

NOVEMBER 2014 <<

# LODGING

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**HOW I  
GOT MY  
START**

LODGING LEADERS SHARE  
LESSONS LEARNED  
FROM COMING UP  
THROUGH THE INDUSTRY

COLLECTIVE  
**IDENTITY**  
THE INDEPENDENT  
HOTELIER'S  
GUIDE TO  
SOFT BRANDS

CREATING THE RIGHT  
**ACQUISITION AND  
DEVELOPMENT**  
STRATEGY

**ART ADLER**  
MANAGING DIRECTOR/CEO  
AMERICAS, JONES LANG LASALLE'S  
HOTELS AND HOSPITALITY GROUP

LODGING

# THE SOFT SELL

## The Independent Hotel's GUIDE TO SOFT BRANDS

BY BRUCE SERLEN & THE LODGING STAFF

With Hilton Worldwide launching the Curio Collection in June and Best Western announcing the BW Premier Collection in October, soft brands once again find themselves in the spotlight. Like others of the genre, Curio and BW Premier target independent hotels. Owners of these properties gain access to the brand companies' sales and marketing platforms, including access to their increasingly powerful loyalty programs, yet stop short of actually having to trade in their independent status and become part of a traditional "hard" brand with its often stringent standards. With a soft brand, owners get to retain their properties' independent standing, especially when they feel there's significant value in their hotels' stand-alone name.

These two new brands join Marriott International's Autograph Collection, Starwood Hotels & Resorts Worldwide's The Luxury Collection, IHG's InterContinental Alliance Resorts, Choice Hotels International's Ascend Hotel Collection, and Vantage Hospitality's Lexington Legacy Hotels. Richard Kessler, one of the first owners to sign up his properties for Autograph Collection, cited "the global exposure and reservations potential" in joining. Hotel companies clearly see an opportunity. In launching Curio, Hilton President and CEO Christopher Nassetta noted "the current size of the independent hotel market and demand for differentiated hotel stays."

In fact, much is made of the individual, authentic nature of these properties,

brand entries doesn't seem to be slowing.

"Creating soft brands has been a way for hotel companies to grow without having to compromise the standards of their traditional brands and at the same time generate additional revenue," says Bjorn Hanson, clinical professor at New York University's Tisch Center for Hospitality, Tourism, and Sports Management. The brand companies are also aware that, despite how deeply they have penetrated the marketplace, there are still some people that prefer to book independent properties. Soft brands are a way of capturing this business.

Yet Curio, Autograph Collection, and their counterparts are only one aspect of the lodging industry's soft brands. While they lack an affiliation with a major, multi-brand company, representation companies like Leading Hotels of the World, Preferred Hotel Group, Small Luxury Hotels of the World, and IBC Hotels also target owners of independent hotels. The number of member properties they represent actually may be significantly higher than the brand companies' collections, and the range of properties equally varied.

Hanson, however, points out one key distinction between the two types of soft brand: The representation companies will accept branded hotels as members. In India, for instance, five of the seven member hotels are branded Taj and are part of Taj Hotels, Resorts, and Palaces. The representation companies, meanwhile, do offer member hotels access to

this point, firms like Leading, Preferred, and Small Luxury work hard to burnish their own images. "Membership is often seen as a kind of *Good Housekeeping* seal of approval," Hanson notes.

For owners, it can be more empowering to retain their independent status and still gain access to the distribution platforms and marketing muscle. "There's a certain freedom and prestige that comes with being independent," Hanson says. Soft brands also don't necessarily discriminate in regard to size. Autograph Collection's portfolio includes both a 15-room hunting lodge and the 3,000-room Cosmopolitan.

Costs to join will vary. Much depends on the particular soft brand and location of the property. Typically, owners can expect an initial application fee, which will include a flat fee plus a charge per room. In some cases, there might be a minimum. There may then be an annual membership fee plus marketing, royalty, and reservations fees. Owners also should keep an eye out for extra charges that might be added on for a higher level of service regarding revenue management or social media support.

A big part of the soft brands' appeal is the lure of the loyalty program, especially if the program is one of the industry's largest. But the appeal works two ways. Before IHG had even officially launched InterContinental Alliance Resorts, Las Vegas Sands Corp. had signed up to join on behalf of its Venetian and Palazzo resorts. At the time, Sands COO Michael Leven spoke of the deal being a win for both parties, given that IHG's millions of loyalty program members now could earn points for their stays. Of course, for IHG the deal made sense on a different level: Those millions of members now would have a pair of luxury resorts where they could redeem their points.

Hanson concludes by noting how consumers' view of traditional brands has changed over the years. "There was a time when these brands' rigorous standards were highly valued by travelers," he says. "But these standards can be a negative today, especially to younger travelers. They still like their frequency points but not the sameness associated with brand standards. Soft brands are a way for a hotel company to have flexibility without sacrificing loyalty."

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**BJORN HANSON, CLINICAL PROFESSOR, NYU'S TISCH CENTER FOR HOSPITALITY, TOURISM, AND SPORTS MANAGEMENT**

which explains the frequent use of the word "collection" to describe them. In rolling out Autograph Collection, Arne Sorenson, then Marriott president and COO, spoke of the "distinct life experiences" these hotels would offer. Similarly, Dianna Vaughan, global head of Curio, described the properties chosen as "embodying the fabric of their local community." And the stream of new soft

electronic booking channels, including mobile apps, sophisticated websites, and reservation centers. In some cases, they even maintain their own loyalty programs, though, granted, they're considerably more modest than, say, Marriott Rewards or SPG.

Whether brand company or representation firm, most of the soft brands focus on high-end independent properties. On

# THE BRANDS



## ASCEND HOTEL COLLECTION

Choice Hotels International started the Ascend Hotel Collection six years ago to appeal to owners of upscale hotels that had an independent identity but could still benefit from access to the resources and distribution tools of a major brand company. Today, 125 hotels have signed on worldwide. Ascend properties tend to emphasize authentic, local travel experiences.



## AUTOGRAPH COLLECTION

Early this year, Pier South Resort in San Diego and the Hotel Chicago became the latest U.S. properties to join Marriott International's Autograph Collection. The two brought Autograph's portfolio to 60 hotels and resorts worldwide since Marriott launched the soft brand in early 2010. Roughly half the portfolio is in the United States. More expansion is on the horizon.



## BW PREMIER COLLECTION

In October, Best Western announced its first soft brand offering, the BW Premier Collection. Hotels within the BW Premier Collection will not be part of the official Best Western membership, but they will be listed and can be booked on the Best Western website. Guests will be able to earn and redeem Best Western Rewards points at all BW Premier Collection hotels.



## CURIO—A COLLECTION BY HILTON

Curio—A Collection by Hilton takes its name from the idea of a "museum curator" who curates a selection of distinctive objects. Hilton Worldwide expects to focus on upper-upscale, full-service hotels in locations around the world, the criteria for membership being that each hotel be individual and, therefore, distinctive from one another. To date, two properties have joined, both conversions.



## IBC HOTELS

Billed as a "group of independent hotels for the independent-minded traveler," IBC Hotels is a membership association focused primarily on the economy to upper-midscale industry tiers, though there are exceptions, including the five-star Arizona Biltmore Resort. Out of 6,498 hotels worldwide, accounting for 613,700 rooms, 3,100 (and more than 270,000 rooms) are in the United States.



## INTERCONTINENTAL ALLIANCE RESORTS

IHG launched InterContinental Alliance Resorts in 2010, when it signed an agreement with the Las Vegas Sands Corp. under which IHG would provide access to its marketing programs and distribution channels to the Sands's two mega-resorts: The Venetian and The Palazzo. Combined, the two properties have close to 7,000 rooms.

## GENERAL INFORMATION

- **Brand Launched:** 2008
- **Competitive Set:** Preferred Hotel Group, Small Luxury Hotels
- **Target Customer:** Discerning travelers seeking to connect meaningfully with a culture or community
- **U.S. Properties/Number of Rooms:** 108/9,447
- **In the Global Pipeline:** 27

- **Brand Launched:** 2010
- **Competitive Set:** Curio, Leading Hotels of the World, The Luxury Collection, Preferred Hotel Group
- **Target Customer:** An individualist who seeks out original experiences that feed an inherent sense of adventure and curiosity
- **U.S. Properties/Number of Rooms:** 42/7,000
- **In the Global Pipeline:** 49

- **Brand Launched:** 2014
- **Competitive Set:** N/A
- **Target Customer:** Urban and destination markets around the world
- **U.S. Properties/Number of Rooms:** N/A
- **In the Global Pipeline:** 0

- **Brand Launched:** 2014
- **Competitive Set:** Autograph Collection
- **Target Customer:** Travelers who seek local discovery and authentic experiences
- **U.S. Properties/Number of Rooms:** 2/1,798
- **In the Global Pipeline:** 6

- **Brand Launched:** 2008
- **Competitive Set:** Best Western, Comfort Suites, Days Inn, Fairfield, Hampton, Holiday Inn, Microtel
- **Target Customer:** Business and family leisure
- **U.S. Properties/Number of Rooms:** 3,100/270,000+
- **In the Global Pipeline:** Not disclosed

- **Brand Launched:** 1946
- **Competitive Set:** Fairmont, Grand Hyatt, JW Marriott, W Hotels, Westin
- **Target Customer:** Business and leisure travelers
- **U.S. Properties/Number of Rooms:** 51/17,448 (Americas)
- **In the Global Pipeline:** 51

## FEES

- **Initial:** \$375/room, \$30,000 minimum
- **Membership:** 4%
- **Marketing and Reservation:** 2.5%

- Application is the greater of \$60,000 or \$200 per key
- **Royalty:** 5% of gross room sales
- **Marketing:** 1.5% of gross room sales

- Commission-based

- **Application:** \$75K + \$400/room (+250 rooms)
- **Royalty:** 5%
- **Program:** 4%
- **Localty:** 4.3%
- **PIP:** \$7,500

- 10% only for IBC-generated and consumed reservations

- **Royalty and Marketing:** 7%-9% of GRR plus the application fee of \$500 per guestroom but not less than \$60,000-\$75,000. (Note: InterContinental Alliance Resorts falls under the InterContinental Hotels & Resorts umbrella. Chart info refers to InterContinental Hotels & Resorts.)



## THE BRANDS



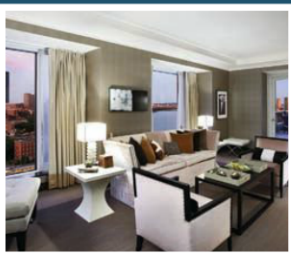
### LEADING HOTELS OF THE WORLD

In business since 1928, Leading Hotels of the World today represents more than 430 luxury hotels of which 36 are in the United States. The U.S. roster ranges from the Hotel Granduca in Houston to the Hutton Hotel in Nashville, Tenn. A recent addition to the U.S. portfolio is the new Knickerbocker in New York. Two categories of Leaders Club membership (for which travelers pay an annual fee) provide a range of benefits from airport transfers to room upgrades.



### LEXINGTON LEGACY HOTELS

Vantage Hospitality established Lexington Legacy Hotels and its sister Lexington Legacy Inns as extensions of its Lexington Hotels brand. Non-branded hotels and inns interested in maintaining their independent status are invited to join. In return, they will have access to Vantage's distribution and reservations resources. Lexington Legacy Hotels's U.S. portfolio includes D Las Vegas Casino Hotel and Lions Gate Hotel & Conference Center in Sacramento, Calif.



### THE LUXURY COLLECTION HOTELS & RESORTS

When the Excelsior Hotel Gallia in Milan joins The Luxury Collection this fall, it will take its place beside high-end properties in Odessa, Ukraine; Gurgaon, India; and Hangzhou, China, among other recent additions to the Starwood Hotels & Resorts Worldwide soft brand. Dating back to 1906, when it was founded as part of the Italy-based CIGA brand, The Luxury Collection today counts 85 properties in its portfolio, representing 30 countries.



### PREFERRED HOTEL GROUP

The Preferred Hotel Group provides marketing and distribution support to more than 650 luxury hotels and resorts in roughly 85 countries. The company is composed of six related business units, the most prominent being Preferred Hotels & Resorts. One unit, for example, specializes in boutique properties. In the United States, the portfolio ranges from The Montage Beverly Hills to The Sherry Netherland in New York.



### SMALL LUXURY HOTELS OF THE WORLD

Celebrating its 25th anniversary next year, Small Luxury Hotels of the World represents 520 hotels worldwide in more than 80 countries. The portfolio, which targets affluent travelers, ranges from hotels and resorts to country houses. SLH's Club program has more than 350,000 consumers signed up, the majority in the desirable 35-to-54-year-old demographic. In the United States, SLH counts 29 hotels as members.

## GENERAL INFORMATION

- **Brand Launched:** 1928
- **Competitive Set:** Preferred Hotel Group, Small Luxury, Relais & Chateaux
- **Target Customer:** Frequent international luxury travelers and rising luxury travel
- **U.S. Properties/Number of Rooms:** 36/9,229
- **In the Global Pipeline:** 0

- **Brand Launched:** 2013
- **Competitive Set:** Ascend
- **Target Customer:** Leisure, business, and group travelers
- **U.S. Properties/Number of Rooms:** 2/760
- **In the Global Pipeline:** 5

- **Brand Launched:** 1906
- **Competitive Set:** Autograph Collection, InterContinental, Waldorf Astoria
- **Target Customer:** Discerning adventurers, affluent global travelers
- **U.S. Properties/Number of Rooms:** 13/3,948
- **In the Global Pipeline:** Not disclosed

- **Brand Launched:** 1968
- **Competitive Set:** Autograph Collection, Curio, Leading Hotels of the World, The Luxury Collection, Small Luxury Hotels, Worldhotels
- **Target Customer:** Transient leisure, corporate individual, association, and group segments who seek a one-of-a-kind hotel experience that delivers the authenticity of a destination
- **U.S. Properties/Number of Rooms:** 213/49,663
- **In the Global Pipeline:** 41

- **Brand Launched:** 1990
- **Competitive Set:** Design, Leading Hotels of the World, Preferred Hotel Group, Relais & Châteaux
- **Target Customer:** Affluent luxury travelers
- **U.S. Properties/Number of Rooms:** 29/2,012
- **In the Global Pipeline:** 50-60

## FEES

- Not disclosed

- **Application:** \$3,000
- **Initial:** \$27,000 + \$200/room over 80 rooms
- **Monthly Royalty:** \$35/room or 4% gross revenue; \$2,800 minimum
- **Monthly Marketing:** \$20/room; \$1,600 minimum

- **Initial:** \$85,000
- **Royalty:** 5% of GRR
- **Marketing:** 1% of GRR (capped at \$450K)

- Predominantly a pay-for-performance structure. Approximation:
- **Application:** \$100-\$150 per room
- **Royalty (annual):** \$150-\$350 per room
- **Marketing (annual):** \$10,000-\$20,000
- **Percentage of GRR:** 1.5% to 2.5%

- **Initial:** \$24,150
  - **First 20 Rooms:** \$22,339; each additional room: \$274 (up to 150 guestrooms)
  - **GDS Transactions:** 6% plus \$3.54 transaction fee
  - **Internet Transactions Via Travel Agency:** 6% plus \$3.54 transaction fee
  - **All Other Direct Internet Transactions:** 10%
- Contact SLH ([www.slh.com](http://www.slh.com)) for additional fees.