

In growing boutique segment, IDM Group welcomes competition

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FORT ATKINSON, Wisconsin—Once a haven for independent operators with intimate, high-end assets, the boutique segment in recent years has become increasingly crowded as large hotel companies looked to cash in on largely untouched market share.

But while most established operators would greet the extra competition just as city commuters would greet a hoard of passengers trying to squeeze onto a crowded subway, the team at IDM Group LLC adopted a strikingly accommodating perspective.

The Fort Atkinson, Wisconsin-based company, which provides development, management and consulting services to independent boutique properties throughout the Midwest, views the emergence of brands such as W, NYLO and Indigo as the best PR money can buy.

“It’s raised the notoriety of this movement,” said Craig “Nedd” Neddersen, IDM Group’s president. “... The buzz has just broadened the appeal for boutique hotels and made people aware of them again.”

That positive attitude isn’t hurt by the fact IDM’s clients often outperform their market segments—a track record fueled in part by the independent nature of each property.

“The branded boutiques are just that,” Neddersen said. “They’re an extension of the brand movement, not the boutique movement. They’re wonderful hotels, but they seek to define themselves by appealing to a small market segment, where we try to take a boutique hotel and make it available to a wide-ranging market segment.”

Reaching out to a broad consumer base can be difficult without the benefit of one of the big chain’s reservations systems and marketing budgets, but technology has helped level the playing field recently, according to Sean Skellie, the company’s VP of business analysis. IDM Group, which stands for Inn Development & Management, uses third-party global distribution system providers and online travel agents such as Expedia and Travelocity to make its boutique rooms available to consumers.

“We offer the marketing visibility you need to maintain your independence but still be found,” Skellie said.

Additionally, the company takes an aggressive sales approach toward corporate travelers.

“We are very aggressive with a direct sales effort for local businesses to establish relationships,” Neddersen said. “... We have to do that against (the brands’ loyalty) programs. We have a larger sales effort and a more direct and focused sales effort because we don’t the luxury of those (loyalty) programs to rely on.”

Blossoming boutique development

The momentum generated by the boutique concept has spurred excitement within the development community—even in a stifling financial environment. IDM Group is in the process of finalizing a few projects and will move ahead on others.

“We’ve found a couple equity sources that are moving equity again,” Neddersen said. “Primarily, they’re small, private funds.”

The Beloit Inn in Beloit, Wisconsin, features a refined design aesthetic combined with subtle nuances that create a unique and welcoming atmosphere.

Additionally, the company has found success—and the necessary capital—renovating historic properties. Many of the products the company works with are historic renovations.

“Suddenly, that historic hotel has a whole new place in people’s perceptions because it’s a boutique hotel,” said Skellie, adding that municipalities, whose awareness of the boutique segment has grown as well, are more willing to provide additional funding to such projects.

The company has ownership or partial ownership in three properties and has developed three condo hotels. It is working on 14 projects involving management and/or development.

Moving forward, he said the branded boutique movement eventually will lose steam, leaving the true independent operators to find success within the segment.

And while Nedderson thinks the segment will keep its pace, he doesn’t expect to see any new boutique brands coming to market.

“What you’ll probably see is more of the existing brands tinkering their programs and amenities and physical settings,” he said.

If those prognostications hold true, that should leave IDM Group plenty of room to expand within the still-underdevelopment segment. The company plans to expand its mixed ownership, development and management portfolio to about 20 hotels within the next five to seven years, Nedderson and Skellie said.

“The important thing that we have to do is continue to move forward provide, continue to provide great guest experiences, and continue to sell aggressively in the marketplace,” Nedderson said.

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