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TRAVEL WEEKLY

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BARRY LIBEN

**KING
OF THE CONTRARIANS**

The CEO of Travel Leaders Group reigns over a \$17 billion empire comprising a third of U.S. retail agencies — success he credits to camp-counselor people skills and bucking accepted retail wisdom.

BY KATE RICE **PAGE 16**

[ILLUSTRIOUS SPEAKER ROSTER DRAWS RECORD ATTENDANCE]

Wielding technology star power, PhoCusWright dazzles, informs

By Kate Rice

HOLLYWOOD, Fla. — The PhoCusWright Conference, which each year stands at the intersection of travel and technology, last week opened for the first time without its founder and perennial frontman, Philip C. Wolf, on Center Stage.

Wolf, who sold PhoCusWright to Northstar Travel Media (publisher of Travel Weekly) in June 2011, retired from the company earlier this year.

But the show went on, with its trademark razzle-dazzle staging, an unmatched roster of speakers and its biggest-ever crowd — more than 1,644 attendees, an increase of about 180 over last year.

The event had traditionally kicked off with Wolf's monologue, but new Managing Director Tony D'Astolfo made his debut on

Center Stage with a "dialogue."

"What won't change" about PhoCusWright, he said, "is the pace, the banter, the theater, the setting or the spontaneity."

True to that pledge, what followed was the event's traditional mix: the provocative, the philosophical and the bullish.

Mark Mahaney, managing director of Internet research for RBC Capital Markets, said that Expedia and Priceline are still seeing up to 30% growth rates in mature markets such as North America and Europe, "so, global players with exposure should be able to sustain real premium growth."

Mahaney also cited the growth of mobile and of same-day and last-minute bookings, as well as the entrance of alternative accommodation and transportation models such as Airbnb and car-sharing as evidence of "great growth factors" for the industry.

Sam Lessin, Facebook's director of product management, took a "Back to the Future" approach, saying that until relatively recently

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Thanks to tech and online review sites, indie hotels can keep pace with brands

By Harvey Chipkin

Despite their lack of branding power, independent hotels are very much in the game these days thanks to technology and social media services that level the playing field.

Recent data from STR, the hospitality industry statisticians, reveals that in the upper-upscale category — brands just below luxury, on par with Marriott, Hilton and Westin — independent hotels command a significant premium when it comes to average daily rate (ADR).

Over the past few years, independents have enjoyed an ADR premium ranging from \$9 a night in the depths of the recession to about \$13 in recent months. When it came to group bookings, independents commanded an ADR premium of about \$8.

In terms of occupancy, independents did

lag brands in the upper-upscale category by 6 to 7 percentage points, but as STR Senior Vice President Jan Freitag pointed out, "Any hotelier would prefer to see that rate premium, because it is ADR that makes hotels more profitable. There are expenses associated with higher occupancy as far as labor and other factors."

Interestingly, the STR research also revealed that independents' rates had recovered fully to prerecession levels, while brands' rates had not.

Analysts agree that there is strength in the independent segment.

"With search optimization in the hands of every property (and many consulting firms who serve independents), the Web is, more than ever, the great leveler," said Donna Quadri-Felitti, associate professor at

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TRAVEL WEEKLY

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The Eau Palm Beach Resort & Spa recently dropped its Ritz-Carlton branding.

INDEPENDENTS

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New York University's Tisch Center for Hospitality, Tourism and Sports Management. "Reservations systems have been the powerhouse engine of brand conversions in the past, but today there are so many more options for the independent operator. Brands have done a great job of teaching the owner about the complexities of distribution and marketing in the travel business."

At a conference conducted by the Hospitality Sales & Marketing Association International (HSMAI) earlier this year, Andrew Mantis, group head for merchant information services for MasterCard Advisors, said, "The interest in independent hotels is rising, particularly among younger travelers. ... Independents are doing very well against brands. There is a back-and-forth cycle as far as whether brands or independents are doing better, but the strength of independents is surprising."

Mantis' insight derived from data that MasterCard Advisors collects for merchants.

One sign of the emergence of independents is that the first Independent Lodging Congress is being held this month in Philadelphia. According to a statement on the group's website, "Independent and boutique hotels are gaining prominence in American cities, yet their unique advantages and operation often go undiscussed in today's brand-dominated hospitality industry."

A big plus for independents, say operators in that category, is that franchise, marketing and other fees make it too expensive

in many cases to take on a brand affiliation. If an independent hotel can drive financial results similar to those of a brand hotel, they find themselves ahead of the game.

James Simkins, COO of Personal Luxury Resorts & Hotels said, "What typically happens with a well-managed independent is that the hotel will start a little slower than a big brand, because they don't have that reservation faucet to turn on. But within three years, they will be running ahead of the big brands."

One network of independent hotels has also published research recently demonstrating the staying power of that segment. Preferred Hotels Group commissioned industry consultants HVS to measure and compare the performance of more than 200 Preferred hotels in North America to their competitive sets between 2009 and 2012.

Analyzing STR data, HVS found that the Preferred members enjoyed an ADR almost 12% higher than their branded competitive set. This reflected hotels in multiple price categories — upscale, upper upscale and luxury — all of which are affiliated with the Preferred network.

The HVS research also covered the cost of being a member of an independent network like Preferred against being a brand affiliate. In aggregate, the total fees payable under a Preferred affiliation were less than half the average for first-class brands.

Tech is the game changer

Interviews with independent operators suggested three key reasons for the strength of the independents.

First was that they have the opportunity to affiliate with groups like Preferred.

Second was the fact that Internet review sites have gained such power among traveling consumers. And, third, it's because hotels are displayed on online travel agencies (OTA) in "agnostic" fashion, enabling consumers to compare branded and non-branded hotels on the same page.

Bob van Ness, Preferred's executive vice president for the Americas, said, "We're beyond arguing that TripAdvisor or Expedia aren't major factors in hotel distribution. It comes down to what the costs are for those channels."

Thomas Goodwin, senior vice president for Fillmore Hospitality, a portfolio containing multiple branded and inde-

pendent hotels, said, "The big challenge for independents has been building credibility and consumer confidence. As hotel reviews have become transparent, that whole world has changed. The democratization of reviews is the best thing that has ever happened to

great hotel operators."

And it has changed the very nature of hospitality marketing, he said.

"It's so much easier to show up through search engines and through hotel reviews, and you can really communicate what your value proposition is and give people the confidence to pay for that," said Goodwin. "It changes the way you operate a hotel. We have realized that the most effective marketing expenditures come not necessarily from advertising but from giving a great experience. Reviews drive a lot of demand."

Even so, the decision to be brand-affiliated or independent is complex.

"It's up to an individual hotel operator to figure out what makes sense, because you can't say if one is better than the other," Freitag said. "On the surface, a central reservation system and a loyalty program will certainly drive reservations."

What's more, despite the strengths of the independents, Goodwin admitted, "It's possible we would convert an independent back to a brand."



Bob van Ness
Executive V.P.,
Americas
Preferred Hotels



The lobby of the Joule Dallas, part of the Preferred Hotels Group network.



Thomas Goodwin
Sr. Vice President
Fillmore Hospitality

Control counts

In large part, hotels become independent or remain so because it gives them more control over their product.

"Entrepreneurship is key," van Ness said. "Someone who wants to have more control of how they operate their own hotel will remain independent."

Besides, as Simkins pointed out, "The prime brand is always the hotel itself, and so the hotel needs to assume the character of a destination and assume a meaningful role within that destination. That does not lend itself to brand standards, and we do not even use the word 'standards' because they imply a cookie-cutter approach."

"Brands are making progress, with products like Andaz and Indigo moving in this direction, but there are still restraints because brands control between 80% or 90% of a hotel's spend, and the marketing, fees and advertising are not always in the best interest of the property."

Those arguments strike home with John Bradway, director of marketing for the Eau Palm Beach, which recently dropped its Ritz-Carlton branding.

Independence, Bradway said, "gives us the freedom to be more creative, to create customized guest experiences. It's been only a couple of months, but we immediately changed some things, like introducing a weekly general manager's reception and greeting guests at check-in with herb-infused cold towels and Champagne. It's about having fun and being whimsical, and we can do that better as an independent."

Driven by demographics

There are several demographic factors behind independents holding their own.

"All the studies you see today show that travelers are looking for a different kind of experience," van Ness said. "Chains were created around the idea of safety and consistency, and that can now be observed by checking out review sites or looking at a hotel online. The No. 1 thing people are seeking now is something different. Younger travelers, in particular, are looking for the contemporary and unique, which they are more likely to find with independent properties."

Many portfolios for management and development companies alike include both branded and independent hotels, with the chosen model often depending on the individual market.

Typical is Goodwin's company, whose collection includes Hilton, Starwood and Marriott properties. However, the company recently deflagged a branded hotel in San Francisco and renamed it Pier 2620.

"We saw an opportunity to create a unique experience that's appropriate to the local environment and highly relevant to the destination," Goodwin said. "When visitors come to San Francisco, they are not coming to eat in a hotel restaurant, and by doing this, we were able to invest elsewhere than in our [food and beverage] infrastructure. We opened a craft cocktail bar, and it doubled the previous revenues on the first night."

What the agent needs to know

Independent hotels do offer agents one more option to consider when qualifying clients.

Goodwin said: "If somebody is going

to an agent, they are really invested in the trip, and the agent has the ability to provide more value to the client if they can offer up a unique experience. There is almost no risk to an agent who books a big brand — they do a great job, and you know what you will get — but you can exceed client expectations if you can book them into something they wouldn't have found on their own."

The long debate about brands vs. independents is becoming murkier with the

emergence of "soft brands" like Marriott's Autograph Collection and Choice's Ascend, both of which allow independent hotels to retain their names and avoid branding fees, while placing them on major reservation-distribution networks.

Alluding to such hybrids during a panel at a recent conference of the International Society of Hotel Consultants, Bruce Baltin, senior vice president for PKF Consulting, observed, "I'm not sure what a brand is vs. an independent at this point."



The Pier 2620 Hotel at Fisherman's Wharf in San Francisco.

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