

The New 'lifestyle' Hotel Brands Are Changing The Hotel Industry And Hotel Mixed-Use - By Jim Butler, author of www.HotelLawBlog.com

2007-04-02

Miraval: The health and wellness lifestyle brand

What is a hotel lifestyle brand? That is a great question and one with some profound implications that we will explore a bit today. I would like to do that using Miraval -- one of the new lifestyle brands -- as something of a "case study."

Hotel lifestyle brands have become extremely important. We have talked about this important phenomenon on www.HotelLawBlog.com before, and because of its continuing landmark importance, will continue to do so for some time. What is special or different about these new brands? What makes them so important? Why do they seem to have such a major role in the future of our industry?

What is special or different about lifestyle brands?

First of all, it is important to realize that the new lifestyle brands are just that -- brands. Brands have never been more important in the hotel industry as a way of providing hotel guests with a guarantee that certain minimum expectations will be met.

It has usually taken years, perhaps decades to establish a brand. It also usually takes many millions of dollars. Establishing consumer name recognition and trust is normally a long and expensive process. But the new lifestyle brands seem to have jumped over these hurdles of time and money, establishing relatively quick consumer recognition and trust.

Often brands are used to distinguish commodities. Why distinguishes Quaker oatmeal or Uncle Ben's rice from the supermarket's generic brand? Some would argue that hotel brands have too long given their names to homogenous, indistinguishable, commodity-like product. They might as well have oatmeal or rice.

What is different about a Marriott, Hilton, Starwood, Carlson or InterContinental hotel room product? For many years, the answer has been "nothing." In fact, one day a hotel might be one brand and the next day another. Who can blame the consumer for finding the product to be a commodity with little or no distinction other than the color of the sign or the frequent traveler program that it provides?

The lifestyle brands have changed that! At least the real ones have. Virtually by definition, they appeal to a particular demographic, and have unique design, amenity, configuration and functionality that better serves the target demographic. But it is more than just "art" or design, though that is often a part of it.

Miraval as a case study of hotel lifestyle mixed-use.

As many of the experts speaking at The Hotel Developers Conference(R) testified, hotel mixed-use can provide the necessary "IRR Premium" that justifies and supports new development. (See, Hotel Lawyer Live from The Hotel Developers Conference (TM) in Rancho Mirage and Hotel Mixed-Use" . . . pass key to unlocking new development and bigger profits?)

When we refer to "lifestyle" hotel mixed-use projects, we are not necessarily referring to projects by or for the "the rich and famous." But in the case of Miraval, some of the rich and famous are definitely involved -- for reasons that are seem a bit thought-provoking. On www.HotelLawBlog.com, I have discussed why certain celebrities have jumped on the hotel mixed-use bandwagon. The big names include hall-of-famer Reggie Jackson (Reggie Jackson Hotel, Conference Center and Baseball Hall of Fame?), Bill Gates and Prince Al Waleed (Why are Bill Gates and a Saudi Prince buying Four Seasons Hotels now?), Paul Allen (What does Microsoft's Paul Allen have in common with Donald Trump?), Shaquille O'Neal (Hotel-Enhanced Mixed-Use Gets a Lift from Shaquille O'Neal), Donald Trump (Trump's luxury residential mixed-use project in Hawaii sells out in 8 hours. New sales record claimed), Magic Johnson (Hotel Mixed Use -- Magic Johnson's latest billion dollar bet), Andre Agassi and Steffi Graf, and AOL founder Steve Case (Making the World Ready for Agassi Resorts).

I first mentioned Steve Case on September 9, 2006, when Andre Agassi and Steffi Graf teamed up with him and his luxury residence club, Exclusive Resorts. At that time, I wrote: "In extending the lifestyle offering concept of Exclusive Resorts, Case said that Agassi-Graf Tennis and Fitness Centers will be built at a number of the Exclusive Resorts sites." About the same project, Agassi is quoted in the September 26, 2006 Washington Post saying: "I spent a lot of my time working to affect people for a few hours on the tennis court. It's the real lifestyle impact that's up my alley now."

Lifestyle impact?

What is Agassi talking about and why did he team up with Case? What is Case up to, with Exclusive Resorts and with his Miraval brand? How does Miraval impact the hospitality industry and the development of hotel mixed-use properties?

In my last posting on "Lifestyle hotel mixed-use," I discussed how hotel mixed-use projects that integrate their uses into a unique lifestyle offering are reaping rewards -- like the Hotel Valencia Santana Row getting 150%-180% RevPAR penetration (i.e. more than 150%-180% of its "fair share" of the competitive set).

Certainly Case intends to reap rewards with Miraval. Shunning the "large portfolio" approach to investment, Revolution buys control of the few companies it believes can become the transformative leaders in their sector. Case believes Exclusive Resorts is one such leader, and Miraval is another. Indeed, Miraval has staked out a unique territory with their lifestyle concepts at the Miraval Life-in-Balance resort in Tucson, and at their Miraval Living residences in New York City.

Miraval Life-in-Balance

While the hospitality industry may view "lifestyle" as the spark plug for mixed-use that attracts and stimulates a certain market segment with activities such as dining, shopping and fitness -- Miraval Life-in-Balance takes the "lifestyle" concept further to include experiences that affect guests' way living, long after their stay. While the parent company, Revolution, is about leading change in business sectors, Miraval is about triggering change in individual lives.

Miraval's flagship resort in Tucson is consistently rated the #1 Destination Spa (SpaFinder Magazine, Travel + Leisure, Zagat Survey, Conde Nast Traveler). But it is, in fact, much more than a "resort spa." Its lifestyle offerings include 150 programs and activities including meditation, yoga, creative expression, challenge activities, adventure activities, and a wide range of educational offerings. Each activity "provides an opportunity to bring life more fully into balance." At The Hotel Developers Conference (TM) earlier this month, Miraval's Dan Hirsch explained it this way: "It is not unusual for our customers to share a 'change experience' at our properties -- something they tell their friends about."

The Miraval philosophy is one of balance and choice. Putting guests in control is critical to the Miraval experience. In fact, Revolution, Miraval's parent company, is about "ushering in revolutionary change by giving consumers more choice, control and convenience." Who doesn't want that? And it seems that a sizeable market segment is willing to pay for it.

At The Hotel Developers Conference(TM), Dan Hirsch also described the lifestyle offerings of Miraval's new resort in Punta Cacique, Costa Rica, scheduled to open in 2009. Miraval intends to bring its Life-in-Balance experience to beachfront, mountainside, lakeside, and exotic locations -- both domestically and internationally. Additionally, Miraval seeks to acquire existing properties around the world that can be renovated and repositioned as Miraval Resorts, with the ability to add a residential or vacation ownership component to the development. Miraval Holding LLC is currently seeking development partners who are interested in collaborating on their unique projects.

Miraval Living

In what might be called a logical brand extension, Miraval is expanding its mission from a resort location to an ongoing lifestyle -- from a vacation to a way of life. Miraval is now developing "lifestyle communities" for permanent residents -- Miraval Living. The first Miraval Living property -- on the Upper East Side -- is the result of a team effort by Miraval Life-in-Balance, Zamir Equities, and C&K Properties.

The Miraval Living community offers residents a lifestyle that is integrated with mixed-use elements that include a café, garden, pool, spa, fitness facilities and a creative arts studio. It is also integrated with activities that include "nutrition, fitness, relaxation, renewal, self-discovery, creative arts" and (my favorite) "fun." Who doesn't want a lifestyle that includes these things? Add to that an advisor to help integrate them in to your personal lifestyle -- also available at Miraval Living!

Miraval Living plans to develop communities in other urban settings.

Miraval: the Health and Wellness Brand

Steve Case is a big believer in brands. After building AOL into a brand with worldwide recognition, and reaping the benefits, why wouldn't he be? Revolution LLC intends to build Miraval into a leading "health and wellness" brand. In addition to Miraval Life-in-Balance and Miraval Living, Revolution LLC envisions expanding the Miraval brand to include lifestyle products in food, beverage, beauty, body and health, and nutritional supplements. Already, Miraval has used the hotel mixed-use concept as an opportunity to create unique lifestyle experiences that are synonymous with health and wellness. Why not consumer products?

The hospitality industry is down to just a handful a major hotel brands, and many of us in the industry welcome the infusion of energy and ideas that a new brand brings to the market. But the biggest beneficiaries of a new brand will be consumers, who will have more choices, more control and more opportunities to explore the lifestyles they seek. Miraval's lifestyle offerings are already impacting hotel mixed-use development -- and it will be quite interesting to see how they grow their health and wellness brand.

I think it is remarkable that Miraval has been able to establish a legitimate brand that is relevant and connects with such a significant demographic. I have been impressed at how many developers attending The Hotel Developers Conference(R) are considering Miraval for their hotel mixed-use project and are actually making contacts with them now to explore the viability of this relationship. I expect that we will see a lot more of these connections being made at Meet the Money(R) in Los Angeles on May 3, 2007. For more information, go to www.MeetTheMoney.com.

About the Author



Jim Butler is recognized as one of the top hotel lawyers in the world. He devotes 100% of his practice to hospitality, representing hotel owners, developers and lenders. Jim leads JMBM's Global Hospitality Group(R) -- a team of 50 seasoned professionals with more than \$40 billion of hotel transactional experience, involving more than 1,000 properties located

around the globe. In the last 5 years alone, they have brought their practical advice to more than 80 "hotel-enhanced mixed-use" projects, a term Jim coined to fill a void in industry lexicon. This term describes one of the hottest developments in real estate-where hotels work together with shopping center, residential, office, retail, spa and sports facility components to mutually enhance the entire project's excitement and success.

Jim and his team are more than "just" great hotel lawyers. They are also hospitality consultants and business advisors. They are deal makers. They can help find the right operator or capital provider. They know who to call and how to reach them. They are a major gateway of hotel finance, facilitating the flow of capital with their legal skill, hospitality industry knowledge and ability to find the right "fit" for all parts of the capital stack. Because they are part of the very fabric of the hotel industry, they are able to help clients identify key business goals, assemble the right team, strategize the approach to optimize value and then get the deal done.

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This article comes from Hotel News Resource

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