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INSIDE

Brand Ambition

Announcing a corporate ambition to become the world's "preferred hospitality company" and a growth mandate that will double the regional portfolio by decade-end, ***FRHI president Jennifer Fox*** tells the story behind the global growth strategy

GLOBAL HOTEL INDEX: Asia Pacific 67%/ $119.02 - Americas 62.1%/ $119 - Europe 64.2%/ $138.91 - MEA 65.2% / $175.10 (Occupancy %/ADR $ May 2014)

BEING **BOUTIQUE**

Searching for an alternative to the domination of international operating companies, more owners are choosing to go it alone. ***Anthony Ross, Preferred Hotel Group EVP for Asia Pacific, Middle East and Africa***, explains the lure of remaining independent, the power of consortia brands and being boutique in a homogenised market

Across the UAE, the percentage of unbranded compared to branded hotel stock fluctuates from just 16% in Abu Dhabi to 56% in Ajman, providing a country-wide average of 31%. Applied to the wider GCC, that figure averages 39%.

Based on data accumulated by Colliers International, the figures demonstrate a market segment inching an ever larger share of the region's total hotel stock (see charts overleaf).

It is growth fuelled by owners who, whether stung by management contracts in the past or harbouring an ambition to enter the highly lucrative hospitality industry alone, are increasingly looking to hang their own name above their doors.

However, while on the one hand they face reaping the benefits of ownership and management autonomy, on the other they are clamouring to be noticed in a crowded market that shows no signs of abating. Not only dependent on costly OTA marketing and distribution models, they also face the perception that unbranded is automatically mid-market.

It's an issue further compounded by the lack of a true boutique sector to would raise the profile and perception of unbranded hotel stock.

So why are more hoteliers choosing to tackle the market without big brand backing?

According to Anthony Ross, EVP for Preferred Hotel Group in the Middle East, Asia Pacific and Africa, those forces range from everything from the duration of contracts, to the clauses and individual owner and investor experience of the market.

Preferred Hotel Group (PHG) is a family owned and managed company established in 1968 to give shared strength to 12 independent hotels in North America. The company recruited its first European hotels in 1972, yet despite being established more than 40 years and boasting 650 member hotels across 85 countries, only this year did PHG see such strength in the Middle East market that it exhibited at ATM.

In 2013, the group generated $834m in revenue on behalf of its member hotels, up 14% on 2012.

Over the course of 2014, the group aims to add 125 hotels to its collection over seven brands, including adding to the current 10 properties in the Middle East.

Owners want to retain control over their asset, they want the flexibility of decision making, independence of the guest experience and architecture

"Today you have many owners saying 'hey this isn't rocket science, I can do it myself', then you also have developers reaching a point of critical mass in their portfolio and for that reason wanting to start their own brand," says Ross, who was appointed to his current position in March of this year.

Exemplifying his former employer Mandarin Oriental and similar household luxury brands, he adds: "The owner wants to put their own name on the building, but still needs that initial support. The consortia option is like a brand incubator, allowing an owner to retain control of their asset but also be connected to the world, particularly Europe and the US, as well as OTAs. They want endorsement from a global brand, in order to compete in a meaningful way."

That's not to say gaining membership is easy. Unlike consortia such as Global Hotel Alliance, which signs up mid-sized chains, PHG membership is based on a number of standards and inspections for individual properties and in some territories those standards can also require local star-rating certifications. The sign up process begins in the design phase and runs through to pre-opening.

Ross says: "It's a big world out there and with Dubai's level of connectivity hotels from all the emirates benefit. There are travel agents all over the world, whose clients are asking for trips here. Hotels needs endorsement to be able to stand out in that crowd.

Stats

650 MEMBER HOTELS

85 COUNTRIES

$175 AVERAGE BOUTIQUE ADR, GLOBALLY

7 PHG BRANDS

$834m REVENUE GENERATED

PREFERRED HOTEL GROUP, MEMBER HOTELS

- Royal Rose Hotel Abu Dhabi
- Marjan Island Resort & Spa, Ras Al Khaimah
- Cristal Grand Ishtar Hotel Iraq Baghdad
- Cristal Hotel Erbil* Erbil
- Divan Erbil Erbil
- Regency Kuwait, The Salmiya
- Al Nahda Resort & Spa Muscat
- Al Raha Beach Hotel Abu Dhabi
- Cristal Hotel Abu Dhabi* Abu Dhabi
- Dusit Thani Abu Dhabi Abu Dhabi
- Royal Rose Hotel Abu Dhabi
- Dusit Residence Dubai Marina Dubai
- Dusit Thani Dubai Dubai
- Grand Excelsior Hotel Al Barsha, Dubai Dubai
- Grand Excelsior Hotel Bur Dubai, Dubai
- Habtoor Grand Beach Resort & Spa Jumeirah Beach
- Marjan Island Resort & Spa Ras Al Khaimah

Snapshot

The market factors leading to today's divergence perfectly coincide with a rise in the number of guests looking for unique experiences; which can only be created by hotels not affiliated with the international brands dominating the industry currently.

While unbranded and boutique are still mutually exclusive concepts their growing prominence in the market, combined with more differentiated guest demands, is adding strength to the sector. As with the diversification of star ratings, they are poised to capitalise on a huge regional demand from guests who want a je ne sais quoi, rather than just another hotel experience.

The current point at which the market today sees investor and guest profile trends colliding has created a vacuum for soft brands, like PHG, to fill. As much as ambition and experience can back a business plan, competing with the distribution channels of the internationals and with the inability to provide a comprehensive guest loyalty programme, market penetration is hindered.

"Hearing from management companies, especially in places like Ras al Khaimah, owners want to retain control over their asset, they want the flexibility of decision making, independence of the guest experience and architecture. They are scared of the cost of management companies and the length of contract they are required to sign up for, as well as the get out clauses," says Ross.

Creating character

The majority of PHG's focus currently is on owners and developers looking to create new hotels on Greenfield sites. A trend driven by Expo and the resulting supply and demand dynamic, it's one Ross predicts will only grow over the coming years.

"Dubai outstrips the other markets in every metric and it's like a gold rush for developers," he observes, noting it's a much needed address of the current balance.

The trend is also evident in the number of affluent local families who now, looking to complement their shipping, construction or manufacturing businesses, are stepping into hospitality.

"I'm amazed by the number of projects going on here and amazed by the number of small hotel management companies. It's a land of opportunity at the moment.

"Dubai perhaps isn't representative of all the GCC or UAE, but how did Dubai do it? Just build it and they will come.

"Make a great airline, make a great airport, make great hotels and Abu Dhabi and Qatar are going down the same path now, too."

UAE	Hotel	Unbranded	%Unbranded
Dubai	89,071	27,085	30%
Abu Dhabi	27,398	4,471	16%
Sharjah	10,049	7,373	73%
Fujairah	3,491	1,138	33%
RAK	5,370	1,209	23%
Ajman	3,101	1,737	56%
Umm Al Quwain	404	404	100%
Total	**138,884**	**43,417**	**31%**

GCC	Hotel supply	Unbranded	%Unbranded
UAE	138,884	43,417	31%
KSA	105,994	53,815	51%
Qatar (Doha)	18,638	6,502	35%
Oman (Muscat)	8,419	3,997	47%
Bahrain (Manama)	5,426	2,600	48%
Kuwait (Al Kuwait)	4,520	130	3%
Total	**281,881**	**110,461**	**39%**

Source: Colliers International.

From his experience, which spans Asia and Europe, the boutique and independent markets naturally follow the march of the corporates in any environment where they are allowed to thrive. It's a market segment driven by culture, tradition, and basic and established infrastructure, which are all in high demand as the pendulum naturally swings away from the homogenised brand-led offerings – and even manufactured boutique – that have led the way to date.

The drive will no doubt see a number of consortia and soft brands entering the market to lend support to the 39%, and they will no doubt over time be squeezed by owners looking for ever favourable contract terms.

In what sounds like music to an owner's ears, Ross simplifies: "We get paid on your performance, so when you do well we do well."

It's a performance model in which Ross sees so much strength, even the development of commercial boutique brands – such as Hotel Missoni and Starwood's W – provide limited threat.

"The big brands are very good at commoditising so you end up with a global product that is the same in California and Hong Kong, which is comforting for some guests. But with true independent and boutique hotels you create hotels that have character and you need that counter balance."

Al Nahda Resort & Spa

Habtoor Grand Resort & Spa Dubai

The Regency, Kuwait