by joining curated consortia like Leading Hotels of the World or Preferred Hotels & Resorts. These organizations provide powerful marketing, distribution, and loyalty platforms without the rigid standardization that comes with brand ownership.

The consortia model, along with the soft brand approach applied by the hotel giants, allow hotels to retain their unique identity while tapping into the benefits of global reach and collective branding.

Preferred Travel Group, for example, supports a wide range of distinctive properties while enforcing baseline quality criteria, enabling a hybrid that preserves personality and purpose.

The Labor of Luxury

Luxury is as much about people as it is about place and property. High-end hotels rely on a significant labor force to deliver experiences that feel effortless to guests, from 24/7 concierge services to personalized wellness programs.

“Luxury is more personalized. Not only do you want personalized, but a high level,” explains Clarke. “Human labor is extremely expensive, but that is what distinguishes luxury.”

According to Patrick Scholes, managing director of lodging and leisure equity research for Truist Securities, top-tier hotels usually have high staff-to-guest ratios. However, sustaining such labor-intensive service models is becoming harder in high-cost labor markets like the U.S. and Europe. As a result, many brands are expanding into low-labor-cost markets such as Southeast Asia, where they can maintain service levels at more sustainable costs.

Yet even this presents challenges. Training, cultural consistency, and brand equity can suffer if staff in emerging markets aren’t sufficiently prepared or invested in the brand ethos. Furthermore, unionization in developed markets adds complexity, reducing operational flexibility and increasing costs.

This dynamic helps explain why many of the world’s top-rated luxury properties are in regions where labor is both plentiful and affordable, allowing for the human touch that defines exceptional service.

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Balancing Scale

Can a luxury brand succeed if it scales....and scales? The answer is perhaps, but only if growth is strategized with intention and discipline. In the future, the luxury hotel brands that thrive at scale will be those that follow key strategy:

- Grow deliberately, not indiscriminately
- Prioritize personalization over systemization
- Maintain a clear cultural identity and leadership ethos
- Develop strong customer service training programs and processes
- Leverage technology while doubling down on irreplaceable human service

Therefore, it may not be about rejecting scale. It may be about redefining how to grow without diluting the brand.

As Barbara Muckermann, CEO of Kempinski Group aptly puts it, "Scale is necessary — but only if done with a clear focus and deep understanding of who you're for."

In a market flooded with options, brand clarity, authenticity and originality matter more than ever.

Luxury hospitality is navigating a transformative era. The demand is there, the capital is available, and technology is making new levels of personalization possible. But scale remains a double-edged sword. The risk isn't just losing quality; it's losing the soul of the brand.

Whether independent or part of a global group, luxury hotels must evolve thoughtfully. Those that manage to retain their core — while adapting to new traveler expectations and operational realities — will be the ones that stand out in the cluttered, high-stakes world of modern luxury travel. ■