

BRAND VS. INDEPENDENT

Show Me the Value



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Since I had to keep this short, I thought the best way to convince you not to put a franchise on your hotel would be to list all of the hotel brands and let the list speak for itself. I could be done writing at this point. Most – in fact almost all of them – aren't very good. Yes, there are a handful of good brands and they have something that the poor franchises don't: brand loyalty. A large following of customers who actually like the brand and will go out of their way to stay there. If you can get one of these franchises, then it's probably a good idea to do so. Otherwise, consider becoming an independent hotel and avoid getting what the poor chains have to offer: brand baggage.

If my colleague writing the other side of this issue focuses on one of the few great brands, I'll concede her point. They can add value, not at the highest end of the market, where it's been shown time after time that the truly unique luxury properties are worth more without a brand, but in the upper-scale business class hotels. Here, the great brands have value.

The issue is that the great brands are frequently not available and as an owner you may settle for one of the lesser brands. But recognize that they come standard equipped with brand baggage – poor quality controls, inconsistent service levels and product offerings, poor management, ineffective or no brand marketing and senior management that is motivated by the brand's bottom line, rather than by the success of the properties within the brand. What is even more distressing for the property owner is that these poorly managed franchises will charge as much as the great brands. Not only will they hit you for large initial fees and hefty ongoing charges for little return, but they also demand stringent liquidated damages clauses that make it economically difficult to get rid of a failing brand. In effect, you have to pay them to go away for doing a poor job. And what if the brand wants to get rid of you? Don't think for a moment that you own the franchise. At best you lease it. If the brand can get another investor to build a newer or better-located hotel, they could strip you of the franchise. If the brand can dream up a new hotel niche product that doesn't compete with you, they will put one in your backyard. Doesn't compete? Yeah, right.

With all of these negatives why would anyone choose to operate with brand baggage? Historically, even though the brands were bad, you needed them to reach the market

through the global distribution system (GDS) and the Internet. Now these distribution channels are within the reach of almost every hotel operator and consumer. The hotel operator can either internally hire the expertise necessary to successfully compete on the Internet or can farm it out to a third party at a fraction of the brand costs. And if the third-party company is not effective, the hotel operator can fire them and find a new one, without suffering tens or hundreds of thousands of dollars in liquidated damages.

The successful independent hotel can also do a superior job of showing potential guests what to expect on their Web site. Don't believe me? Take a look at some of the major brand Web sites. Follow the link to their one-size-fits-all property listings. Excited about staying at these properties—or bored to tears? Now search some Web sites for independent hotels. Do you see a difference? Do you have a better sense of what the hotel offers and what you can expect from your stay? The Internet has changed everything and this is just the beginning. The playing field will shift and change daily over the coming years. The nimble independent operator can exploit these changes far better than the large, consensus-driven hotel brand. As my old boss used to say, "The train is leaving the station. Be on it or under it."

And the brands will tell you that their name recognition will get the drive-up guest in your door. That all depends on the level of brand baggage. A national brand does not automatically mean a positive guest image. The independent hotel operator cannot underestimate the importance of curb appeal. The hotel must look attractive and inviting to everyone passing by. The signage must look professional and every aspect must convey a serious, well-run venture. If the independent operator takes this to heart, they will get their share of drive up demand. Otherwise, the guest will choose brand X, with all of its brand baggage, rather than taking a chance on the independent.

Brands have historically dominated the lodging industry. This dominance was so strong that even the bad brands were able to succeed, at least at the corporate level. With the recent changes in the distribution channels through the Internet, this level of dominance has been broken. More independent properties can now compete successfully – without a national brand, without paying exorbitant fees and without carrying brand baggage.

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