

Hotel chains try for chic on the cheap

Aloft at the Domain now open

<http://www.starwoodhotels.com/aloft-hotels/property/photos/index.html?propertyID=3240>

Top hotel companies react to revenue declines of 16 percent to 22 percent.

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The world's largest hotel companies, stung by the industry's biggest declines since the Great Depression, are trying to do for lodging what Ikea did for furniture: offer fashionable products at low prices.

Starwood Hotels & Resorts Worldwide Inc., the third-biggest U.S. lodging company, is developing boutique hotels for frugal travelers that cost about \$119 a night. That's a far cry from the \$399 to \$639 at the company's upscale W Hotels.

InterContinental Hotels Group is following a similar strategy with its boutique chain Hotel Indigo.

Both companies are seeking to capitalize on a formula popularized in the 1980s, when small individual properties with luxury amenities, designer interiors and quirky décor gained in popularity among travelers. This time, the demand for affordable, fashionable lodging was fueled by a global recession that left many people unable or unwilling to spend as much on vacations.

"You mix the luxury elements into the lower-priced product, and it's fair to presume that what's more value-driven is faring much better during the downturn and beyond," said David Katz, an analyst with Oppenheimer & Co.

The top four U.S. hotel companies reported revenue declines of 16 percent to 22 percent for the first nine months of 2009 after rising unemployment dented consumer spending. Room rates will probably fall in 2010 for the second straight year as hotel owners offer discounts to lure customers, according to PricewaterhouseCoopers.

Hotel operators are also battling a drop in business travel as companies try to save money. There has been a backlash against lavish spending by banks, insurers and automakers that were given government financial assistance, discouraging them from using expensive hotels for conferences and conventions.

The new chains are designed for travelers who want a unique hotel experience without spending \$500 a night.

Austin could see examples of two Starwood chains in the coming year. The company is building the W Austin Hotel and Residences downtown, and its Aloft budget version recently opened at Endeavor Real Estate Group's Domain project in North Austin.

The W Hotels, part of a boutique chain started in the late 1990s, are equipped with 400-thread-count organic cotton duvet covers by Swedish designer Anki Spets. The beds also have feather pillow-topped mattresses and leather headboards. Some lobbies are furnished with Philippe Starck pieces, such as Louis XV-style chairs that sell for \$410 at the hotel's store.

At Starwood's Aloft chain, the company's limited-service boutique brand, things are more spartan.

The Aloft chain is contemporary without the designer labels. Bedding is 200 thread count, and only a handful of managers maintain the property. A dozen or more manage each W, according to Kimberly Ervin, director of sales. Recent rates have been as low as \$99 a night.

Instead of being stocked with expensive wines and spirits, the small refrigerators in each room are empty. The showers have shampoo and shower gel dispensers attached to the wall. The public spaces exude cool. Modern alternative pop echoes through the 3,500-square-foot lobby.

"The demand for alternatives to the sameness of chain hotels has been growing and will continue to grow," said Marc Gordon, president of Morgans Hotel Group Co. "Limited-service boutiques speak to an increasing part of the population that prefer alternative hotels to large chain hotels."

Those people might prefer to stay in stylish, quirky hotels without paying top prices, Gordon said.

Morgans' namesake boutique hotel on Madison Avenue boasts an elegant lobby with armchairs and tables by 1930s designer Jean-Michel Frank. The lobby at its Mondrian hotel in West Hollywood features a swing. A standard room there for a midweek stay was advertised at \$275 a night, according to the Mondrian's Web site.

Average daily room rates at boutique hotels dropped 22 percent in January through September compared with a 9.1 percent decline across all U.S. hotel segments, according to Smith Travel Research.

At InterContinental's budget boutique chain, Hotel Indigo, rooms feature dark hardwood floors and tall beds loaded with decorative pillows.

There are 34 hotels in operation, and as many as 15 will be added in 2010, according to Janis Cannon, vice president of global brand management. Prices at some of the properties range from \$69 to \$204 a night, according to the Web site.

The increasing number of boutique hotels might swamp the market. Marriott International Inc. is working on its own full-service boutique chain, named Edition, and plans to open the first two in Waikiki, Hawaii, and Istanbul next year, according to Don Semmler, executive vice-president of brand management. Marriott is also planning a new luxury brand called the Autograph Collection.

Courtesy of JB Goodwin