

LODGING

COMPLETE » GUIDE TO HOTEL FRANCHISING

5 **HOT
MARKETS**
YOU MAY
HAVE MISSED

WHY NOW IS THE
TIME TO INVEST

ONE SMART WAY
TO PROTECT YOUR
HOTEL'S TURF [PAGE 31]

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STARTUP

The Soft Sell

WITH SOFT BRANDING, INDEPENDENTS CAN ACT LIKE A CHAIN WHEN IT MAKES GOOD BUSINESS SENSE **BY MEGAN SULLIVAN**

INDEPENDENT HOTELS ENJOY THEIR FREEDOM and individuality but the convenience and efficiency of robust systems and programs offered by major brands can be tempting. That's why many indy hoteliers are opting for the best of both worlds by becoming members of soft brand collections. Think of it like outsourcing. Companies like Preferred Hotel Group, Leading Hotels of the World, and Small Luxury Hotels of the World have an infrastructure in place to support hotels that want to maintain their independence while leveraging the expertise and support services of a global brand.

"We look at it as a partnership," says Lindsey Ueberroth, president of Preferred Hotel Group, which represents 650 properties. "It's our job to be an extension of what they're doing on property and be more consultative whereas with a hard chain it's very mandated, strict, and rigid."

Hotels in soft brand partnerships may receive support with revenue management, reservation management, sales and

marketing, branding, rewards programs, quality assurance, and purchasing. Ueberroth says Preferred members are also attracted to flexible contract terms and lower fees. (The cost for a Preferred Hotel Group affiliation is 3.7 percent of gross rooms revenue and average contract length is five years.) To help members compete with larger chains, Preferred is launching an enhanced loyalty program this month that features a points-based system with hard currency rewards for guests. "It's changed the way we're able to compete with something that the hard flags have that we didn't have in the past," Ueberroth says. Meanwhile major hotel companies are trying to compete



BUSINESS PARTNERS

Lexington Legacy recently added the D Las Vegas (above) and the Eau Palm Beach Resort (right) joined Preferred Hotel Group in July after de-flagging from Ritz-Carlton.



OWNER'S MANUAL»»

with groups like Preferred by introducing their own soft brands. "I think the chains realized we were on to something—consumers really like the independent concept," Ueberroth says. In 2008, Choice introduced the Ascend Collection, a network for historic, boutique, and unique hotels that has reached 108 properties. Marriott has 46 independent luxury hotels in its Autograph Collection, which launched in 2010. "There's more competition in the marketplace," Ueberroth says. "It's reinforcing that there's a demand." Earlier this year, Red Lion added the Leo Hotel Collection and Vantage Hospitality Group launched the Lexington Legacy soft brand.

Successful soft brands complement a hotel operation without interfering with the direction of the ownership. Roger Bloss, president and CEO of Vantage, says that involves solid relationship communication between partners. "You have to really know the strengths and weaknesses of a property if you're going to soft brand it," he says.

The D Las Vegas Casino Hotel joined Lexington Legacy in April to reap the benefits of Vantage's global distribution, frequent traveler program, and back-of-house services. The new owners had recently completed a \$22 million renovation and rebranding of the former Fitzgeralds casino and hotel and wanted to expand its reach. At the same time, they wanted to maintain control of food and beverage and casino operations.

"They spent a large amount of investment dollars reinventing that hotel and introducing a new name, and that's what they want to have as their identity," Bloss says. "Yet they realize they're in the casino business not the hotel business. It was important for them to have a hotelier they could turn to."

When deciding between branded or independent, many hoteliers often express concerns about financing. Lenders like facts and figures, which Ueberroth says the chains have always been better at providing. By partnering with a soft brand company that has an established reputation, indy owners can demonstrate more credibility to lenders. "If you want to go independent but align with a company like ours," she says, "we're providing that seal of approval and global infrastructure that gives lending partners a lot more confidence."