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Naked Retreats: evolution of a brand

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In 2007, Naked Retreats made its debut in the domestic Chinese hotel market. To allow customers to experience self-restoration and regain balance through closeness to nature, it launched Naked Stables, the first resort in China to have obtained a Leadership in Energy and Environmental Design (LEED) Platinum certification. The founder of Naked Retreats, Grant Horsfield, was not a native of China but of South Africa and was someone who felt deeply connected to Mother Nature. Over the next decade, Horsfield subsequently launched a series of explorative projects related to holistic living including catering, education, a co-working space, and others. Whereas some of these projects, such as Naked Hub (the office-sharing project), had gained wide popularity, others, such as Naked Bite (an organic restaurant) and Naked Discovery (an early childhood education centre), struggled with various challenges. In light of these, Naked Retreats faced the question of whether to continue its horizontal extension. The imbalanced development of its horizontal extension projects peaked in January 2018, when Naked Hub acquired the best co-working space provider in Australia. As the success of Naked Hub meant that it occupied and would likely continue to occupy an increasing amount of company resources to expand its office-sharing business throughout the world, another question naturally surfaced: should Naked Bite and Naked Discovery both be shut down to avoid further losses and to ensure the business of Naked Hub was the top priority?

NAKED RETREATS

Headquartered in Shanghai, Naked Retreats was a foreign-owned hotel management company that adhered to a localized brand positioning strategy in China. Horsfield, both the founder and the chair of Naked Retreats, left South Africa, where he had grown up, for Shanghai in 2005 to explore new opportunities. Not only did he fail to find business opportunities there, he also found himself overwhelmed by the metropolis and missing the natural beauty of his hometown. As such, he was inspired with the idea to launch a business that enabled people to appreciate nature in a simple way and to embrace a sustainable lifestyle.

In the beginning, Naked Retreats concentrated on the business of operating luxury rural resorts. Horsfield ordered eight old cottages to be demolished at Shanjiuwu dock, Mount Mogan, an ecological zone with breath-taking scenic views. In collaboration with his wife, Delphine Yip, an eminent professional designer who had obtained a master’s degree in architecture from Harvard University, Horsfield built a high-end hotel full of rustic charm and named it Naked Home Village. Since its grand opening in 2007, Naked Home Village had enjoyed extensive popularity, attracting a constant flow of both domestic and international customers, despite an average room rate of $237 per night.[[1]](#endnote-1) Later on, Horsfield opened Naked Stables, a luxury ecological resort with an emphasis on sustainable development; it, too, quickly became successful.[[2]](#endnote-2) Since then, Naked Retreats had continued to expand its boutique hotel empire. Due to its strict and exclusive project standards, Naked Retreats selected only the most influential, locally famous enterprises as partners for its new projects. In 2015, Naked Retreats signed five resort project contracts successively to further expand its product line of boutique resorts, aiming at an average return on investment cycle of five to six years.[[3]](#endnote-3)

Beyond boutique resorts, since 2015, Naked Retreats had been involved in the education and catering sectors, office sharing, and many other businesses. This suggested that, only a decade after its inception, Naked Retreats had accomplished an important strategic transformation, expanding from a boutique hotel and tourism provider into a market leader in providing a vast array of life services. While this transition allowed Naked Retreats to provide customers with more diversified products and services, such a bold brand extension strategy had surprised all in the tourism industry. Most notably, the company was entering into new fields where it had little or no experience.

VERTICAL BRAND EXTENSION

Driven by the rapid increase in consumption in China, rising numbers of people in the Chinese middle class were more concerned than ever with improving their quality of life, and this nourished a market that could supply customers with a diverse and decentralized vacation experience. In spite of the decelerated growth of the economy in China, the tourism economy managed to maintain its vigour (see Exhibit 1). Over the past decade, boutique hotels had enjoyed rapid expansion in the domestic market of China with an average annual compound growth rate of 27 per cent.[[4]](#endnote-4)

A multitude of foreign and local bands seized the opportunity to enter the domestic boutique hotel market. Foreign brands such as Banyan Tree Holdings Limited (Banyan Tree) took the lead in setting the industry standard for boutique hotels in China, which experienced rapid development on a large scale (see Exhibit 2). Since entering the Chinese market in 2005, Banyan Tree had opened more than 10 boutique resorts in Lijiang, Hainan, and Guilin and boutique hotels in Macau, Shanghai, and Tianjin. It also had several resort projects under construction in Yangshuo, Jiuzhaigou, and other places. In 2017, Banyan Tree accounted for 11 per cent of the boutique market share, securing its place as the leading boutique hotel brand in China.[[5]](#endnote-5) Banyan Tree was followed by Hotel Indigo, from the InterContinental Hotels Group, which had 60 hotels in more than 40 cities around the world and occupied 8 per cent of the market share as of 2017.[[6]](#endnote-6) Meanwhile, local brands, such as Blossom Hill Hotel & Resorts, also continued to expand. Most of these domestic brands, however, were similar in terms of brand concept and positioning.

Naked Stables distinguished itself from other boutique hotels by focusing on a niche market of urban dwellers who sought quick weekend escapes. Rather than being located within the vicinity of tourism hotspots far away from urban cities, Naked Stables was situated in a suburban area adjacent to cities—it was a one-hour drive from Hangzhou and a three-hour drive from Shanghai; its target customers clearly differed from the customers of competitors operating in distant areas. After allocating an investment of $21.9 million, Horsfield rented a large chunk of forest land half way up Mount Mogan as well as the surrounding land, including 60 acres of hills planted with tea bushes and 100 acres of organic farmland. Thus, instead of bringing customers to famous rural areas, Horsfield built a fantastic hidden paradise in the backyard of an urban city and brought it to customers.

In contrast to its competitors, Naked Stables maintained a unique concept of design and operating, which earned it an excellent reputation among hotel operators and customers. Horsfield insisted that the construction of Naked Stables adhere to the following principles: (1) all the design concepts had to originate from and be inspired by Mother Nature; (2) the natural landscape had to be preserved; and (3) all the buildings had to be equipped with cutting-edge sustainability technologies. The sustainable development philosophy was integrated into each step of the construction of Naked Stables. Horsfield organized a task force that specialized in environmental protection and sustainable development, who chose energy-saving lamps such as light-emitting diodes (LEDs) for artificial light sources and maximized the natural light, thereby reducing overall lighting energy consumption by 35 per cent.[[7]](#endnote-7) It was not surprising that, designed under such strict sustainability guidelines, Naked Stables became the first boutique hotel in China and the second in the world to obtain LEED certification, the most influential global standard for assessing building sustainability.[[8]](#endnote-8)

Financially, Naked Stables was much more successful than its peers. It was identified as the most profitable hotel in China due to its remarkable operation performance.[[9]](#endnote-9) On average, every room in Naked Stables generated annual revenue of $157,700 in 2017; in contrast, Jing An Shangri-La, the best hotel in Shanghai, generated annual revenue of only $86,735. Since its opening, Naked Stables had accommodated more than 0.25 million people.[[10]](#endnote-10) The project was so successful that it took only 18 months for Naked Retreats to recover its investment cost.[[11]](#endnote-11) The popularity of Naked Stables had earned it more than 50 different awards in the hotel industry since its opening, including “Asian Outstanding Green Resort” and “World Luxury Hotel Award.”[[12]](#endnote-12)

Naked Castle, opened in 2017, followed the path to business success that Naked Stables had set. Similar to Naked Stables in almost every way, Naked Castle reflected the sole proprietorship and sustainability philosophy of Naked Retreats. Naked Castle was located on Mount Mogan, covering an area of approximately 45 acres. It consisted of 95 rooms and was equipped with modern facilities such as a spa, activity centre, swimming pool, and tennis court. The prototype for Naked Castle could be traced back to 1910, when a Scottish missionary doctor, Duncan Main, built a British-style castle villa. Naked Castle maintained the original flavour of its prototype but was upgraded using Naked Retreats’ magical formula. Naked Castle earned a profit within the first month of its official opening, and the occupancy rate exceeded 60 per cent.[[13]](#endnote-13) Naked Castle’s average monthly revenue per room had already reached $14,193 by 2017, exceeding the record set by Naked Stables in 2016 of more than $12,616.[[14]](#endnote-14) Horsfield claimed that it would take two years for Naked Castle to recover the investment cost. Like Naked Stables, Naked Castle also maintained a desirable reputation, earning a place in “China’s Top Ten Newly Opened Hotels,” receiving many other awards, and becoming well acknowledged in the boutique hotel industry.

Naked Retreats went further down the path of success with its vertical brand extension by launching several new projects where it stressed the major role of management while attaching less significance to assets. By late 2015, Naked Retreats had launched another five boutique resort projects, all of which were located in suburban regions in proximity to second-tier cities in China (Yiwu, Chengdu, Suzhou, Shaoxing, and Chongqing). Each project required a total investment of less than $63.08 million, much less than the investment for Naked Stables or Naked Castle. Horsfield insisted on collaborating with the strongest local companies for every single project, which often happened to be state-owned enterprises.[[15]](#endnote-15)

HORIZONTAL BRAND EXTENSION

As the boutique hotel business maintained a stable cash flow, Horsfield started to redirect a large amount of the company’s resources to emerging fields by shifting the brand extension strategy from a vertical to a horizontal focus. As it was a hotel management company with catering as its core business, it was not surprising that the first new field Naked Retreats chose to enter was organic restaurants.

Eating well had become a fashion in recent years, and the number of organic restaurants in China was quietly rising, mostly attracting consumers born in the 1980s and 1990s. These customers were more concerned about the efficiency and health aspects of their diet and were willing to pay more for food containing ingredients that would not have an adverse effect on their health. Despite the higher prices, demand for organic food continued to grow.[[16]](#endnote-16) Accordingly, several local organic restaurant brands gradually surfaced in first-tier cities in China including TRIBE Organic (TRIBE), Extreme Food, and Green & Safe. Presuming that organic restaurants would be an easy expansion from the existing resort business Naked Retreats had already mastered, Horsfield opened the company’s first organic restaurant, Naked Bite, on a bustling street in Shanghai’s largest central business district, Xuhui District, at the beginning of 2015.

At Naked Bite, both the design and menu reflected the organic philosophy to which Naked Retreats adhered. The restaurant was designed and built with an aim to create a fun, interactive, and casual yet classy dining experience for customers. The carpets and wooden furnishings embodied a strong African element. The menu featured a blend of Asian and Western cuisines, and most importantly, every dish fulfilled Naked Retreat’s pursuit of a healthy and nourishing lifestyle. Since Horsfield was already operating an excellent restaurant, housed in Naked Stables, with a similar design and menu, he expected that a simple replication of the restaurant in the urban centre of Shanghai would quickly gain success. Yet only a small segment of the population was able to appreciate Naked Bite’s organic philosophy. With an average expenditure of $36 per person, the price for food at Naked Bite seemed to substantially exceed the average price at adjacent restaurants.[[17]](#endnote-17) In fact, organic restaurants had to set their prices higher than non-organic restaurants, mostly owing to the higher procurement costs of organic ingredients.

Some organic restaurants purchased ingredients from external organic farms, including TRIBE, a leading organic catering brand located in Beijing. However, insisting on an organic philosophy, TRIBE suffered from a 30 per cent increase in ingredient costs compared to similar restaurants.[[18]](#endnote-18) To lower costs, other organic restaurants, such as Zhongtong Organic Restaurant in Beijing, chose to run their own organic farms for the provision of various organic ingredients.[[19]](#endnote-19) However, Naked Bite adopted a mixed strategy, not only purchasing ingredients from local farms but also selecting ingredients from its own farm, Naked Farm. This was in part because the ingredients supplied by external sources might not necessarily have been certified organic and thus their quality could not be guaranteed as such; however, opening its own certified organic farm could be rather costly, as each product required separate certification, at a cost of more than $14,000 every year. Therefore, Naked Bite chose a solution in the middle.[[20]](#endnote-20)

After the opening of Naked Bite, Naked Retreats became interested in the co-working industry and became a new investment hot spot. WeWork, an international brand established in 2010, was one of the earliest service providers to carry out a co-working business and was able to maintain its predominant status in the industry. After four years of slow development, the industry began to receive the favour of entrepreneurs in China due to its striking advantages. The business model of office sharing, allowing office workers to share resources while maintaining a socially quiet space, could dramatically reduce office rental costs—up to 30–40 per cent—for enterprises.[[21]](#endnote-21) Moreover, the upsurge of mass entrepreneurship and innovation in China contributed to the industry’s rapid development.[[22]](#endnote-22) In 2014, the office-sharing industry developed so rapidly that there were 1,600 co-working spaces in China, and in 2015, it further gained momentum when a large amount of capital flowed into one industry (see Exhibit 3).[[23]](#endnote-23) Horsfield seized the opportunity and opened his first Naked Hub, on Fuxing Road in Shanghai, in November 2015.

In many ways, Naked Hub’s performance was outstanding, nicely preparing it to embark on a rapid path of expansion in a later phase. At the outset, in its first month of operation, the occupancy rate of the first Naked Hub branch in Shanghai reached 70 per cent, and then 95 per cent within the first two months.[[24]](#endnote-24) Compared to competitors such as WeWork and UrWork, Naked Hub targeted the high-end market; therefore, its unit price per work station was slightly higher. Yet more than 400 well-known companies in Shanghai, including Wire & Plastic Products Group, Salesforce.com, and Mocar, still found Naked Hub more attractive and thus settled there.[[25]](#endnote-25) In 2017, Naked Hub was ranked seventh on the brand index among all co-working brands in China, while UrWork and WeWork were ranked first and second, respectively (see Exhibit 4 and Exhibit 5).[[26]](#endnote-26)

The rapid expansion of Naked Hub was nearly record-breaking. Only 10 months after its opening in November 2015, another eight branches of Naked Hub were established in Shanghai. In 2016, Naked Hub successfully completed $33-million B-round financing, led by Gaw Capital Partners in Hong Kong.[[27]](#endnote-27) As of late 2017, after two years of intense expansion and acquisition, Naked Hub had opened a total of 46 co-working office spaces and communities in Asia in Shanghai, Beijing, Singapore, Hong Kong, and Hanoi.[[28]](#endnote-28) On January 31, 2018, Naked Hub successfully acquired Gravity, the best co-working space provider in Melbourne, Brisbane, and Sydney, making a splendid debut in the Australian market.[[29]](#endnote-29)

Horsfield’s ambition was not limited to catering and office sharing. Naked Retreats continued to expand into a giant business empire through bold horizontal extension. The opening of Naked Discovery in July 2016 saw Naked Retreats enter the early childhood education sector. Horsfield and Naked Retreats’ chief executive officer, Mehta Manoj, two loving fathers who simply strove to ensure better care for their children, had come up with the idea for Naked Discovery—an educational centre for the purpose of lifelong learning for the whole family. Naked Discovery was located in a spacious independent park with an area of 26,000 square metres in Zhangjiang Hi-Tech Park in Shanghai,[[30]](#endnote-30) a state-level high-tech zone housing more than 10,000 enterprises.[[31]](#endnote-31) Naked Discovery offered art, science, and capacity-building courses for children and leisure courses for parents, to meet the relaxation and self-improvement needs of both parents and children. Its target customers were local families living in Shanghai with school-aged children.

Compared to Naked Retreats’ other brands, Naked Discovery’s market performance was not ideal. Few children signed up for its courses, so Naked Discovery was forced to turn to other streams of business, such as providing team-building sessions for local enterprises. Although early childhood education was a hotbed of entrepreneurship, China’s domestic market remained at a preliminary stage with a development rate of less than 1 per cent.[[32]](#endnote-32) In particular, this growing market was dominated by well-known international early childhood education brands including My Gym, LEGO Education, and The Little Gym. These international brands specifically provided professional courses for children, attempting to accumulate competitive advantages in a particular area. For instance, My Gym concentrated on enhancing children’s physical abilities and coordination.[[33]](#endnote-33) Presumably, such a strategy allowed it to develop vigorous curriculum courses popular with children and to earn a positive reputation among parents. In contrast, Naked Discovery was certainly a latecomer in the early childhood education market, showing a lack of clear market positioning.

Even worse, several problems hindered the potential development of Naked Discovery, such as location and cost. Since Naked Discovery was located in Zhangjiang Hi-Tech Park, which was 18 kilometres from downtown Shanghai, commuting became a bothersome issue for customers. It was not surprising that customers found Naked Discovery less attractive than its competitors, since the competitors mostly operated in shopping malls in Shanghai’s major central business districts. To survive, Naked Discovery began to tap into the resources available in the area. Zhangjiang Hi-Tech Park, the birthplace of all sorts of advanced technologies, was home to a multitude of enterprises and hi-tech talent, which generated a large demand for corporate team building. As Naked Discovery happened to have the venue and facilities necessary for meeting such a demand, it decided to initiate a new business stream as a team-building session provider.

In addition to its inconvenient location, Naked Discovery’s high operational costs put it at a disadvantage, as its costs greatly exceeded those of its competitors, particularly the early childhood education brands located inside shopping malls. The expensive rent in Zhangjiang Hi-Tech Park was a major issue; rental costs were about $430,521 each month, whereas the monthly rent in shopping malls was, on average, under $157,700.[[34]](#endnote-34) Thus to relieve its financial distress, Naked Discovery had to continue the team-building business, deviating the company further from its primary business of early childhood education.

CHALLENGES AND OPPORTUNITIES

As Naked Retreats marched further down its path of horizontal brand extension by entering into multiple industries, a profound change was taking place in the market environment, which threatened the company’s chance of replicating its past successes.

First of all, the core hotel business of Naked Retreats was confronting intense challenges domestically (see Exhibit 6). Statistics showed that Naked Retreats’ brand index ranking had dropped out of the top 10 in 2017.[[35]](#endnote-35) Competition in the boutique hotel market had become considerably fiercer because both foreign brands and local brands were experiencing rapid expansion while the boutique hotel market share was still small relative to the entire hotel market.[[36]](#endnote-36) In recent years, the brand index of boutique hotels, a composite score reflecting measures such as operation status, the total amount of times the brand’s keywords appeared in mainstream research engines, the number of positive news reports related to the brand’s keywords, and word of mouth, had overall shown a downward trend in the domestic market in China.[[37]](#endnote-37) In addition, with the expansion of Naked Retreats all over the country, cases of brand and copyright infringement occurred repeatedly. Surprisingly, confronted with this situation, Naked Retreats built a museum to display the innovative technologies and designs it had applied in the construction of the resort and allowed anyone to take pictures. Was Naked Retreats’ falling brand index ranking a result of imitators, fierce competition, or other reasons?

Second, the pace of development of its extended brands was significantly imbalanced. While the co-working space business was gaining great momentum, the development of other extended brands was far from satisfactory. Evidently, Naked Hub had performed well. The global expansion strategy had enabled Naked Hub to establish over 40 co-working space branches all over the world, with the focus on mainland China. In January 2018, Naked Hub in Sanlitun, Beijing, was opened and attracted many essential customers, including the American Chamber of Commerce.[[38]](#endnote-38) Dominic Penaloza, chief innovation officer of Naked Hub, said that, in addition to start-up companies, some Fortune 500 companies were also increasingly opting for co-working space.[[39]](#endnote-39) As the C-round financing for Naked Hub—about $125 million to $175 million—was in progress, Naked Hub would have the potential to be a critical economic pillar of Naked Retreats in the future.[[40]](#endnote-40)

Third, Naked Retreats seemed to be failing when it came to other streams of business. Although it had been passionately pursuing two promising fields, organic catering and early childhood education, quite a few barriers hindered Naked Bite and Naked Discovery from gaining success in these niche markets. First and foremost, cost was an obvious barrier. To some extent, the fixed costs of Naked Bite and Naked Discovery were both high compared to competitors in the same business. Second, perhaps due to a lack of accumulated advantages in these new fields, the newly-born extended brands received poor ratings and negative customer reviews regarding its services on multiple customer review websites such as DianPing.com and TripAdvisor (see Exhibit 7). When it came to Naked Bite, many customers complained about an expensive but unsatisfying dining experience, regardless of the fantastic dining environment. For Naked Discovery, many customers perceived it as a team-building venue rather than an educational centre owing to its obscure market positioning. More fundamentally, despite the rapidly growing demand for healthy food and early childhood education, China’s domestic market was much smaller compared with developed countries (see Exhibit 8). It would take quite a long while to educate consumers and nurture these markets before Naked Retreats could capitalize on such business opportunities.

Would Naked Retreats be capable of replicating its past success in the thriving industries it had determined it would expand into? Imperatively, and more urgently, Naked Retreats had to decide how to deal with the complex challenges Naked Bite and Naked Discovery were confronting, while its boutique hotel business was threatened by escalating competition.

WHAT NEXT?

At Naked Retreats’ head office on Hunan Road in Shanghai, Horsfield was holding a board meeting to discuss whether Naked Bite and Naked Discovery, which were both at risk, should be shut down to avoid further losses. Manoj, Yip, and other board members were present, and all looked rather grave. Horsfield briefly summarized the operational and financial adversity faced by Naked Bite and Naked Discovery. Then he frowned, saying, “We have been suffering from losses on these two projects for months and it’s very unlikely that we can break even within the foreseeable future. Although personally I’m quite attached to both projects, it has come to a point where we have to make a tough decision.” He looked around, asking his team, “What do you think?” As a co-founder of Naked Discovery, Manoj stood up to fight for it, arguing that “the business model of Naked Discovery is new but I believe it will prosper. It’s a matter of educating the consumers and nurturing the market. We are among the leaders of a thriving industry. If we exit now, chances are our competitors will take our place and grab the low-hanging fruit. In the case of Naked Bite, a similar logic applies.” Conversely, other board directors strongly recommended closing these two businesses, maintaining that the intense market competition required Naked Retreat to redirect its resources and input into its core businesses—the boutique hotel and the co-working space. A heated discussion continued. Horfield needed to make a decision.

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EXHIBIT 1: TOURISM STATISTICS IN CHINA (2011–2017)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2011** | **2012** | **2013** | **2014** | **2015** |
| Number of Star Hotels | 11,676 | 11,367 | 11,687 | 11,180 | 10,550 |
| Number of Hotel Rooms (thousands) | 147.49 | 159.72 | 153.91 | 149.79 | 146.25 |
| Number of Beds in Star Hotels (thousands) | 258.63 | 267.74 | 270.50 | 262.48 | 259.36 |
| Room Rental Rate (%) | 61.07 | 59.46 | 55.97 | 54.20 | 54.19 |
| Revenue (US$ billions) | 0.37 | 0.39 | 0.36 | 0.34 | 0.34 |

Source: “Tourism Database of Economy Prediction System Data,” Beijing Fukasi Information Technology Company in China, accessed March 10, 2018.

EXHIBIT 2: HOTEL OCCUPANCY RATE（%）

Source: Xiang Jingwen, “Banyan Tree has become a Chinese Boutique Hotel Model; The China Boutique Hotel Market Will Exceed US$9.46 Billion in 2020 [in Chinese],” Forward-Looking Industry Research Institute, January 19, 2018, accessed February 25, 2018, <https://www.qianzhan.com/analyst/detail/220/180119-249391ba.html>.

EXHIBIT 3: NUMBER OF CO-WORKING SPACEs IN CHINA (2006–2017)

Source: Created by the authors based on VC SaaS, “There Are a Small Number of Co-working Industry Data [in Chinese],” 36Kr, January 10, 2018, accessed March 10, 2018, <https://36kr.com/p/5112199.html>.

EXHIBIT 4: CO-WORKING SPACE—BRAND INDEX IN CHINA (2017)

Source: Bowen Yu, *Co-working Brand Development Report* [in Chinese], Meadin.com, January 26, 2018, accessed March 15, 2018, http://res.meadin.com/IndustryReport/150574\_1.shtml.

EXHIBIT 5: BRAND INDEX (MBI) comparison

Note: MBI = A × SI + B × OI + C × MI; MBI was a brand index calculated by MTA (Meadin institute) focusing on big data research in the tourism industry; A, B, and C = weighted index; SI = search index; OI = operation index; MI = media index.

Source: Bowen Yu, *Co-working Brand Development Report* [in Chinese], Meadin.com, January 26, 2018, accessed March 15, 2018, <http://res.meadin.com/IndustryReport/150574_1.shtml>.

EXHIBIT 6: HOTEL MARKET SHARE, china (2017)

Source: Created by authors based on Maidian Network, *China Boutique Hotel Market: Big Data Analysis Report 2017* [in Chinese], Orange Travel (pinchain.com), December 21, 2017, accessed January 21, 2018, www.pinchain.com/article/143949.

EXHIBIT 7: NAKED resorts BRANDS—comments

|  |  |  |  |
| --- | --- | --- | --- |
| **Brand** | **Valence of Comments** | **Number** | **Examples of Customer Comments** |
| Naked Stables | Positive comment | 632 | The room is named by animal, which has a wide view and is ideal for taking pictures. |
| Neutral comment | 74 | The hotel is in the mountains with a good scenery, but the price is not high. |
| Negative comment | 76 | The location of the hotel is very remote and the infrastructure is not good. |
| Naked Bite | Positive comment | 110 | It’s worth playing five-star praise and the service attitude is good. |
| Neutral comment | 13 | As a buffet at a high-end hotel, the quality is really lacking. |
| Negative comment | 15 | The entire hotel management is very poor, many services cannot be connected |
| Naked Discovery | Positive comment | 16 | Both the company’s group building activities and children’s exploration activities are very interesting. |
| Neutral comment | 1 | The hardware and philosophy are excellent, but my open day experience is not good. |
| Negative comment | 1 | Like the other Naked venues, Naked Discovery implement a developer-style marketing model. |

Note: Dianping.com was China’s leading local life information and trading platform and the world’s first independent third-party consumer review website. This website not only provided information services such as user information, consumer reviews, and consumer offers, but also provided online-to-offline (O2O) trading services such as group purchases, restaurant reservations, takeaways, and electronic membership cards. Customers could provide ratings based on the following four criteria: position, service, sanitary condition, and infrastructure, on a scale of one star to five stars. One star meant very bad and five stars meant very good. According to the website’s algorithm, “positive comment” meant that the comprehensive average score was four stars or five stars. “Neutral comment” meant that the comprehensive average score was three stars. “Negative comment” meant that the comprehensive average score was one star or two stars.

Source: Dianping, “The Comments of Naked Stables,” Dianping.com, accessed August, 24, 2018, <http://www.dianping.com/shop/48530523/review_all>; Dianping, “The Comments of Naked Bite,” Dianping.com, accessed August, 24, 2018, <http://www.dianping.com/shop/24426478>; Dianping, “The Comments of Naked Bite,” Dianping.com, accessed August, 24, 2018, <http://www.dianping.com/shop/66883605/review_all>.

EXHIBIT 8. GLOBAL MARKET SHARE, ORGANIC FOODS

Source: Zhao Na, “The Organic Restaurant Concept Has Come Back after the Precipitation, and the New Format Has Joined the Fast Food Model [in Chinese],” Jiemian, June 19, 2017, accessed March 10, 2018, [www.jiemian.com/article/1406085.html](http://www.jiemian.com/article/1406085.html).

endnotes

1. All currency amounts are in U.S. dollars unless otherwise specified. [↑](#endnote-ref-1)
2. Justin Fischer, “Made in China: The Naked Guy,” Smart Shanghai, June 27, 2014, accessed March 10, 2018, www.smartshanghai.com/articles/smsh/made-in-china-the-naked-guy. [↑](#endnote-ref-2)
3. Fang Wan, Huimin Tan, and Xinqi Li, “Vertical or Horizontal Extension? The Adversity of Enterprise Brand Extension,” *Tsinghua Business Review* 9, no. 1 (2017): 38–45. [↑](#endnote-ref-3)
4. Maidian Network,*China Boutique Hotel Market: Big Data Analysis Report 2017* [in Chinese], Orange Travel (pinchain.com), December 21, 2017, accessed January 21, 2018, www.pinchain.com/article/143949. [↑](#endnote-ref-4)
5. Ibid. [↑](#endnote-ref-5)
6. “Find Boutique Hotels & Book Your Stay,” Hotel Indigo, accessed March 6, 2018, https://www. ihg.com/hotelindigo/hotels/cn/zh/ reservation#scmisc=header\_6c. [↑](#endnote-ref-6)
7. Wan, Tan and Li, op. cit. [↑](#endnote-ref-7)
8. “‘Naked’ Is Not a Hotel, ‘Naked’ Is a Lifestyle: Corporate Watch [in Chinese],” Tourism Real Estate Observation, September 15, 2017, accessed March 6, 2018, www.sohu.com/a/192246693\_173336. [↑](#endnote-ref-8)
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