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Amy Hulbert and Senior VP,
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Creating a new identity, choosing a different brand flag, or repositioning can help revive struggling properties. Now is the right time for hotel owners to consider a brand overhaul to rescue their outdated assets, capture new customers, raise rates, and start fresh with a new personality and style.

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As the U.S. lodging industry continues to recover, more hotel owners are in a better financial position to invest in property improvements. Smart renovations can help owners stay within their financial means while getting the biggest bang for their buck.

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Brand



REHAB

OUTDATED HOTELS ARE RENOVATING, REFLAGGING, AND REPOSITIONING THEMSELVES WITH NEW IDENTITIES THAT ATTRACT MORE BUSINESS

by Deidre Wengen



..... A renovated guestroom at the recently rebranded ONE UN New York.

When Grace Leo helped the former Millennium UN Plaza Hotel create a new identity, she knew it needed to be stylish, sophisticated, and sexy. But more than anything else, the new brand had to be memorable.

In September, Millennium completed the first phase of an extensive three-part renovation of the Manhattan property. The company invested \$30 million into the West Tower, making over the 154 rooms from top to

bottom, adding a lobby café, and revamping the public spaces. With the completion of the West Tower renovation, the property, which sits directly across from the United Nations building, redefined itself with a new name, ONE UN New York. “The name change gave the hotel its own unique identifier outside of the Millennium brand,” says Leo, global positioning expert and CEO of G.L.A. Hotels. “This rebranding will cleanse the hotel’s image from the past and help position it immediately in people’s minds.”

Creating a clearly defined identity can help revive struggling properties, and Leo believes that now is the right time for hotel owners to consider a brand overhaul. "It's like fashion. You don't always want to see the same clothes in your closet," she says. "A lot of hotels have lost their energy and their market share. They're tired. I think it's really the perfect moment, particularly in the States, to think about rebranding, repositioning, and recycling."

Since financing for new hotel projects remains difficult to come by, many owners and developers have turned to rebranding as a way to rescue outdated assets. The practice is particularly appealing because it requires a significantly smaller investment than building a hotel from the ground up. Creating a new identity, choosing a different brand flag, or repositioning a struggling franchise also offers hotels the chance to capture new customers, raise rates, and start fresh with a new personality and style.

For ONE UN New York, Leo's goal was to make the hotel synonymous with its United Nations location. A French design firm was hired to help transform the West Tower guestrooms and lobby space, and worldly amenities such as Shanghai Tang toiletries and Illy coffee were added to appeal to global guests. By changing the name, Leo says the hotel has reaffirmed itself as the number one destination for foreign dignitaries and travelers visiting New York.

uct has to follow, the service levels have to follow, and the perception that the hotel has truly changed has to follow. It's a mixture of all these ingredients."

CAPTURE THE FLAG

Eight years ago, Mark Carrier, president of B.F. Saul Company Hospitality Group, owned a struggling, 30-year-old Holiday Inn located at Tysons Corner, in the heart of Northern Virginia's tech corridor. When given the opportunity to pur-

that attracts corporate and business travelers," says Carrier. "The Holiday Inn brand was not effective in competing with upscale hotel brands for midweek business travel."

Prior to reflagging as a Crowne Plaza, the hotel had been underperforming in its competitive set by 10 yield points. After the conversion, it has consistently performed at or better than its competition depending on the time of the year.

But to orchestrate a suc-

"I'm not saying that just because we changed the name and we renovated, that's going to do it. The product has to follow, the service levels have to follow, and the perception that the hotel has truly changed has to follow. It's a mixture of all these ingredients." —Grace Leo

Before the rebranding, the average rate for the hotel hovered around \$275 per night, but Leo says that the new positioning will hopefully help the property achieve an ADR closer to \$500 per night.

"I'm not saying that just because we changed the name and we renovated, that's going to do it," says Leo. "The prod-

sue a significant renovation of the property, Carrier and B.F. Saul decided to give up the Holiday Inn branding in hopes of attracting a more upscale clientele. After spending \$6 million to make over the exterior, guestrooms, and public spaces, the property debuted as a Crowne Plaza in 2004.

"Tysons Corner is a market

successful reflagging project, Carrier says hoteliers need to go back to basics. "The owner should assess the demand and true market potential for the brand positioning," he says. "If the demand characteristics of your asset's location do not support a given brand positioning, then you need to evaluate your brand-

IDENTITY CRISIS | Top 10 rebranding tips used by positioning expert Grace Leo

1 Assess every level of the property to see what's working and what's not. Identify the obstacles that need to change for an effective repositioning. This is a scary task that could put off many hoteliers even before starting out.

2 Make sure you have the necessary support from within the property and hotel company as well as from the outside to make any brand changes.

3 Change the corporate identity in terms of logo and colors to announce and affirm the rebranding.

4 Change the hotel name when appropriate. This is to both discard outdated or even negative past connotations and to make the public curious and excited about the "new" hotel.

5 Motivate and train both old and new staff at all levels. Make sure

they are on board with the new story and messaging.

6 Make strong visual changes in the lobby to create an impact and a sense of place as guests first arrive. First impressions are important.

7 If you're an independent, choose the right hotel marketing partner such as Leading Hotels or Relais & Chateaux.

8 Establish who is the hotel's ambitious, yet realistic, competitive set.

9 Differentiate yourself from the competition by implementing new, unique features that the public will take notice of and talk about.

10 Tell everyone about the rebranding: The general public, media, old and new clients, and travel agents.



ing decision.”

Assessing the market potential of the brand requires in-depth research. Carrier suggests hotels, specifically business-oriented hotels, begin by defining the area of convenience, or the area that will directly impact how the hotel performs. Depending on the location, this area may be relatively small (1 square mile in an urban location) or large (maybe 20 square miles in a more rural location). Once that market area is defined, Carrier says hoteliers need to look at the generators of room-night demand and conduct street-level research such as scouting out local office tenants in the market. He also suggests relying on the various market reports that are available from companies such as Smith Travel Research and Hotel Horizons.

Carrier owns three Crowne Plaza hotels through B.F. Saul—one in Tysons Corner, one in Arlington, Va., and another in Augusta Hills, Mich. He believes those markets support the positioning of the Crowne Plaza brand—a positioning that is currently undergoing an overhaul of its own.

WHO MOVED MY BRAND?

Following the successful relaunch of the Holiday Inn brand, InterContinental Hotels Group (IHG) announced in 2011 that it would focus on redefining Crowne Plaza. The significant, multiyear repositioning effort will attempt to establish the brand as a competitor in the upscale sector.

As part of the first phase, each property was evaluated by IHG and provided with a personalized plan to meet new brand standards. “We looked at every single hotel and how it was performing, under-

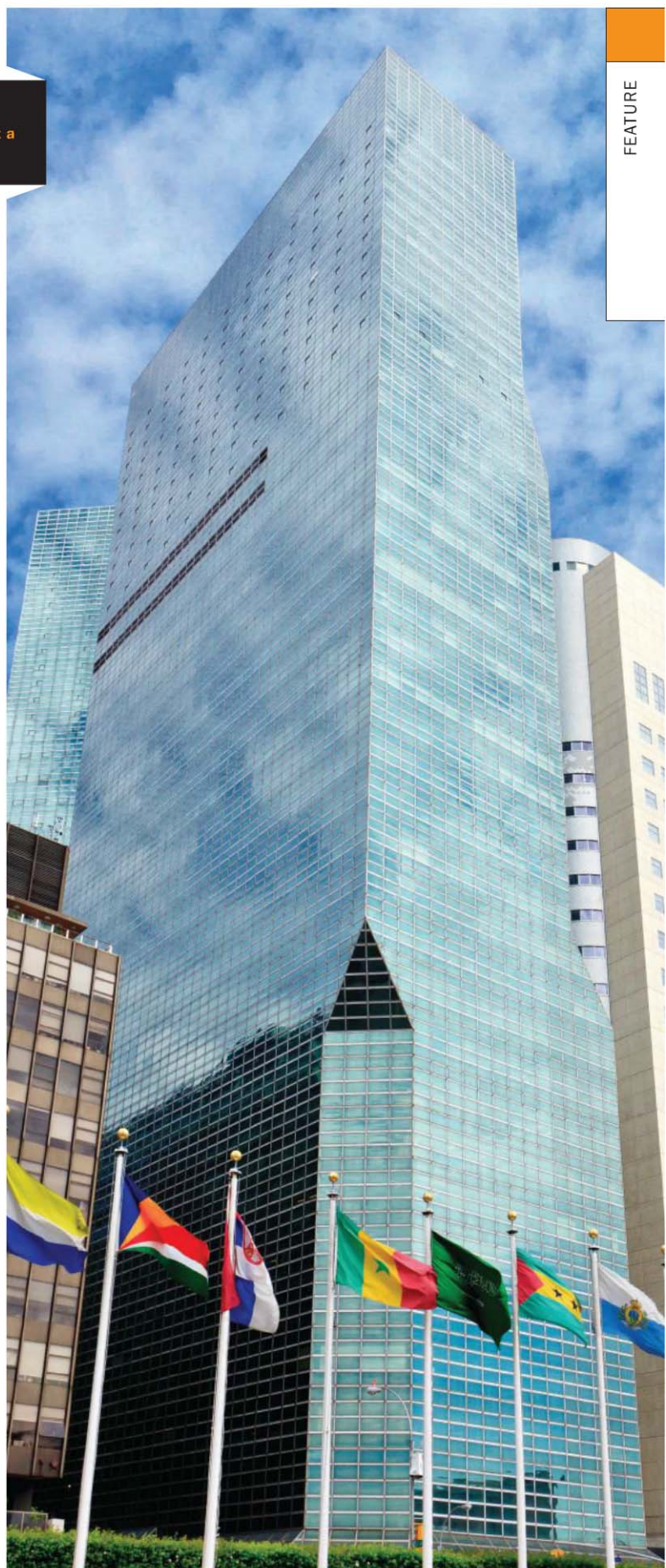
The West Tower of the recently re-branded ONE UN New York underwent a \$30 million renovation.

standing what the key drivers of satisfaction are for our guests,” says Gina LaBarre, vice president of Americas brand management for Crowne Plaza. “Each property received a customized [property improvement] plan.”

IHG worked with its owners association and conducted consumer research to come up with a three-part plan for making over Crowne Plaza. The executive team defined its target customer as the striver—a person who has already achieved a level of success and is climbing up the career ladder—and hopes to attract this customer by launching mobile check-in procedures, upgrading and promoting its meeting opportunities, creating a specialized lobby host employee position, and tweaking its marketing efforts to reach business-oriented travelers.

Carrier has already made many of these initial changes at each of his Crowne Plaza properties, including updating the bedding, installing new bath amenities, changing out marketing material, and implementing a new staff training program.

“In my own hotels, we’re looking at this as the continuum of the normal reinvestment track,” says Carrier, who also serves as the chair of the Crowne Plaza committee for the IHG Owners Association. “If you’re not providing first-class service and the right physical product, you’re not going to be competitive in the upscale market. If you’re going to be an upscale hotelier, then you better make



sure your physical structure and service is up to that.”

As part of the repositioning, LaBarre says that Crowne Plaza will continue to weed out underperforming hotels. Over the next few years, the brand plans to cut at least 25 properties from its franchise.

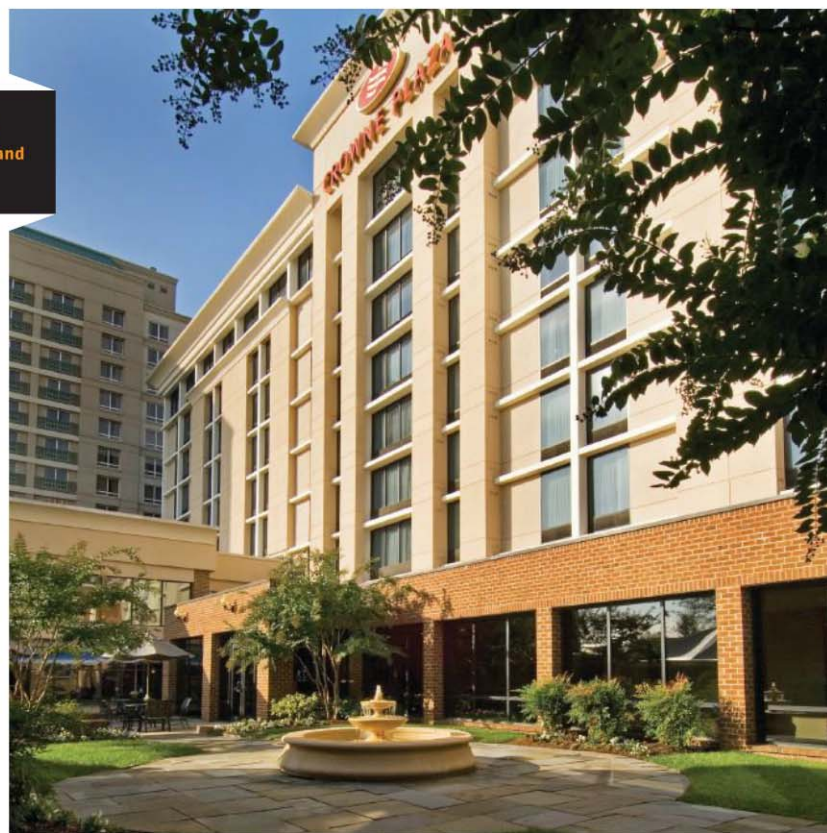
“When you have hotels that are not performing and providing those quality products and services that our guests are expecting, it diminishes the value of the brand,” she says. “It doesn’t allow the brand to drive the rates that our owners need, want, and deserve, and it provides a less than stellar experience for our guests. It is important that we remove those hotels so that we have a stronger portfolio in the end, which helps us drive perfor-

The upscale Crowne Plaza in Tysons Corner converted from a Holiday Inn and continues to see better returns.

mance and development long term.”

RISKS AND REWARDS

Rebranding a hotel or changing how a brand is positioned in the market is not a surefire guarantee of success. If a hotel changes its name, it may be difficult for customers to find it on the map. If a property chooses to fly a different flag, it may lose guests that are part of brand-specific loyalty programs. And in any case where hotels are spending large sums of money on major renovations to achieve a new brand identity, there are pos-





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sible pitfalls of not making the right spending decisions.

For nearly all hotels planning a brand overhaul, renovation work will be required. This could be something as simple as changing signage to reflect a new name or color scheme, or it may involve a large-scale design transformation that will help the hotel achieve a specific identity.

Leo says that every project requires something different. "In each hotel, a roadmap will appear. There's always going to be an assessment of a property to see where the more urgent needs are. An owner has to make that kind of evaluation," she says.

In some cases, the condition of the structure and the extent of the required renovation

and upgrades will help an owner determine whether the asset can accommodate a particular brand.

Chuck Pinkowski, founder of Pinkowski and Company, a full-scale hospitality consulting firm, says that owners considering changing brands need to decide whether the hotel can handle taking on a higher "pecking order," or if it is best to do minimal work and go down a tier. "If you're going downstream, it usually isn't much of a challenge," he says. "But if you're going upstream, you have to look at the cost in terms of rehab and whether the structure is capable of supporting particular brand standards."

If an owner is considering switching franchises, he

or she needs to identify the potential loss in brand-loyal customers and compare it to the potential gains that can come from flying a different flag. Pinkowski also warns owners about the costs of switching franchises before an agreement is up.

"You have to do the market research in conjunction with estimating the capital costs," he says. "If you change franchises before the franchise agreement is up, you're going to have to deal with liquidated damages."

Most consultants would agree that the rewards of rebranding a property or repositioning a fledgling franchise flag far outweigh the potential negatives. Rebranding generally allows hotels to raise rates

and collect a higher ADR.

"The risks are just as serious as building a new property, but they are different kinds of risks," says Pinkowski. "If you own a building, and it's got age on it, then you have to do something with it. The rewards are that you extend the life of a structure, you increase and extend your income stream, you establish a renewed or new identity, and it gives you the opportunity to stay in business."

"It is a substantial risk for an owner to put down \$30 million to reposition a hotel," adds Leo. "But I think once owners are getting the much higher returns and the hotel is actually perceived as a new hotel, the payback is going to follow." ■

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