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HOTELS

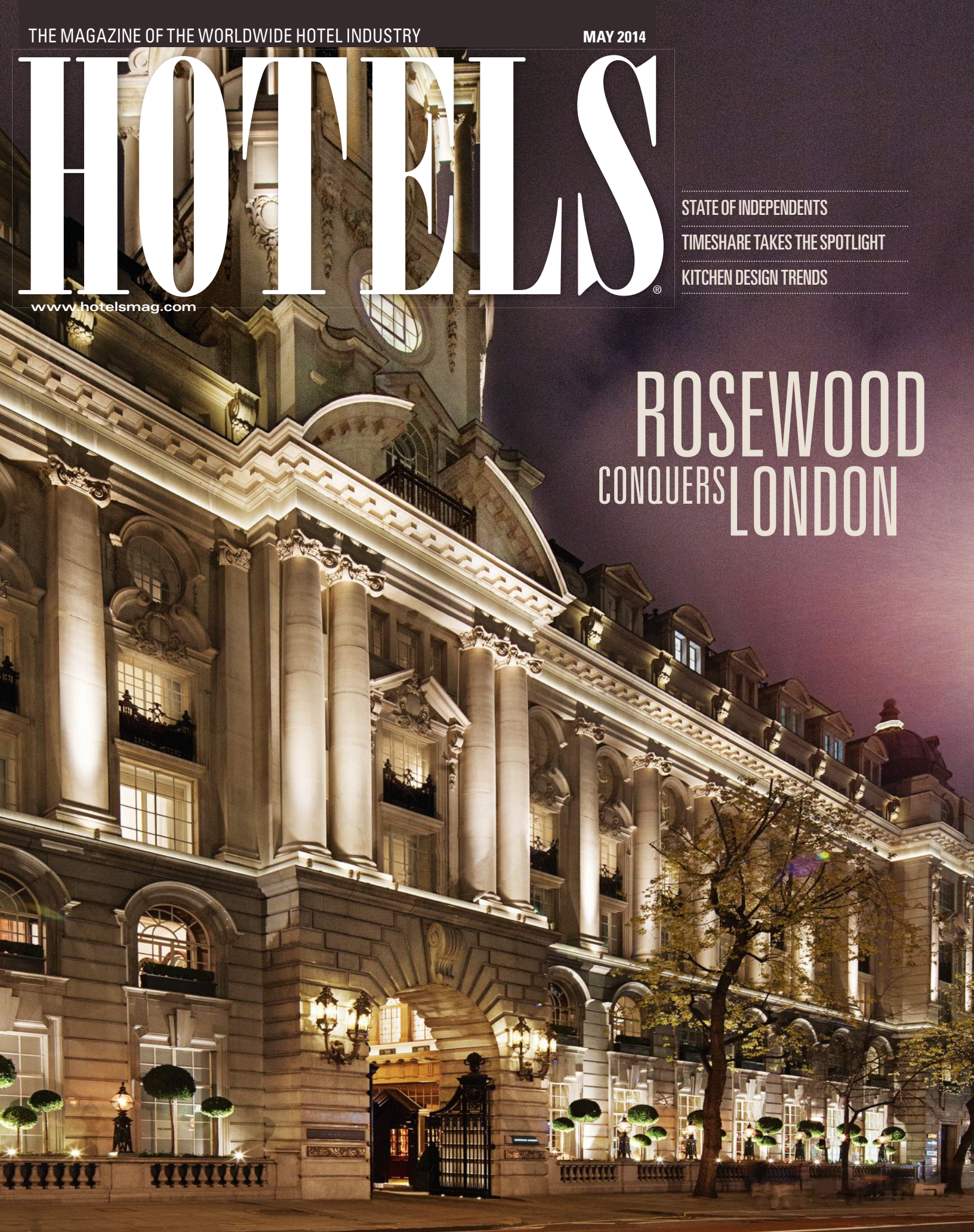
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STATE OF INDEPENDENTS

TIMESHARE TAKES THE SPOTLIGHT

KITCHEN DESIGN TRENDS

ROSEWOOD CONQUERS LONDON



INDEPENDENT MIND

As the hospitality landscape shifts, owners — and, yes, brands — see a more prominent place for non-branded hotels.

contributed by **HARVEY CHIPKIN**

WELCOME to the Hybrid Hotel. The dark line separating branded hotels and independents has lightened considerably in recent years as technological advances and demographic shifts have reinforced the resiliency of independents. At the same time, branded hotels have recognized that resiliency and have created soft brands of their own.

INDEPENDENT

DEED

Insurgent independents

The traditional attractions of being independent remain: lower costs than those associated with a franchise; the ability to be flexible on capex and marketing expenditures; and the inherent excitement in running a hotel creatively.

“Being independent allows autonomy, and the decision-making process is direct and swift,” explains Hans Bruland, general manager of The Hay-Adams in Washington, D.C.

That attitude is not North America-centric. In fact, Europe has a stronger history of independent hospitality. Sören Huber, director of business development for the Hotel Bayerischer Hof in Munich, Germany, says, “As an independent hotel, we do not depend on a headquarters’ opinion on strategy, interior design, brand development or marketing approach.”

Today, because of technology and demographic shifts, the dream of remaining independent seems more viable than ever. Lindsey Ueberroth, CEO of Preferred Hotel Group, Chicago, says the landscape has changed dramatically over the last

ARE WE ALL MILLENNIALS?

While there has been extensive buzz about how Millennials want to stay in hip boutiques, many observers believe there has been a cross-generational shift in consumer tastes. Bjorn Hanson, divisional dean of New York University’s Tisch Center for tourism hospitality and sports management, says, “Each trip has a different mission profile and a different lodging solution. What independents can do is appeal to some of those mission profiles, especially where the experience of the trip is a priority.”

It also appears social media sites such as Facebook, where Baby Boomers have the fastest-growing presence, are playing a critical role for independents. “Many independent operators or developers are more social media-savvy than many of the brands,” Hanson says.

Provenance Hotels, Portland, Oregon, spends all its marketing dollars on electronic channels and social media. In fact, it ran a promotion during a heat wave last summer promising a rate of whatever the temperature was at 10 a.m. that morning. The result: more than 300 bookings it would not have otherwise had — and at decent rates, according to company President Bashar Wali.

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three years as the chains leapt into the independent scene with their collections. “It heats up the competition,” she says, “but reinforces what our company has stood for — the idea that an experiential hotel is what the consumer is moving toward.”

“There will always be many places where brands work better — like airports,” says David McCaslin, president of New York City’s Northwood Hospitality, which operates hotels such as The New York Palace for its sibling owning company. “But if you’re in a

highly desirable location like a downtown or an Aspen, Colorado, there will be so many people going there no matter what. Nobody is going to these places because they want to stay with a brand; they are going for the destination.”

Another plus: a non-branded hotel can be easier to sell as a real-estate asset. “Our independents can be purchased by a strategic buyer who would have more options than if they were branded or under a management contract,” McCaslin adds.

Review sites like TripAdvisor also can give independents a leg up if they focus on that segment. “Consumers now really make their judgments based on reviews and social media,” McCaslin says.

“Travelers today can have confidence in the hotel that they used to look to brands to provide,” says Geoff Andrew, chief operating officer for Worldhotels, Frankfurt, Germany, adding that the importance of loyalty programs “now lies more with the databases they create than with loyalty itself.”



COLLECTION CONNECTION

AC Santo Mauro in Madrid is a member of Marriott's Autograph Collection.

When Marriott International approached Richard Kessler to become the original member of its Autograph Collection of independents, Kessler came up with three non-negotiable principles: retaining his own website; no Marriott say on design; and no Marriott name in the properties — only small Autograph signs. Four years later, Kessler says he is quite satisfied with Autograph membership and if he wants to enter a market where an Autograph already exists he would be open to joining another collection.

Collections are “the middle ground of branding,” says Bjorn Hanson, divisional dean for NYU’s Tisch Center for hospitality, tourism and sports management.

“The challenge is that even within traditional brands, brand managers are getting more flexible,” Hanson adds. “So these collections have to offer even greater flexibility.”

An example of how unclear the brand-independent landscape has become is Hersha Hospitality Management, Philadelphia, a major owner that has traditionally focused on upscale branded hotels but now has collected a number of its own independents into a collection — the Independent Collection.

“It’s all about Millennials and Gen Ys — people looking for unique experiences,” says Foiz Ahmed, vice president for Hersha’s collection. “We will look at

hotels for the collection in major urban and destination markets. That is where the people with dollars to spend are looking for neighborhoods and communities.”

The collection concept has global acceptance, as well. VOI Hotels, owned by an Italian travel company, is comparable to Autograph, according to CEO Arco Buijs. “We give individual hotels help on the commercial side without being hard-branded at much lower costs than a normal franchise,” Buijs says.

And the collections are evolving. Kessler says technology will continue to make it easier for hotels to be independent, resulting in collections having more pressure to deliver.

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Northwood Hospitality's Revere in Boston, formerly a Radisson brand hotel, features a whimsical rooftop.

Globally independent

The global stronghold for independents has been Europe because of the history and culture of the hospitality industry there. In Paris, Bruno Chiaruttini, general manager, L'Hotel du Collectionneur Arc de Triomphe (formerly a Hilton), points out, "All the luxury hotel chains like Four Seasons, Mandarin and Ritz-Carlton were born in North America and Asia, while the networks of independents like Worldhotels, Relais & Chateaux and Design Hotels emerged from Europe."

While Europe may have a stronger tradition of independent hotels than Asia or North America, that may be changing. The V-Continent Beijing Parkview Wuzhou Hotel in China opened as and remained an InterContinental hotel for 10 years before it went independent last year and became a member of Summit Hotels & Resorts, one of the Preferred networks. "We saw a huge trend among local hotels, which recognized it was time to start a

new era of independent development and innovation," says V-Continent General Manager Cui Fushui.

At a time when authenticity is a huge buzzword in the hotel business, independents can frequently lay claim to that appeal. "Design Hotels properties are driven by owners, who understand they are selling something that goes far beyond their own four walls," says CEO Claus Sendlinger. "They're selling an emotional connection to a neighborhood, to a destination — often to an entire city — since the traveler's take on that city is focused through the prism of their hotel."

Adds Adrian Bridge, CEO of The Yeatman Hotel in Porto, Portugal, Google Earth might be his most powerful tool as it shows his location among the famed wine lodges of Porto.

Marketing — nimbly

Diversity and diffusion define the

KEY POINTS

- Mega-branders like Marriott International, Choice Hotels International and Carlson have created "collections" of independents and emphasize design to compete with non-branded competitors.
- Independents have gone the brand route by creating more powerful loyalty programs and quality-assurance standards.
- Review sites like TripAdvisor now arguably play as much of a role in consumer decisions as a brand promise or loyalty program — one of the factors many see leveling the playing field between brands and independents.



Provenance Hotels' Hotel Max does business in a thriving indie market, Seattle.

HOW LEVEL IS THE PLAYING FIELD?

Anybody can have a website and do social media, but does that mean any independent hotel can go it alone against the brands?

"It still takes a lot of resources to compete," says David McCaslin, president of Northwood Hospitality, New York City. "With no name recognition or points programs, you have to offer something of value, or you will get crushed."

"There is less room for error when you're independent," says Antoine Chevanne, CEO of VOI Hotels in Italy.

Sometimes it's the ability to be flexible that can work against independents. "An independent might be able to divert capex dollars to marketing or another current priority," says Bjorn Hanson, divisional dean of NYU's Tisch Center for tourism, hospitality and sports management, "but this can work against independents because the industry for now is in relatively good physical condition. Things can't be neglected."

Others believe independents are not always as resilient in downturns. "The branded hotels will drop rates and start selling through other channels to stay competitive," says Suzanne Mellen, managing director of HVS, San Francisco. "Independents were really hurt during the last two recessions."

Plus, it remains tougher in most cases to finance an independent hotel. "You can project all you want and you still end up getting US\$20 less a night than you expected," Mellen says. "There is a huge execution risk, especially as brands have tried to get 'cooler.' When the line between brands and independents becomes blurred, how do independents differentiate themselves?"

It's not always easy being independent, but those within the category see problems with their counterparts. Bashar Wali, president of Provenance Hotels, Portland, Oregon, says many brands are now focusing more on "noise" rather than basics. "We are in the business of selling beds, showers and Wi-Fi," he says. "If guests don't get a good night's sleep, they won't come back."

consumer landscape, and that means a seismic shift in marketing — to a point. "Arguably," says Bjorn Hanson, divisional dean of NYU's Tisch Center for tourism hospitality and sports management, "every traveler is now his or her own segment."

For independents, it all leads to the word "differentiation," says Peter Shaindlin, COO of the Halekulani Corp., owner and operator of two luxury resorts in Honolulu. "A big brand is like a cruise ship that takes a while to turn; we are a luxury yacht that can change quickly," Shaindlin explains. "We decided recently and very quickly to open a bar called L'Aperitif; if I had 50 Halekulani hotels I couldn't do 50 L'Aperitifs — it's what differentiates us."

At Timbers Resorts, Carbondale, Colorado, COO Greg Spencer says successful promotions during award ceremonies such as the Oscars and Emmys included certificates for stays placed in gift baskets. "We recently did one for a pre-Oscar event with nominees for best director, best actor and actress in attendance," Spencer adds. "We soon had our first award nominee staying with us in Italy."

Digital strategies like social media are becoming the backbone of the marketing plan for Venice, Italy's Bauers Hotel Group, says CEO Francesca Bortolotto Possati. For example, she says, many websites are now incorporating video content. "As people's attention span consistently decreases and audiences are to be captured in just a matter of seconds, imagery is becoming increasingly important," she says. "Images must tell a story better and more effectively than words."

Sales — still personal

Even with all the new technology available, most operators agree there is no substitute for old-fashioned, face-to-face relationships — especially at the top end of the market. "We're out there beating the streets and establishing relationships," says Foiz Ahmed, vice president of the Independent Collection, operated by Hersha Hospitality Management, Philadelphia.

McCaslin adds that a one-on-one sales call is both the most expensive way to market and the most effective way to communicate with a potential producer.

Andrea Kracht, proprietor of Baur au Lac in Zurich, says he travels three or four times a year specifically to meet with agents. "I want to have a personal relationship with them," he says. "We believe agents are, and will remain, a key channel for us."

A contrarian point of view comes from Possati, who says traditional means of reaching out to the trade are losing importance and effectiveness. "Not only are they getting to be too costly for hotels, but it seems both companies and the trade are shifting towards other means of communication,"

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Possati notes. “Many travel agents are working from home. So we need to reach them there where they live.”

Capex flexibility rules

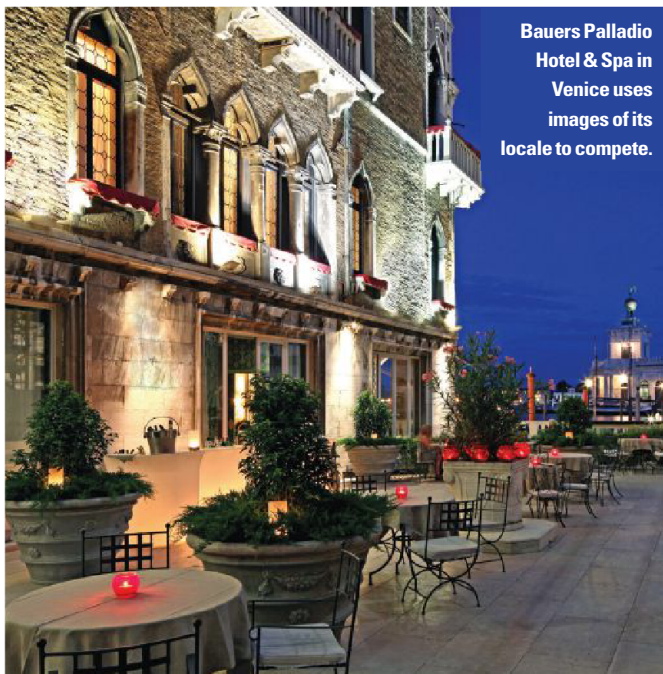
Independents claim they spend as much money on capex as any branded hotel — but on their own terms.

“We partnered to buy our Vail property at a bankruptcy in 2010,” Spencer says. “We talked with major brands. They said they would fill us up with loyalty points. How will that monetize real estate? We put in US\$9 million and made certain bets on what would work. We decided to get the energy up in the lobby and tried to get the pool right. The brand would have said ‘furniture package number 649.’ We ended up selling US\$25 million in real estate at the property.”

At Hersha’s Independent Collection, according to Ahmed, the approach to a “five-year plan” is very different and local. “We’re installing bicycles at every member hotel, and they’re different colors in each market,” he says. “Our Brooklyn bikes have a basket with the Brooklyn Bridge on it.”

Independents also claim they can now find renovation financing far more easily. “We have financed with everything from life insurance companies to CMBS to pension funds,” says Bashar Wali, president of Provenance Hotels, Portland, Oregon. “If we can show two to three years of trailing income, banks will be just as enthusiastic financing an independent.”

Indications are that the lines between brands and independents will continue to soften. One trend is networks of independents taking on more of the aspects of brands. At Destination Hotels & Resorts, which claims to be the world’s largest management company composed of independents, CEO Jamie Sabatier says the company definitely has a “Destination customer” and can bring in all the benefits of a larger company while at the same time allowing each property to have its own identity.



Bauers Palladio Hotel & Spa in Venice uses images of its locale to compete.



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