

I'll have the room that matches my dress please - By Lorenza Alessie

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There is an emerging group of guests who are looking for more individualized hotels. In response, hotel operators and developers have created new brands or partnered with well established brands to differentiate themselves from the competition.

In the 1980s and 90s consumers demanded that big chains offer consistently high levels of service wherever they may be. The industry responded to this by creating standardized cookie-cutter hotels - comfortable and convenient hotels which were the same throughout the world so that repeat guests knew what to expect in any location. Even if many travelers, especially business travelers, at the end of the day are still only interested in a standard clean room with a comfortable bed and good service, there is an emerging group of pro-niche and anti-chain guests who are craving something more individualized than the conventional 'one shape fits all hotel'. They are looking for a so called 'experience' or 'lifestyle' destination. In response to this trend, there has been a boom in boutique, design oriented, hotels which try to challenge the mainstream. The problem is that there has come a point where there are so many design hotels that they no longer challenge the mainstream - they have become the mainstream, so operators and developers have had to re-think how to differentiate themselves.

In a world where branding is stronger than ever, it only seems logical that hoteliers have come to the conclusion that a good way to escape the mainstream is to work with established brands. Those that don't follow the trends, but which create the trends. Brands that will immediately communicate the right message and attract the right target market without having to spend millions on marketing campaigns. Hotel operators and developers have seen particular synergy with big name fashion icons.

Hoteliers started off shyly, about a decade ago, operators would simply include one designer 'Bvlgari Suite' or 'Ferragamo Suite' and would add branded bathroom amenities. Today however some hotel operators have decided to brand their entire hotel. Missoni and Bvlgari are some of the titans of fashion and luxury goods who have joined forces with established operators, respectively Rezidor and Ritz-Carlton. From a marketing point of view, it is a perfect win-win situation for both hotel operators and designers. For hotel operators, such as Ritz-Carlton, clients know what to expect from a Bvlgari hotel and, as for their jewelry and luxury fashion goods, they are ready to pay a premium for a Bvlgari named and designed hotel. For Bvlgari, the hotel is a great big advertisement for its brand right in the middle of their niche crowd. Not only will they be able to advertise their brand with the hotel guests, but also with the other trendy and design oriented customers who come to the hotel to enjoy the hotels bars, restaurants, lounges and spa.

Not all famous designers work with the big names in the hospitality industry, some work independently. One of the first designers to leverage the brand beyond the catwalk was Versace, with the opening of Palazzo Versace in Australia. Other big names such as Ferragamo have also branched out into hotels but have chosen to take a more subtle approach and brand their hotels 'Lugarno Hotels' with their presence mostly behind the scenes. Other designers such as Armani have decided to work together with a real estate developer, in this case Emaar, to develop together the Armani Hotel and Residences brand.

Today's fashionistas are not the only ones who are lending their names to hotels - celebrities are also entering the game. Most recently Jay-Z invested in a hotel real estate venture, J Hotels, with the first hotel opening set for New York. Retail companies are also entering the hospitality sector. Golden Tulip and IKEA are jointly building and designing a Tulip Inn in Delft close to the IKEA Concept Centre which is expected to open at the end of this year. IKEA Systems owns the hotel while Golden Tulip will manage it under the Tulip Inn brand. For the moment this is a one off development with the ambition to further this initiative and to look at more strategic cooperation possibilities with IKEA designs and locations. Scandic has also partnered up with IKEA to develop a hotel in Moscow owned by IKEA, but operated by Scandic. Among airline companies, easyJet, which branched out not too successfully into other service industries, is also looking to develop branded easyHotels in the Middle East together with Istithmar for just US \$30 a night. Maybe it will not be long before we see an Apple iHotel or a Zara Hotel and who knows, maybe even a white label Tesco hotel!

Extending well established brands into hotels makes perfect sense. The message of the brand is clear. The message an easyJet branded hotel communicates is 'a no frills hotel at the lowest possible price with pricing depending on supply and demand'. An IKEA hotel message would be 'well-designed hotels at the lowest possible price'. An Armani hotel communicates 'elegance, luxury and style'. Aside from immediately communicating a clear message, these brands have a loyal customer base that will most likely be interested in experiencing their hotels or who will at least have the curiosity to find out more about them.

Extending brands into other industries is nothing new, consumer goods companies have been working with established brands for years to effectively market a new product. For example, consumer companies have partnered with celebrities such as J-Lo and the Beckhams to market new perfumes.

Some may question the real success of these branded hotels since none to date have really developed to be a true success story in any significant scale. Bvlgari so far has two hotels in operation and a few more in the pipeline and Palazzo Versace is opening only its second hotel in Dubai at the end of next year. On the other hand, this really is a new trend and the lack of development of these two brands may be due to their strategy or concern over bottom line results due to the high costs in developing and managing such hotels, rather than the lack of strength of their brand in this sector. When we asked the Bvlgari Group why growth has so far been slower than expected, Bvlgari stated 'the group is currently scouting new prestigious and exclusive locations in London, Rome, Paris, New York, Tokyo and resort destinations worldwide. Nevertheless, there is not a

strict timing, since it is not important how long the whole process will take, but the final result the Company wants to achieve'. If we take Missoni, Armani and IKEA it is incredible that without even having one hotel opened, so many people already know about their hotel projects. However it is true that the real success of this new trend will only be seen in at least 5 years from now when these projects will have become a reality.

Having said this, where does this leave the 'unbranded branded' hotel? In response to guests wanting cutting edge design hotels, some hotel operators decided to create their own new brands instead of partnering with established brands. How easy will it be for these companies, companies such as InterContinental Hotels Group, to establish their new brand Indigo compared to their 'branded' competitors? In 1998, Starwood did a great job establishing its W brand - which differentiated itself from other hotels by offering affordable, hip, and stylish hotels which became a meeting point for the young and trendy. However, we are seeing more and more new brands coming up and the number of untapped niche markets shrinking. Competition in this sector will become increasingly more aggressive and effectively establishing new brands will be a progressively more difficult task. It is hard to say what the bottom line results of developing an in-house brand are compared to partnering with a brand since this depends on a number of factors including the type of deal and the cost of the hotel that is being developed. What is certain is that while most hotel groups take a number of years and several hotels to develop a recognizable brand name in the hospitality industry, Versace and Bvlgari did it with only one hotel and other others such as Armani simply with a blueprint.

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