

## **Independents team up with brands**

By Patrick Mayock, February 2011

INTERNATIONAL REPORT—Located in the heart of London’s Knightsbridge, a stone’s throw from shopping epicenter Harrods, nearby museums and a major Underground station, The Levin, a 12-room, luxury independent, boasts the location other hotels could only dream of.

Yet for its bounty of surrounding assets, the property’s GM, Kate Levin, isn’t content to rest on her laurels. The hotel doesn’t necessarily sell itself, she said. “We do look to support from other places.”

Those other places, in the case of this particular boutique hotel, are independent affiliation and marketing groups Small Luxury Hotels of the World and the Kiwi Collection.

As the hotel industry matures and becomes more global, independent properties—particularly those at the higher-end of the market—are turning to such third-party collections to bolster performance at home while increasing distribution abroad.

Small Luxury Hotels of the World, for example, comprises 520 small independent hotels across 70 countries. The group, which celebrates its 20th anniversary this year, saw 2010 year-over-year performance increases for members in both revenues (+15%) and reservations (+18%), according to CEO Paul Kerr.

“Small Luxury Hotels of the World was formed to help small, independently owned luxury hotels gain worldwide exposure and great marketing and sales support,” he said. “We help our hotels to maximize their booking potential with access to a range of reservations channels.”

### **Brands enter the game**

While the segment previously was dominated by independent affiliation collections like Leading Hotels of the World and reservation/marketing groups like World Hotels and Design Hotels, some of the world’s largest brand operators have joined the game.

Marriott International launched the Autograph Collection with seven independent hotel signings during January 2010, for instance, while Choice Hotels International’s Ascend Collection was announced in October 2008.

The brands provide member hotels with access to millions of loyalty-program travelers, greater marketing resources and the association with a major worldwide hospitality player—all without the strict standards and operational obligations of a traditional brand.

“Independent hotels are by nature anti-brand. We are not actually a brand, (but rather a collection of unique properties),” said Kip Vreeland, VP of the Autograph Collection. “(Owners who) see we allow them to maintain their independence ... a lot of owners are very, very excited about the concept.”

Autograph has 14 United States-located hotels in its portfolio, with a goal of between 35 and 40 by year-end 2011. “We can see that growing up in to the 120s to 130s within the next four to five years,” Vreeland said.

With a strong domestic foothold, the group has shifted some focus to primarily European major urban markets in places such as London, Paris, Geneva and Zurich. They also will comb for strong potential assets in Canada, the Caribbean and Central and South America during the second quarter of 2011, Vreeland said.

Starwood Hotels & Resorts Worldwide’s Luxury Collection already has a strong global presence. The collection, which traces its heritage to an Italian portfolio founded in 1906, comprises 73 properties in more than 30 countries.

“It really has a unique space in the industry as it’s a franchised or managed branding option within Starwood, but it also acts as an affiliation for hotels that have their own unique identity and want the power of a great brand like Luxury Collection and Starwood’s global distribution system as well,” said Paul Sacco, senior VP of North America Development.

Starwood is continuously on the lookout for new members throughout the world. “Our development mantra is the right partner, the right property, the right place,” Sacco said.

### **Remaining independent**

The backing of a major global brand does come at a cost, however. Though companies like Starwood (starwoodhotels.com), Marriott (Marriott.com) and Choice (choicehotels.com) afford significantly more freedom to their independent members than they do traditional branded assets, hotels within their respective collections still must meet certain criteria and standards.

IDM Group LLC, which manages six boutique hotels with partial ownership in two of them, investigated joining with a branded hotel collection, but company management eventually decided to maintain its independence.

“Our independent properties here in the Midwest are all truly unique and different. That’s the beauty of being boutique—you can build a property that fits to the market in which it sits,” said Sean Skellie, VP of business analysis.

With many hotel chains also comes different operating strategies and financial pressures, said Linda Bruno, a consultant who specializes in independent hotels as managing director of Consultare International Limited.

“They don’t understand the niche and what motivates people,” she said. “You don’t always have to sell from a rate strategy. ... It’s really a guest experience—that’s what the customer is looking for. ... If you deliver that, then the price is somewhat irrelevant.”

### **Gaining traction**

The benefits or disadvantages notwithstanding, expect global hotel chains to continue recruiting independent hotels to their portfolios.

“That’s going to continue. They’re going to look for marriages out there that are a win-win,” IDM Group’s Skellie said. “(This) is the way that the industry is going to continue to grow. I don’t think that we’ve seen the end of this branded backing.”

While Starwood’s Sacco thinks there always will be room for true independent properties, he said brand affiliations will only become more common.

“There will certainly be a place for some independent hotels that continue to market and operate fairly independent of brands in some cases,” he said. “But in terms of independents maintaining their authenticity and tapping into some of the distribution channels from companies like Starwood, that’s going to be a growing trend.”

## **INDEPENDENT LOYALTY PROGRAMS**

Affiliation groups like Leading Hotels of the World and branded collections like Marriott International’s Autograph Collection aren’t the only way for independent hoteliers to increase performance and bolster marketing clout.

Independent owners and operators also are turning to two independent hotel loyalty programs that promote repeat guest bookings and incentive travel.

The first, Voila Hotel Rewards, officially launched during June 2008. The program has nearly 250 member hotels under contract, with a strong presence in Spain, Romania, Russia, and several countries in the Asia/Pacific region. It recently announced its first hotels in North America with two St. Giles New York properties.

The second is Stash Hotel Rewards. Founded by Jeff Low in May 2010, the program has 107 signed properties and is expected to end the quarter with 130.

Both Voila and Stash operate in much the same way as branded loyalty programs. Travelers sign up for the program and earn points for staying at hotels in either the Voila or Stash systems. They can then redeem those points for room nights at a later date.

The results have been strong thus far. Hotels that have been in the Voila program for more than two years have seen between a 300% and 400% ROI for the service, according to Gabi Kool, the program's global managing director. "The hotels are extremely happy," he said.

Both independent programs saw increased interest during the downturn.

"We saw a number of chains citing their loyalty programs as being so critical during the recession because that was the group they first turned to drive demand," Stash's Low said.

Kool expects that momentum to continue for the foreseeable future.

"This category is here to stay," he said. "... This is just the start of a lot of hotels joining."

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