

The nuts and bolts of going independent

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When converting from a brand to an independent, owners and operators face a long list of logistical items.



Owners of the Pier 2620 Hotel in San Francisco launched a major renovation as part of the hotel's conversion from a Hilton. (Photo: Pier 2620)

Highlights

- In some cases, the existing brand no longer fits the tastes and sensibilities of the hotel's customer base.
- The brand company often retains ownership of guest history files when a hotel deflags.
- To be successful, the GM of an independent property needs to be creative, entrepreneurial and sales-minded.

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REPORT FROM THE U.S.—The decision by an owner to switch a branded hotel to an independent is a weighty one. Shedding the presumed marketing and image advantages of a national brand in favor of starting fresh with no brand, or with a soft brand, entails a long list of logistical steps necessary to ensure the conversion is as seamless and successful as possible, sources said.

"The things (an owner) doesn't need to think about is a much shorter list than the list of what he needs to consider," said Robert Van Ness, executive VP of the Americas for Preferred Hotel Group. "In other words, (the owner) needs to contemplate just about everything. After all, there aren't too many industries where owners decide to change the name and focus of their business. It's a formidable challenge."

The steps involved in making a brand-to-independent conversion range from the conceptual to the mundane. In some cases, the flag no longer fits the hotel's customers and their tastes and sensibilities.

"We had a brand that wasn't relevant in our marketplace anymore, and we needed a fresh new approach to doing business," said Tom Conran, principal of Greenwood Hospitality Group. In 2010, the company converted a former Ritz-Carlton Hotel in Dearborn, Michigan, to The Henry, a 308-room independent that's part of Marriott International's Autograph Collection soft brand.

"Many travelers today are looking more for an experiential event than just checking in and out of a hotel," Conran said. "We knew we had to change the dynamics of the hotel with more relevant color palettes and create a lot more excitement in the hotel and create more congregational spaces rather than segregated spaces."

Part of the change was the addition of extensive artwork throughout the hotel, with each floor devoted to works from one artist. A full-time art curator on staff manages the art program.

"This makes guests' stays much more than just hotel stays," Conran said. "The public is looking for these differentiators, those things that are just a little different."

Timing is critical

B. Thomas Goodwin, senior VP of Fillmore Hospitality, said timing is the most critical element in a brand-to-independent conversion. The Columbus, Ohio-based company has done "12 to 15" of these conversions, Goodwin said. The latest conversion took place in November, when the company converted the former Hilton San Francisco Fisherman's Wharf to the Pier 2620 Hotel. The 233-room hotel is part of Preferred Hotels' Sterling Hotels soft brand.

"By far, the most challenging part of the conversion was planning and managing the connectivity with all the various technology systems and distribution points," Goodwin said. "It entailed everything from replacing the (property management system) and its connectivity to the (global distribution systems) to dealing with (online travel agencies) and TripAdvisor."

"These transitions took a lot longer than we expected. It's a lot more complex than just flipping a switch or plugging in a cable. The testing of the two-way communications, for example, takes weeks, not hours or even days," he said.

Van Ness said Preferred, which has seven soft brands in its portfolio, has developed a checklist of items operators need to address when shedding a hard brand in favor of independent status. He said the list covers sales, marketing, public relations, social media, e-commerce, purchasing and more.

A hotel's data, especially its guest history files, sometimes pose problems for operators when they choose to convert to an independent.

"It's likely that control of the data is part of the contract with the chain, and the question is often whether the owner retains access to the (hotel's) guest history," Van Ness said. "If (the data)

belongs to the chain, then the owner has to deal with the fact that they were operating as a chain property for 10 or 20 years but no longer have access to that data."

Goodwin said his company wasn't able to retain the hotel's guest history data from its years as a Hilton, but to compensate management beefed up the hotel's sales staff and increased marketing expenditures.

"As we ramp up the hotel we need to be sure we get people coming to our website and checking us out online. To do so, we're doing significantly more advertising, principally online, than we did before," Goodwin said, who added that the effort will go for a year or so, "depending on how quickly the hotel re-stabilizes."

Retaining staff, particularly managers and members of the hotel's executive committee, is another challenge.

"A hotel with a hard brand often has managers who have spent time growing their careers within that chain, so it's a question of whether they'll stay with the hotel or go to another property in that chain," Van Ness said. "These are critical positions—whether it's the GM, or sales people or revenue managers—so it's important to stabilize the situation."

Goodwin said staff retention hasn't been an issue at Pier 2620 because "we concentrated a lot on communicating internally to our staff on who we are, what we stand for, what this new brand stands for. We took time to create some elements that would breathe life into this new brand in the eyes of our staff so they feel they're part of something important."

He also said it's crucial to tie a significant property renovation to the de-branding process. Pier 2620 is in the middle of a two-step renovation. The first phase focused on the public areas, including lobby, entryway, food-and-beverage outlets and meeting space, as well as new bedding, TVs and technology in the guestrooms. The hotel also plans a new fitness facility and club lounge and later in the year a broader-scale renovation of the guestrooms.

"It's important to do these conversions from a position of strength because the last thing you want is for customers to think you lost your flag," Goodwin said. "The renovation helped to get the staff excited about the investment we put into the property and its new direction."

A special leader required

Not all GMs, particularly those who have only worked in branded properties, have the skills and mindset to operate independent hotels, sources said.

"When you come from a chain environment, you often rely on the brand to set the course," Conran said. "An operator of an independent hotel must be able to significantly differentiate the guest experience. They need to be more than a little entrepreneurial and not risk-adverse. They need to say, 'We're a little bit different today, and how can we be a little different tomorrow and the next day.'"

Goodwin believes it's sales and marketing expertise that separates successful GMs at independent hotels from their counterparts at branded properties.

"Many GMs have never had to concentrate so thoroughly on the top line as do GMs at independent hotels," he said. "It requires a very strong sense of sales and marketing and an entrepreneurial approach to the business. It can't be someone who just implements a plan; they must be the drivers of the business."