

CONFERENCE REPORT



Boutique & Lifestyle Hotel Summit

20-21 MAY 2015

As the boutique and lifestyle sector continues to grow, hotel industry professionals gather in London to discuss trends, opportunities and challenges.

Words: Catherine Martin

In the 12 months since the Boutique and Lifestyle Hotel Summit last met, the sector has seen some interesting developments. IHG acquired Kimpton Hotels & Restaurants to create the world's largest boutique hotel business; Hilton made its long-awaited entry into the lifestyle arena with the launch of Canopy; and Starwood Hotels & Resorts unveiled its Tribute Portfolio, 'a collection of unique hotels in incredible locations'.

Setting the scene at the fifth annual Boutique and Lifestyle Hotel Summit, Piers Brown, conference founder and CEO of Boutique Hotel Media, confirmed that the large hotel groups are indeed seriously targeting the sector, as testified by their new lifestyle brands and collections of independent, boutique hotels. According to Brown, the US boutique and lifestyle hotel market is projected to grow by at least 5% per annum until 2019, and Europe is expected to follow suit. Furthermore, Brown revealed that all indicators point to a positive trend in boutique and lifestyle hotel development, transactions and investments, with innovations in technology, sales and marketing, guest experience and design.

Attracting over 200 delegates including developers, owners and operators, interior designers and architects, General Managers, and travel and distribution agents, the summit took place at The Montcalm, London, Marble Arch. Day one began with a sampling of the hospitality on offer in Shoreditch, London's up-and-coming neighbourhood, which has seen a number of boutique and lifestyle hotels open in recent years. South Place Hotel, The Hoxton Hotel, and the newly opened M by Montcalm, were all visited as part of the programme.

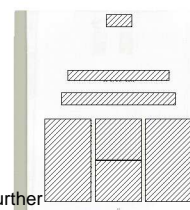
The conference opened the following day and covered a range of subjects, from finance and investment to design, F&B, and distribution channels. A mini exhibition also ran throughout the event enabling sponsors such as Puccini Group, HVS, Gilchrist & Soames and Qdos to

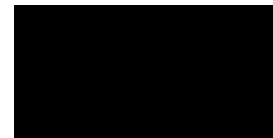
showcase their products and services. There were plenty of networking opportunities too, including a business card swap and cocktail party.

The programme kicked off with keynote speaker David Richards CBE, Chairman of Prodrive and former Chairman of Aston Martin Racing. Aside from his racing achievements, the motorsport legend is also a hotelier having purchased The Idle Rocks in Cornwall in 2012, followed by the nearby St. Mawes Hotel. Giving an account of his own experience in the industry, Richards revealed that he is very closely involved with the day-to-day running of his properties, and believes that a boutique hotel should be reflective of its owner. A clear ambition to open "a wonderful house by the sea" has helped Richards achieve his goal, yet he admitted that attracting experienced staff to the seaside town has been a challenge.

Further case studies were presented throughout the day, from the perspective of both the interior designer and the operator. Erik Nissen Johansen, founder and Creative Director of Stylt Trampoli explained the design concept behind Stora Hotellet, a boutique hotel in Umea, Sweden; while Jeff Ward, Managing Director of Hotel Gotham, told the story of Bespoke Hotels' addition to Manchester's hotel scene.

The morning continued with a lively session on soft brands, defined as a collection of individual hotels that retain their independence, yet benefit from the parent group's sales and marketing platforms. With the launch of Best Western's BW Premier Collection, Hilton's Curio and Starwood's Tribute Portfolio, this proved an interesting topic. Philipp Wegmann, Executive Vice President, Preferred Hotels & Resorts, called soft brands the perfect hybrid in which the owner can retain design flexibility while relying on the services and support of the alliance. However panellists were critical of some of the so-called soft brands launched by larger hotel groups, claiming that they cause confusion amongst consumers.





In debating the pros and cons of soft brands, Peter Hancock, Chief Executive, Pride of Britain Hotels, stated that he does envy the consistency of chains, but believes that customers often prefer an independent or unique hotel, hence larger groups are increasingly seeking to emulate the experience of a boutique brand.

The following session addressed the current hot topic of disruptive distribution, with panellists from new distribution channels and OTA alternatives. According to Cheryl Rosner, CEO of Stayful, the rise of OTAs can be attributed to the fact that technology – such as smartphones and tablets – is becoming more affordable. And the increase in smartphone usage was backed up by statistics from Terri Scriven, Industry Head of Hospitality at Google, who revealed that over 60% of searches on Google are made on a mobile device, up from 5% just five years ago.

Panellists highlighted the importance of investing in a site that is efficient and easy-to-use, stating that with so many channels available – and consumers visiting a number of websites before making their booking – those that aren't fit-for-purpose risk losing the customer. Janel Clark, Director of Revenue, Avvio, added that OTAs are triumphing over direct bookings because of their clear booking process with few clicks.

Further sessions throughout the morning included a look at sustainability and ways in which to increase profitability through energy efficient design; adding the boutique touch to pubs-with-rooms and B&Bs; and F&B trends and the importance of sourcing locally.

One of the most anticipated panels of the day, hosted by Sleeper, addressed next generation hotels – the rise of budget chic and social spaces, with senior executives from three of the industry's rising hotel groups. Christoph Hoffman, CEO of 25hours Hotels, described his concept as a bespoke hotel product for urban nomads, daydreamers and night owls, and announced a forthcoming project in Dusseldorf; while Julie Fawcett, Managing Director of Qbic Hotels and relative newcomer to the industry, explained the build process of the pre-fabricated pods that make up a Qbic hotel. They were joined on stage by Josh Wyatt, Investment Director of Patron Capital, a private equity group that has invested into Generator Hostels to make it the fastest growing hostel brand in Europe.

Much of the discussion centred around millennials and the fundamentals they desire from a hotel stay. Free Wi-Fi, social lobby space and a unique experience were said to be crucial in attracting this demographic, but panellists noted that age no longer denotes a millennial. Hoffman

and Wyatt revealed that their properties are attracting more and more guests from different demographics, hence the increased use of the term 'millennial-minded traveller'.

The sector's leading investors were next to the stage to give their view on the risks and opportunities of investing in boutique and lifestyle hotels. Cody Bradshaw, Senior Vice President of Starwood Capital Group, recounted the success story of London's Ace Hotel, which sold earlier this year for £150m. He also confirmed that Starwood Capital is one of the most active primary equity funds in Europe and the group is financing W Amsterdam, amongst many others. There were concerns from the audience about the difficulty in obtaining financing for independent boutique hotels, particularly from banks who tend to invest in the security of a branded hotel.

While panellists reaffirmed their commitment to the sector, they also noted the challenges. According to Grace Leo, Vice President of Reignwood Investments UK, not only is it expensive to acquire a property, it's expensive to renovate it as the cost of labour and building materials continue to rise.

The subject of brand extensions also took centre stage with panellists discussing how to market an independent hotel to a wider audience through alternative products, culture, community and content. Stuart Procter, Managing Director, GG Hospitality, which recently opened Hotel Football in Manchester, adopted the idea of producing a promotional video, which saw the hotel's investors – also known as Ryan Giggs, Paul Scholes, Nicky Butt, Gary and Phil Neville – take on the builders in a game of football on the hotel's rooftop five-a-side pitch. The video went viral and created a real buzz about the hotel.

Meanwhile, Julia Pearson, Head of PR & Communications at The Hoxton Hotels, described the group's initiatives to get involved with the local community. Hoxtown is The Hoxton's area guide, blog and place to go for inside information on the local neighbourhood, she explained, before stressing the importance of selecting partners with shared brand values.

Despite a few challenges along the way, the summit highlighted the continued appetite for boutique and lifestyle hotels. In the weeks since the event, Frasers Centrepoint has bought UK boutique hotel operator Malmaison Hotel du Vin for £363.4 million, and in the coming months, Starwood Capital is set to launch its new lifestyle brand at sites across the UK. Boutique and lifestyle hotels are here to stay.

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