

The UK Independent Hotel Sector today

Prepared for:



INDEPENDENT HOTEL SHOW

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PRESENTED BY



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Melvin Gold Consulting Ltd.

Specialist consultants to the hotel industry

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3 October 2016

Dear Miranda

The UK Independent Hotel Sector today

Thank you for retaining us to research and provide an overview report of the UK Independent Hotel Sector today.

Our report is contained herein, based on research conducted between May and August 2016. As is well known, the hotel industry is amid a period of consolidation and branding but in the UK the Independent hotel sector still comprises more than half of bedrooms in serviced accommodation. It is likely to remain substantial for structural reasons, the size and individuality of many properties will not make them easily compliant to brand standards.

There are many challenges in operating Independent properties in the 21st Century. The same could be true of many businesses, large and small, in most sectors. However many Independent hoteliers are creative and innovative, playing to their strengths, and there are numerous examples where they accentuate the positives. Within this report we set out the strengths and key themes upon which Independent hoteliers differentiate their properties as well as the sector's challenges and the way that hoteliers are tackling them.

Of course each property is individual and its strengths, weaknesses, opportunities and threats will determine a specific approach. However we believe the topics that we have discussed will resonate with Independent hoteliers and of course they will gain further insight and inspiration into how to tackle them from the exhibitors and seminars at the Independent Hotel Show in October 2016.

We have used our best endeavours to research and consider the market now, and the issues which define and impact upon the Independent hotel sector in the UK today. However the report was commissioned by the Independent Hotel Show and is intended for its use and for release into the public domain. Specifically it does not constitute advice to any third party who may be a recipient of it and they should retain their own independent advice. Of course we would be delighted to hear from any hoteliers who believe we might be able to further assist or advise them specifically.

We thank you for having retained us on this most interesting assignment and remain at your service for further discussion concerning this report or the hotel sector generally.

Yours sincerely



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1 – Introduction

The Independent Hotel Show is the largest UK business event for the luxury, boutique and independent hotel industry and is now well established in the industry event calendar. It will take place for the 5th time on 18 and 19 October 2016.

The show's organisers have retained Melvin Gold Consulting Ltd to prepare a 'thought leadership' document to fit with the event which summarises and emphasises the key issues for Independent hotels operating in the UK today.

In this document we present key statistics and broad industry trends and provide a focus on the key issues for the country's Independent hoteliers. We also demonstrate the way in which some are tackling the issues, demonstrating resilience, innovation and best practice which is sustaining businesses and influencing not just Independent hotels but also the entire sector.

As well as within this report there is much to be gained from exhibitors and speakers at the Independent Hotel Show and this document is intended as a companion piece, both to highlight key issues and best practice in the sector, and perhaps to guide on some particular issues to explore at the show and subsequently.

2 – Executive Summary

In terms of its innovation and influence the UK Independent Hotel sector has rarely been stronger and had such influence. Although it is shrinking, both in terms of its overall size and as a proportion of the country's serviced accommodation sector, those that have survived – and Independent hotel rooms still comprise more than half of the serviced accommodation rooms in the UK – have thrived because they have truly understood the requirements of the 21st Century traveller and striven to satisfy their requirements. Over 40,000 hotel rooms in independent hotels have closed in a little over a decade. In most cases failure to invest and innovate put them at risk in the face of a more discerning, better informed, consumer, and the marketing strength of hotel brands and online travel agencies (OTAs).

There are numerous examples of best practice and innovation that emanate in Independent hotels permeating through into the chains. In other cases, and perhaps there is no better example than around the country's seaside resorts, they have participated in the re-ignition of tourism. Where once it was thought that the British seaside was in terminal decline it is now evident that there is a strong market for the new breed of modern boutique and lifestyle hotels. They may not serve the traditional bucket and spade tourist but they are not as seasonal either. Their guests are aspirational and seek authenticity; quality food and drink; spas, gyms and leisure; and quality cultural and leisure attractions. Sunshine, when it comes, is an added benefit! The trend is replicated by Independent hotels in cities, thriving market towns and country houses. The common thread is that they have striven to move with the times and satisfy their customers.

We have highlighted five key differentiating factors for Independent hotels in today's hotel market: Individuality; Locality; Freedom; Personality; and, Innovation. We dig deeper below the surface to examine the opportunities and threats for Independent hoteliers in a variety of specific topic areas, and have sought contributions from hoteliers to illustrate examples of their passion and success. Their enthusiasm abounds and it is easy to see just how their commitment turns to achievement.

As well as on specific topics we have sought contributions from some prominent hoteliers on the issues and challenges for today's Independent hotelier. Although optimistic they recognise that change is a constant and cannot be ignored. Where some see threat others perceive opportunity and we have also sought permission to reproduce two blog posts recognising these opportunities.

Almost 200 years ago Charles Caleb Colton, an English cleric and writer, wrote a phrase now widely quoted 'imitation is the sincerest form of flattery'. He probably wasn't thinking about hotel brands at the time. However Independent hoteliers will recognise that their innovation and best practice often passes into common usage by the hotel brands. They now also have to contend with the brands offering the opportunity to affiliate to their collections to gain access to their reservation and distribution systems without needing to conform to the strictures of a more formal 'brand'. This will be attractive to some and will further dissipate the Independent sector. It is anathema to others who fiercely defend their independence and strive to build their businesses on foundations of originality, authenticity and service.

There is little doubt that the hotel brands will continue their growth and equally that some Independent hotels might fall by the wayside. Some may choose to rebrand but the majority will remain, either through choice or because they are simply too small, too quirky or too unusually located (or perhaps a combination) to affiliate. The best will provide leadership and innovation for the whole hotel sector and this report highlights key topics, actions and opportunities that are likely to underpin their success.

3 – UK Independent Hotels – a statistical overview

Introduction

As part of this exercise we have again updated our hotels database, developed for previous assignments that we have undertaken, and generated particular analysis on the Independent Hotel sector. The methodology and analysis that we have undertaken historically is within our Quantification of Serviced Accommodation report¹. We have not fully updated the database but it encapsulates research and market knowledge taking account of new openings, closures and rebrandings (most of which are part of hotel brands) to obtain a view of UK hotel supply at the end of 2015.

Quantum and Categorisation of Supply

Our total database now includes a total of 13,311 hotels with 607,290 bedrooms, an average size of 45.6 rooms per property. Our research over a period of time leads us to conclude that there are currently around 28,276 other hotels, guest houses, bed and breakfasts and other forms of serviced accommodation in the UK comprising around 139,460 rooms. On average these have just 4.9 bedrooms.

We have categorised branded hotels into three categories, full service, mid-market and budget and have separately considered consortia and independent hotels which is effectively the remainder of UK hotels. This does mean that there is a considerable range of accommodation within that segment and we have sought to sub-divide it within the analysis that we present below.

In Table 1 below we summarise total UK serviced accommodation by category. This indicates that the corporate branded supply now amounts to 45.1% of the total, consortia are currently 3.9% of supply with the Independent hotels comprising the remaining 51%. Of course the hotels in consortia are predominantly independently owned and operated properties as well, except that in these cases the owners have determined that for marketing and other reasons they are best operated from within a consortium (or more than one in some cases) as we discuss subsequently.

Table 1
Summary of estimated categorisation of UK hotel supply

	Rooms	% of total	Hotels	Avg Rooms per Hotel
Full Service	103,172	13.8%	605	170.5
Mid-market	88,974	11.9%	709	125.5
Branded Budget	144,691	19.4%	1,669	86.7
Consortia	29,365	3.9%	555	52.9
Independent	241,088	32.3%	9,773	24.7
<i>Total database</i>	<i>607,290</i>	<i>81.3%</i>	<i>13,311</i>	<i>45.6</i>
Assumed other Independent supply	139,460	18.7%	28,276	4.9
Total estimated serviced accommodation	746,750	100.0%	41,587	18.0
NB. Total Independent Hotels	380,548	51.0%	38,049	10.0
<i>Estimated corporate branded supply</i>	<i>336,837</i>	<i>45.1%</i>	<i>2,983</i>	<i>112.9</i>

Source: Melvin Gold Consulting research and estimates

Branded budget is now the largest segment of the branded part of the market and for many years it has also been the fastest growing. It now comprises 19.4% of the total UK serviced accommodation market.

¹ <http://melvingoldconsulting.com/Hotel%20Supply%20report%202011.pdf>

Consideration of the UK serviced accommodation market by size of property is important and interesting. Most hotels are relatively small. In fact as analysis of Table 2 illustrates the 278,673 rooms in the 1,564 hotels with more than 101 rooms are more numerous than the 240,488 rooms in the estimated 35,715 hotels with 25 rooms or fewer. Independent hotels will always be more numerous but their share of bedroom stock is in decline as branding and consolidation trends prevail.

Table 2
Summary of estimated categorisation of UK hotel supply by hotel size

	Number of establishments	Number of rooms	Average number of rooms per hotel
200+ rooms	362	113,282	312.9
101-200 rooms	1,202	165,391	137.6
51-100 rooms	1,967	141,838	72.1
26-50 rooms	2,341	85,751	36.6
11-25 rooms (est.)	6,127	97,024	15.8
Up to 10 rooms (est)	29,588	143,464	4.8
Total	41,587	746,750	18.0
NB: In database			
11-25 rooms (est.)	4,577	73,324	16.0
Up to 10 rooms (est)	2,862	27,704	9.7

Source: Melvin Gold Consulting research and estimates

The larger hotels might be considered as ‘investment grade’ and therefore of greatest interest to the investors and developers that own the hotels that have most appeal to the major brands. Table 3 below illustrates a matrix of hotels by size and category in terms of bedrooms. It is particularly noteworthy that the market is already heavily consolidated and there are relatively few Independent hotels with more than 101 rooms. It can be argued that this exposes a barrier to consolidation and ensures that a sizeable proportion of UK serviced accommodation stock will remain Independent, simply because it is not of a size which makes it interesting for the major brands.

Table 3
Analysis of UK serviced accommodation by size and category

	Full Service	Mid-market	Branded Budget	Consortia	Independent	Total
200+ rooms	55,728	24,948	17,938	2,508	12,160	113,282
101-200 rooms	35,066	43,370	56,676	4,846	25,433	165,391
51-100 rooms	9,443	17,865	54,252	12,221	48,057	141,838
26-50 rooms	2,778	2,507	14,518	7,435	58,513	85,751
11-25 rooms (est.)	147	249	1,234	2,168	93,226	97,024
Up to 10 rooms (est)	10	35	73	187	143,159	143,464
Total	103,172	88,974	144,691	29,365	380,548	746,750

Source: Melvin Gold Consulting research and estimates

Categorisation of Independent Hotels

As is evident from the foregoing, Independent hotels are small and they are also typically individually owned. This makes them relatively difficult to categorise but we have sought to do so by adopting some broad categories and also by considering size and location. Initially in Table 4 we illustrate them by categories, which are discussed subsequently, with the remainder being defined by size.

Table 4
Categorisation of UK Independent Hotels

	Hotels	Rooms	Avg Rooms
Consortia	555	29,365	52.9
Regional Operators	143	15,148	105.9
Pubs & Breweries	555	10,347	18.6
Small Groups (unbranded)	121	8,584	70.9
Specialist Leisure	26	3,983	153.2
Seaside specialist	42	3,165	75.4
Management companies	18	2,005	111.4
Leisure Operator	28	1,314	46.9
Coach Operator	22	1,226	55.7
One Offs (201+ rooms)	10	3,322	332.2
One Offs (101-200 rooms)	110	13,933	126.7
One Offs (51-100 rooms)	549	36,988	67.4
One Offs (26-50 rooms)	1,417	50,291	35.5
One Offs (11-25 rooms)	5,620	88,652	15.8
One Offs (10 & fewer rooms)	29,388	141,590	4.8
Total	38,604	409,913	10.6

Source: Melvin Gold Consulting research and estimates

Consortia

These are members of recognised hotel consortia in which hoteliers club together to derive collective benefits, especially in marketing and distribution but sometimes also in purchasing, training and other areas where collaboration is perceived to be of benefit. Some consortia have international arms such as Best Western and Relais and Chateaux where others have only domestic (or regional) membership such as Pride of Britain and Welsh Rarebits. Thus some hotels are members of more than one consortium to gain the benefit from both types of organisation.

Regional Operators

We define these as multiple hotel operators (and typically owners) where their hotels are within a particular region of the country. We have included only operators with more than 200 bedrooms in operation in more than one property. Hotels do not carry a brand name and guests would typically perceive them as independent properties.

Pubs & Breweries

Pubs, Inns and small hotels that are operated by pub or brewery companies, or sometimes under lease or management tie from such companies. The size of unit tends to be small – 18.6 rooms on average – although other operation of restaurants and bars can make them far more sizeable operations. Typically the bedrooms are an ancillary operation (but not always). Normally properties are unbranded (except by the brewery name as in a ‘normal’ pub) and even where they have a more distinguishable brand name this is not highly recognised as a hotel brand name, as compared to Innkeepers Lodge which has long been established as a hotel accommodation brand which we include within the branded budget category.

Small Groups (unbranded)

These are multiple hotel operators (and typically owners) where operations are in at least two separate regions of the country. We have included only operators with more than 200 bedrooms in operation in more than one property. Hotels do not carry a brand name and guests would typically perceive them as independent properties.

Specialist Leisure

These are typically well known leisure brands with hotels as part of a variety of accommodation on offer but where the hotel accommodation is not normally what the brand is best known for. This would include theme park operators such as Merlin Entertainment, Holiday Parks such as Butlins, Pontins and Center Parcs as well as specialists with quirky venues such as Clarenco.

Seaside specialist

These are similar to Small Groups or Regional Operators where the owned/operated hotels are in seaside locations focused predominantly on holidaymakers.

Management companies

Independent Hotels that are unbranded but are operated by recognised hotel management companies that have other branded operations.

Leisure Operator

These are small groups of hotels which are part of companies best known for other leisure activities such as Golf or walking/outward bound activities which are their predominant activity. The hotels tend to be a support function for their main business and may not feature as part of all the sites on which they operate.

Coach Operator

Hotels owned/operated by coach tour operators and predominantly filled by guests partaking in one of their tours. Coach tour operators typically contract a wide range of other hotels for their tours, both independent and chain, but some own a proportion of their bedroom stock. Typically these are not strongly branded as chains in their own right (except for Shearings which we consider to operate their hotels on a branded basis under two brands).

Size of Hotel

We have classified the remainder of the hotels, which are typically single units or part of small clusters of owned hotels with less than 200 rooms in total, by size of unit. These amount to 335,188 rooms in total in some 37,092 hotels, an average size of 9 rooms per hotel.

Outside the branded supply and the above categories there are just 10 hotels with more than 201 bedrooms the largest of which is the Strand Palace Hotel in central London with 783 bedrooms. Second largest is Celtic Manor near Newport in Wales followed by The Royal Garden Hotel in London's Kensington.

As is evidenced by the relatively small average size of the remainder, the majority are bed and breakfast properties and guest houses or restaurants with rooms. Probably between 120,000 and 150,000 rooms would fall within this category although it is impossible to accurately state the true number and they are not catalogued within our database (nor, as far as we are aware, within anyone else's either). Nonetheless small hotels do still exist, and some are of exceptional quality, although the challenge of communicating this to a target clientele remains significant.

Also not fully categorised within our database are youth hostels (we estimated there were 21,656 youth hostel rooms in the UK at the end of 2010) and other specific genres such as serviced apartments, acknowledged as a growing sub-sector with both brands and independents entering this sphere.

Location

We have also considered these 334,776 hotel rooms in location terms, although this obviously only takes account of those hotels within our database. It is reasonable to

assume, particularly in respect of the holiday/leisure areas that we have identified, that many of the smaller hotels and bed and breakfasts not identified within our database are within the same or similar areas.

In Table 5 below we present the leading locations for independent hotels that are categorised solely by size in the foregoing.

There are over 22,000 independent hotel rooms within London and these typically have a larger unit size than those in the other areas although Birmingham, Manchester and Liverpool's are similarly sized. London's independent hotels are especially clustered in the central boroughs of Westminster (especially around Paddington and Bayswater), Kensington and Chelsea (especially around Earls Court and South Kensington) and Camden (especially in the Kings Cross, Euston and Bloomsbury areas). This simple analysis is telling of the importance of the historic legacy in creating pockets of hotel supply, notably in London around the city's railway terminals for example. Although newer, usually branded, supply does exist in those areas it has been far more widespread and has sought larger sites unconstrained by traditional locations.

Table 5
Main Administrative Districts in the UK with uncategorised independent hotels

Administrative District	Hotels	Rooms	Avg Rooms
London	583	22,087	37.9
Holiday/Leisure areas			
Blackpool	288	7,083	24.6
Cornwall	311	5,986	19.2
Highland	247	4,570	18.5
Channel Islands	138	4,460	32.3
Torbay	207	3,998	19.3
Bournemouth	127	3,384	26.6
Isle of Wight	158	3,185	20.2
Conwy	143	3,013	21.1
Scarborough	175	2,954	16.9
South Lakeland	169	2,700	16.0
Cities			
Birmingham	50	1,955	39.1
Brighton and Hove	90	1,785	19.8
City of Edinburgh	103	1,779	17.3
Manchester	43	1,541	35.8
York	77	1,302	16.9
Liverpool	32	1,231	38.5
Aberdeen City	40	1,196	29.9
Glasgow City	39	1,135	29.1
Bath and North East Somerset	52	844	16.2
Cambridge	39	810	20.8

Source: Melvin Gold Consulting research and estimates

Similar comments can be applied in leisure destinations and other cities around the country. On an administrative district (local authority) basis nowhere has more independent hotel rooms (outside London) than Blackpool. There are over 7,000 rooms within the small hotels and bed and breakfasts that are the bedrock of the resort, although there are also many other hotels that are part of chains and the other categories summarised previously. The UK's administrative districts vary in size and character so that Cornwall and Highland cover far larger areas than the seaside town environment of Blackpool. Nonetheless they and other destinations stress the importance of holiday and leisure oriented destinations for independent hotels.

In fact, turning to cities, Birmingham, the UK's largest city administrative district, has far fewer independent hotels rooms than South Lakeland, the 10th largest holiday/leisure area. Edinburgh, Brighton and Hove, and Manchester (excluding Salford, Trafford and other areas of Greater Manchester) have the next highest quantities although smaller cities well known for their tourism, York, Bath and Cambridge, also feature in the top 10.

It is notable that these 21 locations still only account for 76,998 rooms, less than half the 172,681 rooms in our database and less than a quarter of the overall estimate of uncategorised independent hotels.

Hotel closures

Our investigations have now identified some 44,886 hotel rooms that have closed in the UK, most likely since around 2001 although dates of closure are generally unclear. These were in 2,299 hotels which had an average size of 19.5 rooms. A sizeable majority of these hotels were independent properties, typically small and often in holiday or leisure areas. In Table 6 below we present a summary of closures within any local authority area where more than 500 rooms have closed. It is notable that many of the areas featured in Table 5 with sizeable quantities of independent hotels also feature prominently on the list of closures. There are of course examples of closures among previously branded hotels as well, and these tend to be larger and more notable where they occur.

Table 6
Local Authority areas with more than 500 rooms closed
since approx. 2001

	Rooms	Hotels	Average Size
Westminster	2,282	29	78.7
Cornwall	2,243	124	18.1
Blackpool	1,570	69	22.8
Channel Islands	1,281	53	24.2
Torbay	1,276	78	16.4
Kensington and Chelsea	1,262	23	54.9
Isle of Wight	1,012	49	20.7
Bournemouth	940	39	24.1
Conwy	689	35	19.7
Highland	676	39	17.3
North Devon	660	34	19.4
Isle of Man	587	20	29.4
Scarborough	583	38	15.3
Plymouth	560	21	26.7

Source: Melvin Gold Consulting research and estimates

In the London boroughs such as Westminster and Kensington and Chelsea where hotels have closed they have typically been quickly regenerated for viable economic use. Even where the hotel rooms have not been replaced on the same site there is new development elsewhere which has seen growth in hotel supply in the city. This is not usually the case in leisure oriented areas outside the main cities and in most of the cases identified in the table below overall hotel supply has fallen as part of changing social and leisure trends. Even more unfortunate is that economic regeneration has not always followed given the dependence of many of the areas on holiday tourism which has been impacted by overseas travel and changing consumer requirements.

More encouragingly, in a few cases we have noted that hotels that had closed have reopened, either with the same name under new ownership, or under changed names. Typically this has seen strong investment in the properties and their emergence as far more suitable to meet the requirements of the 21st Century traveller.

The longer term trend

In Table 7 below we have summarised the categories of serviced accommodation that we have quantified at various times from 2007 onwards, merging Consortia with Independents for ease of direct comparison since we did not analyse it separately in 2007. This illustrates that the number of Independent hotels rooms has declined from 443,299 in 2007 to 409,913 at the end of 2015. Given the growth in overall supply Independent hotels now represent 54.9% of supply compared to 61.9% just 8 years prior. The quantum of Independent hotel rooms has declined by 1% per annum whereas the other segments have grown, Branded Budget most markedly by 6.6% per annum.

Table 7
Summary of estimated UK serviced accommodation provision 2007 - 2015

	2007	2010	2013	2015	CAG%
Full Service	98,281	101,987	105,125	103,172	0.6%
Mid-market	88,195	72,029	82,495	88,974	0.1%
Branded Budget	86,730	115,196	130,100	144,691	6.6%
Total Independent Hotels	443,299	439,469	412,280	409,913	-1.0%
Total estimated serviced accommodation	716,505	728,681	730,000	746,750	0.5%
<i>Independent hotels as % of total</i>	61.9%	60.3%	56.5%	54.9%	

Source: Melvin Gold Consulting research and estimates

Summary

The overall trends can consequently be summarised as follows:

- Independent hotels are declining in quantum and as a proportion of the total hotel stock. In reality this has been a longer term trend but it is increasingly evident by recent analysis by ourselves and others. This is caused both by hotel closures and by the flight to hotel brands, exacerbated by social and leisure trends and by changing distribution methods as we discuss subsequently;
- There has been a significant growth in branded hotels, especially by branded budget hotels which are the fastest growing tier of the market by some margin;
- Some independent hoteliers have joined consortia while others have joined the 'collections' that are being founded by the major brands. Others have sought to become franchisees of the major brands. However many hotels are simply too small, or require too much investment, to fit with these strategies and we discuss the options and issues for those hoteliers subsequently.

4 – Hotel performance

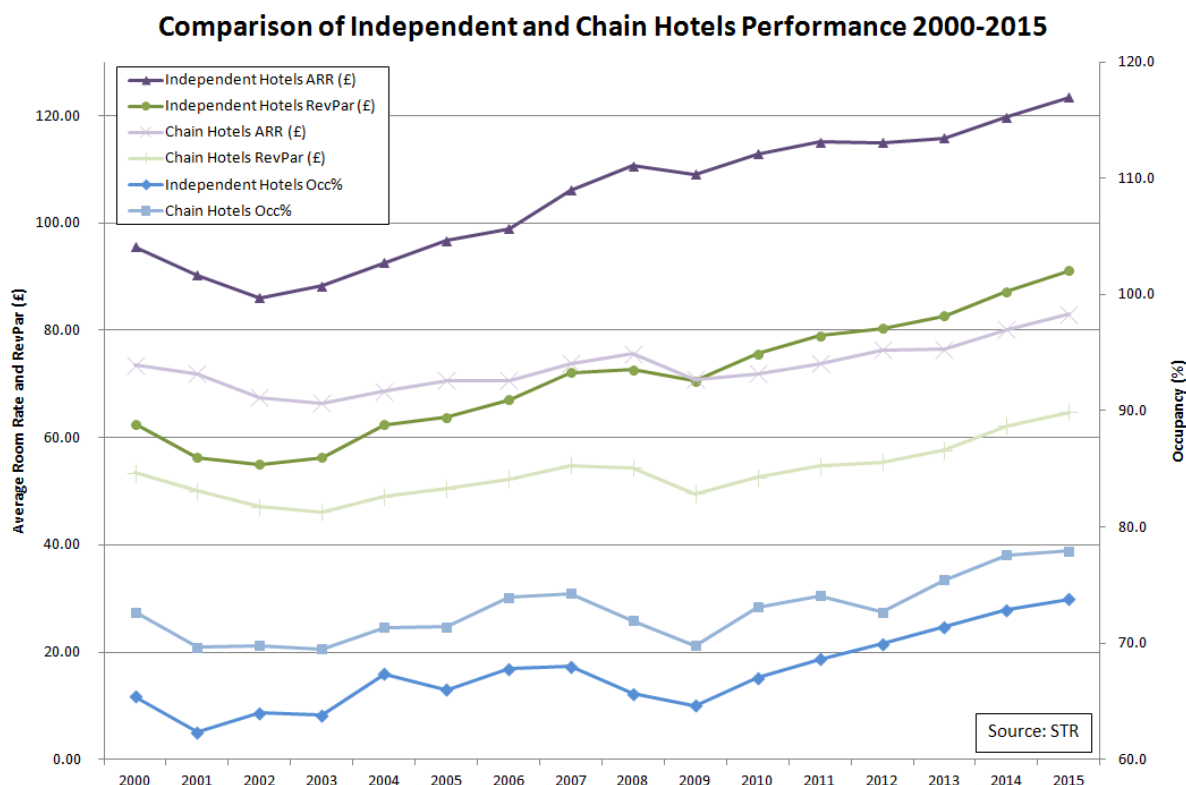
Introduction

Part of the argument supporting the consolidation trend is that the big brands have access to the distribution networks and technology that is required to reach the 21st Century traveller. Is that true? Is it supported by evidence? We have looked at the performance data that exists and is available to us and discuss it below.

STR Data

For a number of years global hotel data provider STR has produced a short report for the Independent Hotel Show illustrating performance of a selection of Independent hotels compared to the Chain hotels in their survey. Of course the sample is constrained to those hotels that actually contribute to STR’s survey. We have not sought the full listing but we are aware that most Chain hotels do contribute to the survey whereas the sample of Independent hotels contributing is more limited. In addition the STR sample has grown over the period reviewed from 2000 to 2015, both as a result of new hotels entering the market but also because STR are successfully increasing the penetration of the survey. There were 38% more Branded hotel rooms in the sample used in 2015 than in 2000 whereby the Independent sample had grown by 14%. We have earlier noted that Branded hotels are now more numerous and proportionally more significant in 2015 than they were in 2000, and Independent hotels have the converse trend.

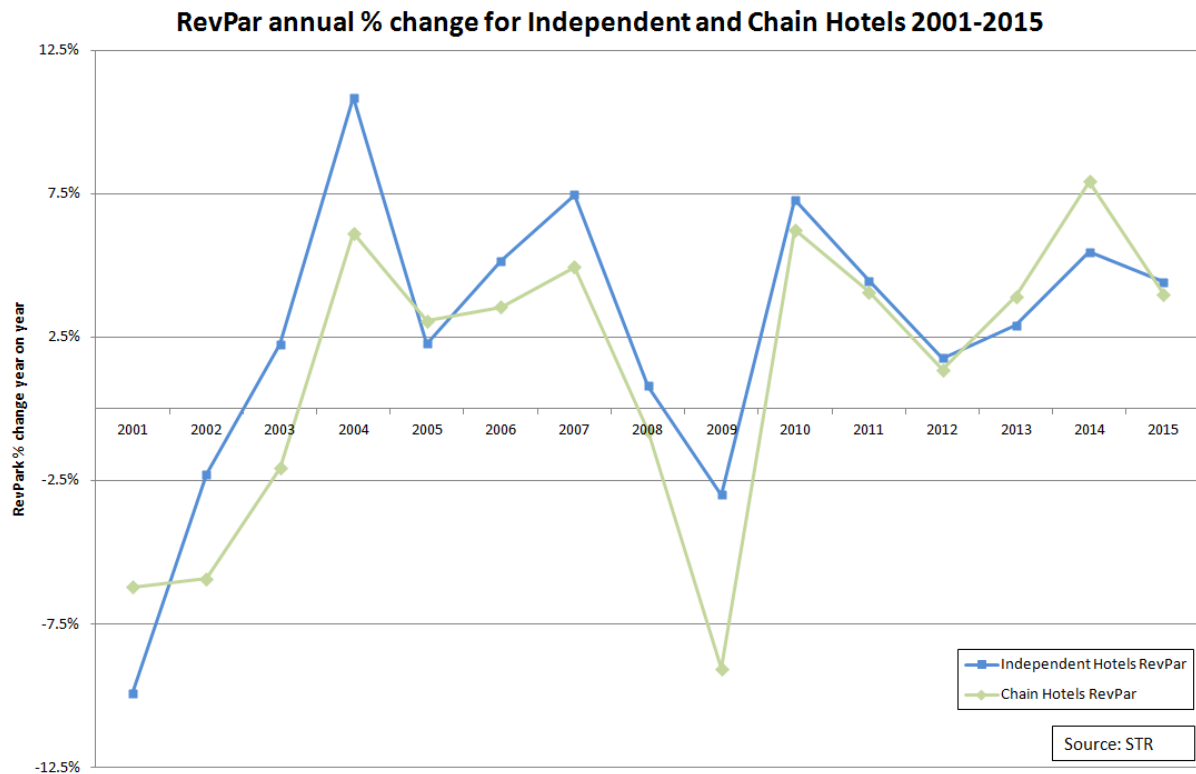
The performance of key performance indicators for both samples of hotels since 2000 is shown in the chart below.



The results that STR report illustrate that typically the sample of Independent hotels outperforms the Chain hotels in Average Room Rate (ARR) and Revenue per Available Room (RevPar) although Chain hotels achieve higher Occupancy percentages. We do not maintain that this means that Independent hotels outperform those in the Chains, simply that it is the strongest performing Independent hotels that participate in the survey – if all Independent hotels in the UK participated then this is unlikely to be the result (in our opinion). We would always recommend that hotels participate in such surveys since the

resultant benchmarking is very useful in developing a market understanding. Too many Independent hoteliers fail to participate – they are missing out on valuable data.

We have also sought to compare the performance of the two samples of hotels on an annualised basis considering change in performance in RevPar. This is shown in the chart below.



Although starting from a lower base in 2001, it is evident that the sample of Independent hotels in the sample were less affected by the economic downturn which commenced in 2007/2008 and performed more strongly on an annualised basis until 2012. Subsequently the Chain hotels gained more traction although 2015 performance was very similar. Nonetheless the sample of Independent hotels' RevPar performance grew annually by 2.5% compound whereas the sample of Chain hotels grew by 1.3% in the same period.

UK Occupancy Survey data

The National Tourism Boards of England, Northern Ireland and Scotland, and Visit Wales (part of the Welsh Government), supported by the Department for Culture, Media and Sport commission an Occupancy survey each year (monthly). This also receives some data from STR although various other hotels, guest houses and bed and breakfast establishments also submit data to the survey. The United Kingdom Occupancy Survey is conducted by The Research Solution on behalf of the national tourism bodies and in 2015 received around 2,500 data contributions each month.

The results of this survey, which are available online in full² and are summarised in Table 8 overleaf, illustrate that the hotels component is strongly influenced by the STR data submission and is at similar levels of performance although Guest Houses and Bed and Breakfasts achieve a significantly lower level of Occupancy. As we have demonstrated earlier, a significant proportion of UK Independent serviced accommodation falls into these categories of smaller properties and it is unsurprising, in our opinion, that they

² <https://www.visitbritain.org/accommodation-occupancy-latest-results>

underperform the hotels category. This is not necessarily purely a result of being smaller, often they are in more seasonal locations or are constrained in their appeal to some categories of traveller such as business people, those attending conference and events, and those travelling as part of groups and tours.

Table 8
Annual Bedroom Occupancy % for a selection of UK
Hotels, Guest Houses and Bed and Breakfasts

	Hotels	Guest Houses	B&Bs
2011	67	51	46
2012	68	50	45
2013	70	51	46
2014	72	51	47
2015	73	51	49

Source: United Kingdom Occupancy Survey

The survey contains much more information and analysis including weekend and midweek split, data for Seaside, City/Large Towns, Small Towns and County areas/Villages and we therefore recommend hoteliers to review it. Participation in such surveys is always recommended to gain market information and also noting that greater participation by hoteliers will tend to improve the quality of the output.

5 – Key differentiators for Independent Hotels

Introduction

For some hoteliers and for some guests, independence is highly valued and fiercely guarded. For others it is more of a burden that cannot be shaken off due to size of their property, location, quality or a combination of factors. For the most part Independent hoteliers are resilient and play to their strengths. We discuss these strengths in this section. There are many other issues too, and they are discussed in subsequent sections.

The Differentiators

Individuality

Hotel buildings are as individual as their owners. The combination can be addictive. It is a strength that needs to be developed and the positives emphasised. Individuality is natural to Independent hotels and harder to achieve in Chain hotels.

Locality

Independent hotels tend to have a sense of place and have often been part of the communities that they serve for many years. It is a cliché to say that sometimes they have hosted christenings, birthday parties, weddings and even funerals for the same family, but sometimes it is true! Even for local companies the familiarity of their local hotel and the ability to pick up the phone to an owner, manager or staff member who has been there for years is a welcome way of solving a particular issue or achieving a tricky requirement.

Freedom

Typically Independent hotels exercise choice. How to spend their marketing budget? Which marketing channels to use? Which suppliers to buy food and drink from? and many other issues. They are not wedded to procedure manuals, decisions being made off-site, fees to third parties and other strictures.

Personality

The opportunity exists for the personality to shine through, of the owner and staff, in the building and design. Nothing corporate in an Independent hotel, just people serving people and letting personality do the selling, create the comfortable environment and provide the service.

Innovation

Much of the innovation in the hotel sector has originated in Independent hotels. That is not to say that all Independent hotels are innovative, nor that all can afford the latest technology. Entrepreneurial owners seek to solve problems though, or try things that they like and make their own lives better, or perhaps it's just following a design trend. But it seems that as much innovation originates in Independent hotels as in the Chains. It is worth remembering that it was the Independent sector that started the boutique, lifestyle and design-led trends that have so influenced the sector in recent years.

6 – Marketing and Distribution factors

Introduction

Perhaps one of the biggest changes in the hotel operating environment is in the way hotel bedrooms are purchased and even more so the way that guests are influenced to buy them. Technology and its use and implementation has been a game changer. Although the trend towards branding of hotels is significant and has been exacerbated by many factors, the influence of technology is among the most significant factors. What big brands can do is scarcely attainable for the Independent hotelier.

We explore the underlying issues in this section.

The Factors

Distribution

The distribution of hotel bedrooms – the way they are purchased – has long required a complex and multi-channel approach. Now it is more so, and not just for Independent hotels. However for Independent hotels that are stereotypically dependent on customers finding them due to location, visibility, quality, word of mouth etc rather than as a result of volume-driven contracts with companies or agencies, location and visibility on the Internet have become equally important. In a sense the Internet levels the playing field for Independent Hotels – they are as visible and searchable as any other hotel, at least in theory. Driving traffic to a website and getting the customer to book has become an art and a science. As well as competing with the knowledge and budgets of the big chains Independent hotels (and chain hotels) have also ended up competing for sales of their own bedrooms with the high commission rates of the Online Travel Agencies (OTAs). Reputation can help but even that has moved online to some extent.

OTAs

Friend or Foe? Or perhaps both. The Online Travel Agencies have strong customer recognition, massive marketing budgets and are a favoured booking channel for customers. They carry a huge inventory and effectively provide customers with a price comparison and a listing of hotels in a particular location. This is a double edged sword for hoteliers, especially Independents without the Revenue Management tools of the chains, it keeps prices competitive while levying high rates of commission on the business that is achieved.

Social Media

Social Media, in its various forms, presents Independent hoteliers with a way of directly reaching customers as well as communicating key information about the hotel and its 'offer'. The challenge is twofold, expertise and time. Most hoteliers need to acquire the skills to use Social Media in a business context – it is much different than personal use – and they need to have the time (or resources) to use it effectively while also running a hotel. Sub-contracting is possible of course, although it carries a cost and still requires active management to ensure it remains 'on message' and the contractor has to have the material and key information to keep Social Media feeds relevant and timely. An essential tool for the 21st Century hotelier to reach their customers but how to do it?

How to combat the chains

As we have shown earlier, the hotel brands are growing and there is a trend to consolidation. Former Independent hotels are being acquired or joining through some other method of affiliation – it is not all new build and development. The brands have resources far beyond those of Independent hotels but Independent hotels have advantages too. Earlier we have highlighted key differentiators but would further argue that the passion, entrepreneurial spirit and knowledge of an Independent hotelier will be an effective antidote. Customer loyalty cannot be taken for granted but communication

with regular customers can ensure that a business maintains allegiance and stays 'on message' to the requirements of customers.

Affiliation, soft brands, consortia

Many hoteliers remain fiercely protective of their independence, believing they are best suited to running their business in their way. There is nothing wrong with that as long as it works. The approach recognises that any form of affiliation involves effort in creating and managing the relationship, cost, and potentially compromise and concession to fit the business model of the partner. The analysis of the benefits is crucial and no single solution suits every hotelier, or partner.

The options are varied and worth re-capping here:

- Consortia membership – the hotel joins a consortia on a membership basis gaining sales and marketing benefits and in some cases purchasing, brand name, training and other benefits. Usually there are minimum standards to adhere to and that may involve investment;
- Soft branding – many of the International chains are developing 'soft' brands which are intended to enable Independent hotels to gain access to their reservations networks without the full cost of refurbishment to adhere to brand standards. Hoteliers continue to operate the hotel themselves, may need some level of investment and will pay affiliation and other fees to the brand;
- Franchising – this is the affiliation to one of the brands operated by one of the major hotel companies and will usually involve significant investment to conform to the brand standards. The brand will define operating and other standards and the hotelier continues to operate in compliance with the standards and pays various fees to the franchisor;
- Marketing affiliation – the hotelier pays an organisation to provide marketing support including online and global distribution system presence in return for affiliation fees. Depending on the organisation there are limited investment costs in brand compliance although some do have minimum standards to comply with.

Online reviews / Star Grading / Guide Books

Although there is no mandatory star grading scheme in the UK many hotels choose to belong to the grading schemes operated by the AA or the national tourist boards. These afford hoteliers with a tangible measure of quality and a listing in a guidebook and online, and customers with a level of quality assurance. Once these were the only such measure but they were supplemented some time ago by a range of other guide books each adopting their own classification, description or standards under varying business models. The Internet has spawned online reviews which enable customers to access reviews by other customers of the hotels (or restaurants, spas etc) under consideration. There are specific review sites but also the various OTAs also enable their customers to provide reviews which supplement the price comparison they offer with a measure of quality from other users. Independent hoteliers have to consciously opt-in to the star grading schemes and guide books although they have no option over online reviews. Customers can share their reviews online and the hoteliers have to manage them as best they can, and mitigate through comment as appropriate.

Appeal and reach to large corporate/agencies

Part of the argument for brand consolidation in the sector is that global companies with hotel requirements want to work with global hotel companies. Of course from a procurement perspective this does simplify the purchasing process for them and potentially obtains favourable hotel prices. In reality we believe it is unlikely that a large corporate or agency buyer would only contract with one company (for various reasons). The reality for Independent hotels is that they would seek to sell their benefits to the local 'branch' of a company in terms of location, quality, price or a host of other benefits. It is often easier to persuade local management of their merits but more difficult to gain

access to the central procurement process and that is the key challenge. It is not just about big companies selling to big companies but more typically about a disruptive Independent element gaining access to the process.

No loyalty scheme

The global hotel brands, like airlines, supermarkets etc, have loyalty cards that have benefits for their customers and also help the brands to build affinity with their customers. Typically customers receive rewards proportionate to their frequency of stay or level of spend. There are schemes to which Independent hoteliers could affiliate although in reality few actually do, for a variety of reasons. Instead Independent hotels would more normally recognise their most loyal or regular customers in a way which they consider to be appropriate, which may include discounts or gifts for example.

Ed Purnell

Founder, TAPPED Consulting and Chairman, Hotel Marketing Association

Putting together the right Marketing and Distribution strategy for your hotel

- Ahead of investing with suitable partners, (hard brand, soft brand, consortia, OTAs...), it is essential that you are clear on what business you want and when you want it.
- Never lose sight of the critical elements: location and access, hotel category and facilities, and commercial personnel.
- If the hotel is in a city centre, understand that it's not necessarily just your assigned "competitor set" which defines your success. Since the arrival of the likes of Airbnb, the growth of the Serviced Apartment sector, and the differentiating trends between generations of traveller, your slice of the action could be impeded by threats unforeseen by STR reports or historical hotel data.
- If the hotel has significant Meeting and Event space to fill understand how strategies in doing so might dramatically impact your other business needs, such as transient corporate or leisure guests and other non-rooms related business, (e.g. F&B).
- When actively spending on marketing, push direct channels at all times. It's fine to invest in marketing with OTA's as and when you need to, but your budgeted marketing strategy planned ahead of time should focus on driving direct business.
- Ensure that your marketing content, both off- and online, is engaging. As opposed to a brochure, your website is never signed off and sent to print. Use printed material to drive traffic to your website, but it's really critical that your website is not simply regurgitating the content featured in print. Change non-permanent content seasonally, monthly even, according to local activities and partnerships; reflect your service culture in content by bringing the personality of the hotel to life through video and social.
- Focus on your digital strategy: search, pricing, content and driving loyalty. This is a full time job, and for several people. If you have limited resources on property, (in terms of number of people or skill set), outsource it. This is as important a strategy for hotels that are plugged into a hard or soft brand, or those that remain entirely independent. Operators are not expected to be digitally savvy, but it's critical to develop a team or find a great agency which can have your hotel competing 24/7.

- Have some fun, but be mindful of the Customer Journey at all times with your marketing. Travel and hotels are aspirational concepts; consumers will talk about travel experiences convivially over lunch or a drink with friends as much as they do the weather, so it's really important that you give them something positive to talk about. Never lose sight of the importance of your guests being your greatest ambassadors in attracting new and repeat guests.

The Hotel Marketing Association is the leading professional body for hotel marketers and advocates for best marketing practice within the hospitality sector. Our key areas of focus include delivering an annual schedule of engaging events and networking with inspiring experts and speakers, as well as helping members access the best programmes for learning, career development and professional qualifications. With an emphasis on results driven marketing, creative impact and sustainable outcomes, the HMA Awards showcases outstanding achievement.

7 – Operational factors

Introduction

We have sought to summarise a range of other issues that impact upon Independent hotels and provide them with challenges in the operation of their business in the current environment. These are discussed below.

The Factors

Changing customer

Customers are changing in many ways that are already recognised by hoteliers but change is a constant. This manifests itself in the booking process, during the stay at the property, and even after departure with guest reviews and the communication of it through social media. The before and after are touched upon elsewhere in this report but hoteliers especially need to consider the changed requirements during their stay. As examples:

- People are far more likely to travel and stay in hotels than ever before, and have higher expectations. No longer are hotels a once a year experience for a large proportion of the population. Customers are more discerning and more experienced;
- Perhaps most of all, quality, cleanliness and good service are seen as minimum standards, even for low priced establishments. Branded budget hotels are widespread and offer consistent standards at competitive prices, these provide a benchmark for guest requirements;
- WiFi is now seen as a right – free, fast and easy to access – not an optional extra;
- The Selfie Society – sometimes it is more important to be seen to be enjoying oneself or to be in luxurious surroundings than actually to be experiencing genuine luxury and great service! Is there somewhere a guest might enjoy a good photo (which can also gain additional exposure) – Selfies are the new ‘word of mouth’;
- Food and Beverage requirements are far more discerning than was once the case. They can be sufficient to draw guests to a property, even inducing an overnight stay, but equally poor quality or unattractive surroundings can easily lead guests to seek local alternatives, even for breakfast.

Justin Salisbury, Artist Residence, comments as follows:

Standards on the whole are just expected to be good these days. People want something exceptional. I think what the internet age/ tripadvisor has done is add a whole layer of instant transparency which has forced hotels/ restaurants to raise standards. Seth Godwin’s analogy of the purple cow (His book, Purple Cow, is about transforming one’s business by being remarkable) is an example of what is happening in the industry. People want an amazing experience now not just a good room. Ultimately our industry (as with all industries) is catering towards *what people want* especially when it comes to trends and tech. That being said, the basic staples of any business are amazing product and customer service and sometimes this can be forgotten. One of the potential pitfalls is that there are some that try too hard and it can sometimes feel a little bit forced or contrived. People want an authentic experience and are increasingly able to identify when that is not the case.

Keeping up with guest technology requirements

It wasn’t long ago that when guests went to hotels they experienced technology that surpassed that which they had in their own homes. Those days are long gone; the array of technology in many homes and even that which people can carry with them when travelling is remarkable and hotels cannot provide it all. Hoteliers will surely consider the

list of possibilities with astonishment and bewilderment knowing that they cannot provide it all. But what to provide, what guests will value, what guests will use, what are the differentiators? The answers will vary between hotels depending on type of guest, location, property and other factors. Independent hoteliers will do well to stay abreast of developments and, even more importantly, stay aware of their guests' requirements.

Simon Bennett of Augill Castle, Cumbria, cautions to focus on what guests need and value:

A couple of years ago a fellow hotelier installed a number of innovations in his hotel with varying degrees of success. A digital shower and bedroom lighting array were controlled from the bedside. His excitement wasn't shared by his guests who complained they found the shower controls were often set to the previous guests' preferences and who knows what temperature they like their shower in numbers anyway? Many guests couldn't be bothered to fathom the lighting controls and had difficulty using them, particularly in the middle of the night.

Our experience at Augill Castle is that guests want things simple and functional. There is a world of difference between a high tech system in your own home around which you know your way intimately and a high tech system in a hotel bedroom which you only have one or two nights to try to get to grips with.

At a recent conference about technology in hotels we were told about innovations including, amongst other things, smart air conditioning which remembers guests' preferences and WiFi which recognises you as soon as you enter the hotel and delivers a personalised message to your phone.

I ran these ideas past several of my guests who were uniformly underwhelmed with the idea of being recognised remotely on arrival akin to something Big Brother might have cooked up.

There is clearly a market for such innovations in business hotels which can connect multiple sites, recognising regular guests wherever they are around the world, but for independents who rely more on individual experiences to set them apart the value of such ideas is less clear.

The best aids to connectivity we can provide are spare phone chargers, international adaptors and USB cables. Ironically the things guests most frequently leave behind. Many a time has the provision of a spare cable come to the rescue of a dying battery – a gesture on a very human scale which will be remembered long after a departing guest has logged out of the hotel's WiFi.

And when we go away from home do we want what we have every day or do we want to experience something different? In a castle blanket WiFi coverage can be a challenge. But many visiting families relish the idea of digital downtime and it can be as much of an attraction as super-fast connectivity.

F&B provision

The improvement of the quality of the country's food and beverage offer has been one of the prevailing trends over several decades. It is supported by celebrity chefs, TV programmes and the emergence of the experience economy. Arguably hotel dining has lagged the trend, not in all cases of course, but certainly in many where the hotel dining room has failed to move with the times.

Of course many hoteliers have recognised a fundamental point, customers have a choice and will exercise it. In the best cases a good restaurant can be the catalyst for the guest to visit – it is not just a service they might require when they arrive. However in most cases, even in rural areas, guests are well capable of finding an alternative restaurant if the hotel offering is not to their liking in terms of decor, ambience or menu (or a combination).

This applies to all meals and all market segments. In towns and cities at least, where once guests would not have dreamed of having breakfast elsewhere, there is now typically a choice. Similarly even for conference and events delegates, although they are predominantly in the hotel, creativity and choice can be a clincher in attracting the event and perhaps even more so in persuading them to rebook. Hotels – perhaps especially Independent hotels – need to stand out from the crowd, surprise and delight, and move with the times, as much in food and beverage trends as in other areas of the business.

Harry Cragoe of The Gallivant, East Sussex, puts Food and Beverage at the heart of his business:

We have a simple mantra that underlines everything we do at the Gallivant – treat people as if they were your best friends coming to stay.

What does this mean in practice?

We buy the very best produce from local fishermen and farmers who have a passion for what they do. It will always be better quality than what you get from wholesalers and is guaranteed to be fresher. 95% of all our fresh ingredients come from within 10 miles of us.

Commit to local sourcing in all areas of your food and beverage offer:

- Delist wines and spirits if local alternatives are available. We have delisted all non UK sparkling wines and champagnes and replaced these with 22 different sparkling wine cuvees from wine estates that are all within 50 miles of us. The same with a lot of gins, vodkas, all beers, lagers, ciders, juices and mixers.
- Review your entire food and beverage ingredient list and look for local alternatives. Hunt out local artisanal food producers that might be producing great local produce that can match your quality standards. We now buy some of our bread from a fantastic local baker who recently left his job in London to bake bread full-time, it's as good as we could make it, arguably better. The same with all our smoked fish, charcuterie, cheese and dairy.
- Do the same with all your F&B supplies, support your local businesses and build up relationships with them. They will always produce something more bespoke for your needs and will help you out when you need them. We buy a lot of furniture from a local carpenter (table tops, benches, trestle tables, side tables, coffee tables) and have just started to buy some bespoke crockery items from a local renowned potter - we are constantly asked for their details. The same with menu/brochure printing, serving boards and silverware.

We make sure our breakfast is as considered and 'loved' every bit as much as the food we serve at lunch and dinner and not just the default, boring Full English. Breakfast sets you up for the day and it's typically the last 'experience' your guests will have of your brand so make sure it's your best effort.

Hire people who genuinely want to work at your property and who understand what delivering good service is all about. Remember the mantra – treat people as if they were your best friends coming to stay.

And finally don't be shy in telling your guests what efforts you make to source locally and why you think it's better. Your team should be proud of your local sourcing policy and want to tell the world, everyone likes to work for a company that goes that extra mile.

Being seen as 'local'

Independent hoteliers have a distinct advantage in being seen as local both in terms of their customers but also in terms of local suppliers because they typically are part of the community that they serve. It is important to communicate it. Especially in smaller communities the local population will support a business that they feel is also supporting the community and surroundings.

David Timmis, Managing Director, Aubrey Park Hotel, Hemel Hempstead, emphasises the importance of local engagement:

Having taken over the hotel two years ago, I found it had no identity within the local community having been a branded hotel for over twenty years. This was summed up at an early networking meeting attended where I heard several times, 'what we really need is a good local hotel!'

Sometimes you grasp opportunities or create them. I inherited a planning application for a new conference centre which was originally unacceptable to the local planning officers. Located on an Ancient Monument and in the green belt didn't help but to gain the support of the planning committee, we needed a local strategy. I presented the Aubrey Park to a local parish council meeting as being an important employer, particularly of young people, a buyer of local goods and services and a future hub for all the community. We further enlisted our local councillors, local MP, our Chamber of Commerce, and all our suppliers. We achieved a real energy behind the new found 'local' hotel resulting in the planning committee overturning the officers' recommendation.

This timing coincided with one of my best appointments - a new, young marketing executive who has transformed our social media and digital presence. With a great story to tell, we now daily increase our exposure through Facebook, Twitter, Instagram, Pinterest, YouTube and LinkedIn and engage with an ever greater audience.

Our best local initiative was to form a monthly 'Ladies that Lunch' club and from our first lunch with 15 ladies, 15 months later we regularly have the 'fully booked' sign up! These ladies never knew of Aubrey Park or had a poor distant past recollection but the power of positive advocacy has transformed our special occasions and wedding profile with significantly increased bookings. We never miss the opportunity to share our successes and events through all our social media channels

The importance of supporting local charities and organisations again reinforces our community role, whether being a platinum sponsor of Rennie Grove Hospice or voluntary days with Sunnyside Rural Trust.

Making sure Aubrey Park is top of mind is a constant focus so whatever is trending, we find a link. It didn't take us long to capture our 78th Pokemon at Aubrey Park, many were very rare and of course, we shared it with all our followers.

Involving the local community in our hotel blogs has seen more and more stories, most recently dating back to the 1920s when a local resident recalled playing in the original farmhouse, now part of the main hotel.

Being active members of local business organisations has in turn seen the hotel recognised with local, county and national awards.

By becoming the area's 'local hotel', we have now achieved from the local community an essential and growing profit contribution towards the hotel's future security.

Being Green

For many hoteliers, perhaps especially Independent hoteliers, 'Environmental Friendliness' is a value to live by, recognising the importance of such practices to the environment, to their businesses and to many customers. Because these practices are embedded in their hotels by Independent hoteliers, they are typically seen as champions and leaders in their adoption rather than the corporate speak of the larger chains.

Jonathan Kaye, Co-owner, Cedar Lodge Hotel, Windermere tackles the subject from two perspectives:

From the Hoteliers point of view –

Going "green" is a choice and an easy one to make. It's just a shift in thinking, from how you order, what you order and how you operate your hotel. It's the everyday decisions that need to be taken, just think first – it's very simple. Coming from a hotelier's background I had never been aware of so called "green practices" until we took over Cedar Manor in Windermere in 2007. We simply decided to look at running it in an environmentally conscious way. There was a local organisation offering free consulting, setting targets and monitoring our progress. From this the Green Tourism Business Scheme became our target. We are members of the Considerate Hoteliers organisation and won Considerate Small Hotel of Year in 2015 along with our Green Tourism Gold Award.

From the guests point of view –

They see us buying local, from having carpets made from Cumbrian Herdwick wool, to having all our wooden furniture designed and manufactured in Windermere. Our food is locally sourced, as much as possible. We used recycled underlays, make sure our pipes are lagged, lofts insulated, gaps under doors are covered, water flows at the GTBS guide rate. They can read all about this in our room information folder (printed on recycled paper) and find out about what makes our hotel tick. What we set out to do was to run the hotel in as "green" way as possible without impacting on our guests' luxury stay. This is possible with good heating systems, water management and considering all our actions whilst refurbishing – lead free paints, led lights, insulated rooms, double glazed units, TRV's on radiators, energy efficient appliances.

We still have fluffy towels, soft loo paper and lashings of hot water in the rooms (we supply phosphate free luxury toiletries in the rooms from REN) . We like to spoil our guests.

Guests love the fact we are considerate and do everything we can to employ local, shop local and manufacture local – it does bring them back, they can see and feel the lengths we go to. It's just bonus earning awards for it, we would do it anyway.

Re-emergence of seaside

Among the trends in the UK hotel industry is the revitalisation of many of the country's seaside resorts. These contain a plentiful supply of serviced accommodation although much of it became dated as social trends moved in favour of package overseas holidays through the 1960s and 1970s. Staycations, short breaks, and multiple holidays per annum are among trends that have supported the potential re-emergence of coastal towns and cities. In some cases such as Brighton, the trend has been supported by a vibrant social scene, in others it is public sector investment in attractions (ie. Turner Gallery in Margate, Tate St. Ives).

The trend has spawned investment in, typically Independent, hotels around the coastline. Usually through investment in previously run-down properties, but sometimes in new build or regeneration schemes, many of the country's seaside towns now have a smattering of newly created state of the art hotels. These can attract guests to the locality purely due to their own quality, marketing or reputation and by showing the potential have often encouraged investment by other hoteliers. These are not necessarily seaside hotels of the traditional genre but instead typically have a lifestyle or boutique feel, often supported by spa, leisure or food and beverage facilities that mitigate weather and seasonal dependence.

Emma Stratton, Owner/Founder, Scarlet Hotel, Cornwall emphasises the 'different vibe':

Success of seaside hotels in recent years is down to some pioneering work done by independent hoteliers to recognise that customers want something out of the ordinary and personal that chain hotels cannot really deliver. We approach our hotel customers understanding that they are looking for a seaside stay to have a different vibe. The hotel decor, attitude of staff and facilities can all afford to be different to standard hotel stays but they also need to feel right for your specific customers. Thinking through what your individual customers would like is probably the most important part of this process.

Our approach to the details of everyday life in our hotels is truly different. We try to give our team the freedom to work in ways that are right for them. Some attend our yoga classes before work. Others hold walking meetings out on the cliffs so that they keep active during the day. Our uniforms are much more casual than many hotels. Naturally the team are involved in choosing the uniform and what they feel is comfortable and stylish is key. So many places have uniforms that are ugly and the teams hate.

Another important area is sustainability. When customers visit a beautiful natural area, they want you to help them enjoy it. Every detail you can research to ensure they get the most out of their stay, tailored to their individual preferences, will help you stand out from your competitors.

Those same customers also respond well to evidence that you are helping to look after the natural area they are enjoying. Something we receive a lot of feedback about is how customers can spot *greenwash* with laser precision – a real danger to a hotel's brand if this is not recognised. A few notices about minimising towel use needs to sit within a much deeper commitment to the environment and local community.

This applies to many areas, from using seasonal local foods to sourcing local design. Avoid cliché and nail the detail as holiday customers want depth of thinking so you say what you are and then live it.

One issue the industry needs to address is that the inspection organisations, whilst having made some progress, lag behind the innovative thinking that is shown by the best in our industry. As a result the very best hotels at inspiring their customers, may be under-rated by the major guides.

The 'Accessibility' Market

The market for Accessible Tourism in the UK is substantial. The Great Britain Tourism Survey 2015 estimated the value of Domestic Overnight Trips where at least one member of the party has an impairment at £3.2bn. Around 15.1m such trips took place. Potentially the market is far larger if more Accessible facilities were available, or if people were aware of them.

This is not a specific issue for Independent hotels of course, but it is one that Independent hoteliers might take advantage of both for the benefit of the community requiring such facilities but also to their own financial benefit. Providing appropriate facilities and staff training as a prelude to marketing targeted on this segment of the market is likely to reap rewards. The segment is likely to grow in the future both due to the ageing population but also because the more significant provision of Accessible facilities in general is making it easier for the community to be out and about.

Arnold Fewell, Managing Director of AVF Marketing Ltd and Access Champ:

I am sure we can all accept that the purpose of everyone involved with the hospitality industry is to provide great customer service. I have added the word great because I believe that ordinary customer service is just that – ordinary and usually invisible. I also believe that along with great customer service we must add the words “for all”. This is the issue I feel hoteliers are missing out on.

Stated previously in this report is an estimate of the size of the market for Accessible Tourism. On top of that there is another £1.8bn per month that the charity Scope has identified as disabled people preferring to stay at home because they are worried about the lack of information they have and concerned about the service they will receive. As a marketer I know that you can only sell a poor service once and I believe when it comes to accessibility this is the real issue for hoteliers.

The reasons for this are several. Firstly senior managers have not identified disabled guests as a priority. This is really surprising when markets are so uncertain, and additionally so after the Brexit vote. Secondly there is an element of fear as people are reluctant or lack confidence to help a disabled guest. However, disabled guests are like anyone else except they might have additional needs. Lastly training on accessibility has not taken place. The advantage of training is that it will overcome the first two issues.

We have created both on and off line training at www.accesschamp.co.uk and I believe you need a mixture of both depending on the size of the hotel. As a disabled person and a former hotelier I accept any accusations of bias but I base this comment on feedback I have received. The best person to deliver accessible training is a disabled person. I do accept a carer is in a similar position as we all have to deal with obstacles, prejudice and disappointment on a daily basis. Thank heavens we can laugh about it and move onto another hotel.

Wages levels

The National Minimum Wage (NMW) was first introduced in the UK in April 1999 at a rate of £3.60 per hour for over 21-year-olds. Prior to that there was no statutory minimum. In April 2016 the government introduced the National Living Wage (NLW) at a level of £7.20

per hour for those over 25 years old. NMW had been £6.70 from October 2015 and rose to £6.95 in April 2016 (for those between 21 and 24 years old). Thus those on the NLW and aged 25 and over received a pay rise of 7.5% at a time when CPI inflation was less than 0.5%. Without debating the whole issue (which has been widely discussed) it can be seen that the impact of the introduction of the NLW is significant and most likely can only be partially mitigated by efficiency savings, least of all in smaller businesses without the scope of larger ones. Hoteliers undoubtedly face higher payroll costs and with the government's declared intention of moving NLW to over £9 by 2020 this element of cost is likely to remain a major concern even though many hoteliers recognise the desirability of properly recompensing their employees.

Attracting and retaining staff

Attracting and retaining staff in the hotel sector is not easy and for Independent hotels it is perhaps more difficult than for the chains. The chains can offer training, career structure and promotion prospects. For Independent hotels the attractions are more about stability, loyalty and individuality. Naturally, as individuals, staff members will exercise their personal preferences. Part of the skill of the Independent hotelier is in nurturing talent and sometimes allowing team members to further their careers elsewhere having established a foundation and proved themselves. Such mentoring can earn hoteliers a reputation which attracts future talent to seek them out – even if they don't stay forever such team members can be invaluable and more will follow in their wake, attracted by reputation.

Craig Jackson, General Manager of Northcote, provides insight on how times have changed in the management and motivation of hotel staff:

Staff are the real heartbeat of any hotel or Hospitality outfit, without them nothing would be possible. In bygone times it wouldn't have been out of place for staff to be working 50, 60 or even 70 hours a week – putting pressure on both themselves, in terms of health, and also their family and personal relationships at home.

Nowadays, as operators, we must constantly monitor and assess the work-life balance of our employees to ensure they are both happy at home and at work. Many businesses are taking unprecedented steps to ensure this is the case with 4 day working weeks, flexible working and working from home options also available. These options even 4/5 years ago would have been unthinkable but as the industry modernises and moves forward they are becoming increasingly available to staff in a number of departments across our industry.

These types of staffing initiatives help to show new employees that they are appreciated both at work and at home – well being and peace of mind back at home brings happy employees and a more united work force.

Once staff are part of the business and are comfortably settled it is important that the 'happiness' factor that was felt on interview and start date is continued, this is in my opinion achieved in a number of different ways:

- *Appraisals & Discussion* – how do we simply know that an employee is happy by chatting to them on the floor with other team members around? It's important to spend time privately discussing staff members approach to work, if they are having any difficulties, pressures they may be experiencing – this way we can keep ahead of problems before they occur.
- *Training* – Just because you have the job doesn't mean you want to stop learning. Constantly assessing team member's career direction and ambitions

and what they want to learn is a great way to continue to develop staff members – both for themselves and the business.

- *Pay* – Pay will always be a deciding factor in employment – how people act towards salaries can vary massively. If an employee feels they are over-worked and under-paid we will end with an unhappy employee. However if we have discussions as discussed above to develop a yearly review of salaries staff members feel an open environment which they can discuss what could be seen as an embarrassing situation.

Overall I feel that retaining and attracting staff is done through mentoring and a sense of responsibility both to them as individuals as well as their families at home.

Purchasing efficiency and economies of scale

Branded hotels will typically have some method of centrally and cost efficiently purchasing operational supplies including food and drink. This provides an operational advantage that it is often harder for Independent owners to access. There are companies that provide services whereby Independent owners can club together within an umbrella arrangement but these have to be sought out and the benefits have to be trusted and proven.

Financing

It has to be recognised that the banking sector is much changed. In most cases the days of popping round to see the local bank manager for a loan are long gone. There is more centralisation and more specialisation among the banks, and they are highly aware of the trend towards hotel brands, the split of ownership and operatorship in the sector, and the growth of franchising. Whether the financial sector is causing the trend by its lending policies, or reacting to it, is a moot point. The reality is that around 90% of the hotel rooms opening in the UK are branded and it is perceived to be more difficult for developers and owners to finance an Independent hotel project than one where there is a brand attached to the project. This is even true where the brand is mainly lending its name to the development through a franchise and is neither operating the property nor offering any form of performance guarantee.

As we have shown earlier, more than half of the serviced accommodation rooms in the UK are in the Independent sector, albeit some are part of pub chains or other leisure businesses that may have better access to finance than the individual owner. Nonetheless it is certainly not true that individual owners cannot access finance at all, just that it is more difficult. A proven track record, a solid business plan and a well maintained asset that preserves value are prerequisites to support any borrowing requirement, but a favourable decision from the financial community is by no means certain.

Andrew Taylor, Head of Leisure at NatWest/RBS, on working with independent hoteliers:

The banking and hotel sectors have both changed over the past few decades, but many of the fundamentals are still the same. What has changed is that the banks are increasingly realigning themselves along sector lines. There are many reasons for doing so, but the key one (we believe) is fielding a relationship manager who has an enhanced understanding and specialism in a specific industry, offers a superior customer experience which in turn should lead to better underwriting decisions. In the same way as we expect our customers to understand their customers and offer the service they require, which may differ by market segment, effectively we are taking the same approach.

As a significant national player in the hotel market we fund branded and independent hotels alike. The key to being able to lend comes down to the usual factors around quality of assets, management ability, stability of earnings and how the hotel markets and positions itself to drive occupancy and ADR.

Across our book we are pleased to support and fund a number of independent hoteliers across the UK with particular focus in the South West, Lake District and Scotland where there is a high density of independent operators. We are very occasionally asked to fund independent hotel development and we will look at each case on its merit although the majority of development funding requests arise from the branded side of the market. We are much more likely to see independent operators seeking funding for upgrades, adding rooms or leisure facilities.

Of course there is a trend towards branded hotels, but that is also a market trend. The ability for big brands to deliver occupancy/ADR is a big positive which helps offset development and initial trading risks, but it still needs to be the right brand in the right location and in the hands of the right management team.

The hotel sector remains dynamic and attractive from a bank perspective and we are very much open for business to independent and branded operators alike.

Capital expenditure – design and physical property

As we have already stated, guest expectations are higher than they once were, and not only in service standards. Hotels represent a long-term asset which has high cost to purchase and typically to maintain. The industry cycle, often aligned to the economic cycle, means that sometimes capital is required to maintain and refurbish a property at just the time in the cycle that trading downturns and cash becomes scarce. That can be a slippery slope for hoteliers since guests are discerning in functionality, design and technology. This affects Branded hotels as well, of course, but often the owners of Branded hotels have deeper pockets and have a more systematic investment plan (but not always) than Independent owners.

Alex Clarke, Director of The George in Rye, has much experience of this topic:

Operating two independent hotels, we have built-up considerable experience in capital expenditure, both in relation to renovation works and ongoing capex requirements.

Our approach has varied. We closed The George for seven months while a full renovation was undertaken – a full repositioning of a dilapidated coaching inn into a boutique lifestyle property. At another property, The Falstaff, Canterbury, we have been renovating areas of the hotel in a piecemeal fashion over a number of years.

Which is the best approach? Well, it can depend on different factors:

- source of finance: if your lender and investors have the appetite for a development loan as well as the lack of cash-flow, then this may suit but you'll have to use contractors who your lender considers large enough to take on collateral warranties and can present historic accounts. If you are spending your own cash, want more control (financially and practically), a little more time to consider each design decision, or prefer managing a smaller team – and crucially want to maintain cash-flow – then a piecemeal approach may suit better.
- nature of buildings: if the hotel is physically separated across a number of buildings, this can aid the ability to take one on at a time.

- level of product repositioning: if the ambitions of the project are to create a destination or food & beverage-driven offering, there is little point launching this until the entire property has been completed.

Our method was to operate the business for at least a year in its existing state before we did anything – allowing us to get to know the building, its issues and also gain a better understanding its full potential and opportunities.

Accurate budgets are very hard to generate before the detailed planning phase, even with professional support. Our eventual bill to renovate The George was twice what we thought it might be when we initially bought it. But we did do it properly. Guests know the difference in quality and a limited commitment to any renovation will restrict your ability to target anything above the three-star market.

In terms of ongoing capital expenditure, our approach has been to:

- as a percentage of revenue, spend more than larger or corporate hotels seem to on an ongoing basis to maintain product levels.
- address specific issues as they arise, not wait. It is better to solve problems even if it seems an expensive solution, and rid oneself of the ongoing pain and wasted time dealing with it.
- undertake works in our quieter times so the property is in its optimum state when at its busiest.

A full time maintenance manager is an essential investment in all but new build properties, as is a detailed proactive maintenance diary that takes into account the seasonal nature of the business and the issues specific to each property.

We have taken on two properties that had been starved of capital expenditure for decades, resulting in less profit, less cashflow, less funds to spend on maintaining product quality, lower sales: a negative and never-ending cycle of property decline that directly impacted the businesses. A balance is needed, but being proactive and generous to the property will never go to waste.

Lack of a 'sounding board'

Change is a constant. For Independent hoteliers one of the issues is keeping up with change in the sector and in the business world in general. It is perhaps too easy to fall into a level of comfort with one's business which can develop to lethargy or even sleep. Recognising change so as not to fall behind is critical. However pulling one-self away from the business to attend industry events – conferences, briefings or networking – is a hard discipline to instil when there is so much to do within the business. We would recommend that every Independent hotelier finds ways of keeping up with industry and business changes, not just by attending events (including The Independent Hotel Show, of course), but also by reading industry and business magazines, speaking to peers and colleagues in other properties, joining associations (such as the BHA or Institute of Hospitality), or even forming a relationship with a consultant or industry professional who can act as a mentor or sounding board. Recognition of the need to 'keep up' is a key facet for an Independent business owner or manager who otherwise risks isolation.

8 – Thoughts from the Sharp End

Introduction

As well as the comments interspersed within the previous sections we have asked several hoteliers to provide overall thoughts and comments on the Independent Hotel market. With limited guidance from ourselves they have taken a suitably independent-minded, but universally positive, view of this segment of the hotel market. Intensely attuned to the market their views are noteworthy and often should be a spur to action.

Hotelkeeping in a changing environment

2016 will be remembered in the UK as the year we voted to leave the European Union and, politically and economically, at this time we face an uncertain future. The Hospitality and Tourism Industry is a resilient sector but it does thrive on stability and consistency and whatever the outcomes of Brexit it will take time to adapt – so the comments below are very much a snap shot of a changing landscape.

Not only had our industry made few plans in the light of the vote but few others had contingencies in place for the economic uncertainty. The sudden fluctuation in the currency markets showed that the result was unexpected and poorly planned for.

Prior to that in the spring, which seems a long time ago now, the economy was clearly recovering from the deep recession of the prior years and looked like it was on a stable path to growth. Inflation had not taken hold, revenues were increasing due to higher occupancy and this was helping to offset the increasing costs mainly due to the introduction of the National Living Wage set at a substantially higher level than the National Minimum Wage, and the introduction of the Employee Pension Schemes. My own business saw a 20% growth in revenue in the first 6 months of 2016 with a combination of both increased occupancy and achieved rate - this was not done by increasing our rates but by a more aggressive regulation on the rate and upselling.

The timing of increased cost burden on the market place was either exceptionally well thought out or simply fortunate as to date it seems that the industry has simply absorbed the impact. Moving forward given further planned increases, narrowing pay differentials and external market pressure there may be an impact on profitability and industry sustainability. Whether this leads to less employment in the sector will become clear but some are already stripping out labour intensive services and reducing flexibility and choice to customers, with shorter service meal times or less service options, in an attempt to control the labour element of costs.

The independent country house sector has adapted well to the increase in online bookings and the culture of rate parity but it is also becoming clear that independent hotels have an increased proportion of fixed costs with a reduction in the variable cost element. In reality country hotels have little ability to flex labour and therefore many labour costs are moving to a fixed cost leaving only food and drink as truly variable costs. This was driving business to seek to grow revenue as a priority over and above controlling costs – hence the reason that Internet and online revenue has been attractive.

On June 23rd the landscape changed dramatically with potential positive and negative impact. We awoke to a fall in sterling which makes Britain more affordable for overseas visitors although the main impact of this will be from 2017 onwards. More immediately the cost of imports will increase which for seasonal businesses will be more evident in the winter with food costs increasing along with petrol, delivery costs and other items on which we have previously enjoyed a fair exchange rate. The medium to longer term impacts will depend on the trade deal that is negotiated, but the negotiations will also focus on the exit from bureaucratic legislation as well as the free movement of labour.

The latter is the greatest unknown. Up to 50% of our team come from outside the UK, the majority from within the EU. Until the policy is clarified we sit in a precarious position of relying on a workforce and potential labour pool which is under threat which is worrying for the medium term. It could create the biggest challenge facing the hospitality and tourism sector in our lifetime with the solution entwined in a multi-faceted negotiation. If the only solution is to encourage the domestic labour market to consider our industry by increasing wages still further it will impact on the general wage structure in the economy and ultimately impact on the future long term viability of the hotel industry.

Whilst the cost of money is cheap the access to these funds for small independent operators remains limited. Given the potential reduction in profitability the levels of investment in the industry could potentially plummet from an already low level given the time lag of the impact of the previous recession. The industry is not easy to enter due to the levels of financial support required and in a truly global market place it is essential that the industry attracts investment to keep up. To finish on a positive note the lower value of sterling will at least make the UK more attractive to foreign investment but this will come with the caveat that it will still require viable returns to make it attractive.

So keep calm and simply carry on safe in the knowledge that 2017 will not bring as much change!

Beppo Buchanan-Smith
Proprietor, Isle of Eriska Hotel, Spa and Island
<http://www.eriska-hotel.co.uk/>

The changing face of luxury

If asked to name the best hotels in the UK I suspect most people's lists would include venerable London names such as Claridge's, Dorchester, Goring, Ritz & Savoy and perhaps a few from around the country like Chewton Glen, Le Manoir aux Quat' Saisons and Lucknam Park. These are out-and-out 5 star luxury hotels with all the refinements expected at the very top end of the market and a fair degree of formality too. In fact today there may be well over 100 establishments in this country that could be categorised as offering exceptionally high levels of comfort to their guests, with many times that coming close behind.

It's easy to see why so many independent and group operated hotels wish to be positioned as luxury – the rates are much higher and, therefore, so is the potential to make large profits. But be warned, this end of the sector is not for the fainthearted, such are the eye-wateringly high running costs. This doesn't seem to deter the flood of inward investment, especially in central London, which continues apace.

But do our customers all want the same sort of experience at this level? I think not. Go to Chewton Glen and you'll find some wealthy families opting to occupy giant tree houses instead of the main suites. Visit Lucknam Park and the modern Brasserie will be at least as popular as the Michelin starred Park Restaurant. And it doesn't stop there. A new breed of expensive hotels for a new breed of customer is evolving, inspired by innovative hoteliers like Robin Hutson, Nick Jones, Richard Ball and others. Examples of their work can be found at The Pig (Home Grown Hotels) in various locations, Soho Farmhouse in Oxfordshire and Barnsley House in Gloucestershire.

These new offerings major on an informal, one might say whacky, style. Gone are the waiters in black tie and white gloves, the strict timetable and the notion that children should be kept out of sight. What Richard Ball calls "pared back luxury" appeals to a growing number of guests who can afford anything but don't always want to conform to tradition. It should be noted, however, that this laid back approach is deceptive. To get it

right involves hard work behind the scenes and just as much attention to detail as in more formal places. If anything, I believe the ability to deliver excellent hospitality while making it look casual arguably takes more skill.

Will there always be a place for the traditional style of luxury? I certainly believe so, though the way it is delivered is quietly changing too. Customers have far more control over their experience than before. For example, advanced online booking engines allow the guest to see each individual room before making their selection and even in what are, to all intents and purposes, stately homes there's no excuse for lacking the modern comforts of home such as extravagant walk-in showers and Sky TV. Pampering has become an important element in what we are now expected to provide, hence the proliferation of excellent spas. Again, the best of these disguise the effort, so as if by magic they know your name before you say it, the changing room floor is always dry and the fragrant candles in your treatment room never go out.

A final comment. Without doubt the critical component in delivering luxury is service and this won't change. Probably the only thing we provide that our customers can't get at home is a team of friendly professionals to attend to their every need. That, in the end, is what they're paying for. My guess is that the term "luxury" will cease to mean very much because of over-use where it doesn't apply and so we'll have to think of another word for the real thing. Suggestions on a postcard please.

Peter Hancock FIH MI
Chief Executive, Pride of Britain Hotels

Peter Hancock became chief executive of Pride of Britain Hotels in 2000. It is a consortium of never more than 50 independent luxury and boutique hotels throughout the UK. Before that he was Group Publishing Director at Johansens. His career began as a waiter in the late 1970s followed by General Management positions in hotels and restaurants in Southern England. Peter is an honorary Master Innholder, a Fellow of HOSPA, a Fellow of the Institute of Hospitality, a Fellow of the Academy of Food & Wine Service and an ambassador for the Gold Service Scholarship. He also writes a regular column in The Caterer magazine.

www.prideofbritainhotels.com

www.peterhancock.org.uk

Being an Independent hotelier today

For the independent hotelier we live in very exciting times. I believe there are many great opportunities for independent hoteliers who are visionary and entrepreneurial.

Hotel brands want to be perceived by guests as more individual and design-led to compete with independents. I don't see the need to affiliate. I doubt if I would do better with a brand name attached to our business especially in a city which has good business levels from the domestic and international traveller. The growth and branding power of the online travel agents have greatly helped independent hotels' visibility online. The key in achieving revenue growth is to really understand what is happening in the market and be able to exploit opportunities as they arise.

Our benchmarking reports indicate that we outperform a set of branded hotels in Bath in RevPar terms. High visibility online, great website, great photography, online reviews and quality of product and service and having a clearly differentiated proposition to the guest underpin our market lead.

What is key is getting across our brand personality – the Abbey hotel's brand personality is *the entertainer* with everything that happens here, Villa Magdala is more about the *artist in residence* and quieter and No.15 Great Pulteney is the *Bon Viveur* and we'll push the exclusive use feel.

Development and Finance

To date we have had an excellent relationship with our bank and they have been very supportive. We meet regularly and talk through the challenges in the business and discuss capital projects. The business has seen good profit growth which has increased the asset value. This has enabled us to purchase two additional properties in the last year – Villa Magdala and No.15 Great Pulteney.

With any business requiring bank funding it boils down to backing people you believe can deliver and have a credible business plan which demonstrates growth through constant innovation of product and service. The purchase of our last project pushed the loan to value above normal bank guidelines. We invited a member of the credit team to visit the property portfolio and understand what was going on behind the numbers. After understanding the project in greater depth we ended up getting an additional £150K of funding to do further works.

Often with large projects there is a large team of professionals involved which can be expensive. Our experience has been to try and strip out costs and do some of the project management work. As owners we take great interest in sourcing individual pieces of art, furniture, lighting etc which express our personality and make them feel unique to us. In our newest property our tagline is 'luxury for the curious'; it will have interesting collections which will intrigue many of our future guests.

It pays to get three quotes and compare and allocate sufficient time to planning and getting the detail closely defined. In addition we particularly question designers on two key aspects – expenditure on what guests really value and appreciate, and the practicality of the items which are specified. We like to attend many of the interior shows which keep us abreast of new emerging trends.

Hotel Operations

Hotel restaurants need to have a different tone of voice to the hotel's tone of voice in marketing and selling. They must be treated as profit centres in their own right. It has become more and more challenging with guests eating out more, greater choices of food and more informal dining.

I have always felt that part of a memorable hotel experience is an exciting food and beverage offering. The food and beverage offer of an independent hotel is very much dependent upon its location although it is always important that concepts are well thought out. Quality of management is also key, and we believe in separating the P&L from the rooms operation so that it is operated and considered as a business in its own right. This makes it much more interesting for the hotelier as it facilitates delivering a good return on the space utilisation.

Many high performing staff members prefer to work in the independent sector mainly because they are very proud of the property they work in and get to know returning guests. However one of the biggest challenges for independents to retain staff is mainly due to career progression opportunities. Kitchen staff recruitment is particularly difficult due to the shortage of chefs and the unsociable hours. It helps to give a few key members of the team who play key roles in driving sales and profitability (that we refer to as 'game changers') a small equity stake and to have a bonus scheme for the senior team.

Working with the local community is where independent hoteliers can truly differentiate themselves compared to the branded chains. Being part of the community and forming good relationships and partnerships with local businesses can be very beneficial in engendering connections and much loyalty. Corporate hoteliers tend to live in their world and their priorities are often to attend company meetings and miss out on important events which happen locally.

I personally enjoy the challenge of being at the forefront of changes that take place in our business and love to innovate and experiment. I attend industry events, design conferences and exhibitions relating to our business, and am a member of HOSPA. I also ensure that I view new restaurants and hotels as well as being involved with our local tourism body and I am director of our Bath Improvement District.

It is easier for an independent hotelier to innovate and make changes and I see a great opportunity to take the lead in doing things differently which will benefit or enhance guest experiences with us.

Ian Taylor
Director, The Abbey Hotel, Bath
<http://abbeyhotelbath.co.uk/>

Optimising the Opportunity, Controlling our Destiny

The meaning of independent has varying connotations in our sector but I am very clear that in our case we are independently owned and independently managed. This is a distinct differentiator for me, especially in a market as complex as London. We control our own destiny and all the parts of our 'brand' and hotel. I feel proud as the current custodian of such an historic property as our DUKES LONDON and fortunate to have the opportunity that it, and the development of our new property in Dubai, provides.

The decisions that are made are made within the property. The cost is borne there, no fees to third party managers, and it means that what we spend and where we choose to focus is right for our owners.

Of course we have to look at the hotel and where it sits in its market and positioning. DUKES is unique and has a worldwide audience within one of the world's great cities. We need to grow and maximise that opportunity so of course we have to act and think strategically. Our independence gives us a sense of character and with the tools at our disposal there is no reason why we can't succeed as an independent.

For an independent hotel in London we need to get our message to the widest possible audience globally. So as well as our own sales and marketing team we work through Small Luxury Hotels of the World to provide an international sales presence and representation. Public relations is also critically important, we have to share the love and the story of successes, development and the team, especially in the markets that have traditionally been most important to us, that is the USA, UAE and of course in the UK. The UAE is a growing market and DUKES DUBAI, which will open in November, will be part of that story, taking the DNA of DUKES LONDON into this important market. Although it will be a profitable business in its own right of course, it will be expected to create awareness in the UAE and I expect it to have benefits in improving recognition and loyalty for both hotels from travellers in both directions.

In London, DUKES has been around for a very long time and will be around for a very long time to come. As far as our service delivery and our attention to detail are concerned we do not rest on our laurels, times change and we have to change with them. Once you stop ensuring that you are reflecting current standards and guest expectations you might as well give up. DUKES was a lot more traditional when I joined the hotel 7 years ago. We haven't changed the underlying hotel but we have innovated a little in terms of aspects such as service standards and attention to detail, and played a little with the design without losing its heritage. We always remember that the hotel is a traditional classic hotel and we don't want to change that.

Our guests love the heritage of London, the Royal family, the culture of the city and its authenticity and at DUKES we very much see ourselves as fitting with that. In the same way that the city updates itself and stays relevant, so do we. DUKES Bar is one of the most famous bars in London, especially for its Martinis! Our investment ensures that it is the quality establishment that everyone expects but the look and feel doesn't change – we replace carpet and curtains regularly but we don't change the design. It is something that we are renowned for, is authentic and much-loved. On the other hand we have uplifted the Drawing Room, although the look and feel is still consistent with the overall appearance of DUKES. Despite substantial investment in the bedrooms the antique furniture and beautiful art remains, as does the traditional feel of the rooms. Of course some aspects have been updated and changed but our history and DNA remains ever present. Our traditions are vitally important, after all there is a relatively little of this left in London's hotel scene, and it is important that we stay faithful to that, but also that we don't lose our heart and soul.

We manage with a lack of corporate guidelines, it provides such opportunity for us to influence the business, and be independent while managing the differing individual elements of the business. THIRTY-SIX Restaurant hosts both guests and non-residents, DUKES Bar has an international following, our afternoon tea is renowned, and the Cognac and Cigar Garden is just special and fun! Our St James' location offers the opportunity to enhance our independence and to establish our individuality, essentially to create a country house hotel in the centre of London.

Debrah Dhugga
Managing Director
DUKES COLLECTION

<http://www.dukeshotel.com/dukes-collection/>

Age of the independent hotel

Our industry has continued to consolidate over the past several months with numerous noteworthy deals. The landmark purchase of Starwood Hotels and Resorts by Marriott, the merger of Destination Hotels and Commune, and the Benchmark Hospitality and Gemstone Hotels union, along with the addition of Hyatt's Unbound Collection to compete with Marriott's Autograph Collection and Hilton's Curios Collections, have changed our industry. These changes have prompted several calls to me as to how we are going to compete with the large hotel companies. People have been surprised by my response, as I think the next 10 years have the potential to be the best for elite independent hotels and small hotel chain operators for several reasons.

To start, large hotel chains' customer goal has historically been brand consistency across their properties, as their average customer wanted to know exactly what to expect from every hotel. As the major players increase in size, they will have to add more structure to maintain their operational consistency. The decision making will then become further and further away from the property level, which goes against what the customer wants today: local experiences (as well as all of the other overused words from a previous blog, such as authentic, curated, local, boutique, etc.). In my opinion, you cannot implement these local and personalized experiences in a centralized structure and make it authentic. The chains have to be more bureaucratic to stay consistent and survive and because of this, have not been hiring independent hoteliers with entrepreneurial spirits to assist them with these experiences.

This leaves the gap in the market that independent hotels capitalize on: delivering unique guest experiences. With the internet as the great equalizer, the consumer can safely pick an independent hotel over a branded hotel by looking online at the reviews and ratings. At independent hotels, the management is closer to guests and can react and deliver quickly on those experiences. While the chains do have more power to negotiate better terms with OTAs, the independents and small companies have the ability, through unique experiences and high levels of customer service, to differentiate themselves from the big brands, as we are now more than ever offering what the consumers want. I believe the independents will be able to drive their average rates faster than the chains, thereby eliminating the advantage the chains have with lower distribution costs.

If you look at the recent Travel and Leisure and Condé Nast readers' polls, the vast majority of the top hotels and resorts are not brands, but rather are independent properties or from small chains. It is the properties with the passionate hoteliers who are constantly adapting to deliver a personalized and unique guest experience that are consistently the top in the readers' polls. The leaders in guest service and delivering true experiences will be those closest to the guests: the hoteliers.

With that, I am very bullish on the prospects of independent resorts and hotels, as I am confident that we can differentiate ourselves much more easily with the chains getting larger and more corporate.

Mark Grenoble
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This article first appeared in Hotels Magazine's online blogs. To subscribe visit www.hotelsmag.com

Independent Hotels Have A Strong Advantage Over Chain Properties

Reading the industry press over the last couple of months, I could not help but notice, all the upheaval about the large chains and the mergers and acquisitions happening. After

Marriott acquired Starwood the industry is talking about the era of the mega hotel chains.

However, I see actually rather a big opportunity for the independent hotels in the current marketplace. Independent hotels thrive currently and from my experience are outperforming chain hotels in results.

Actually looking at Conde Nast and Travel and Leisure, the leading luxury travel magazines, independent luxury hotels tend to outshine the chain hotels. Going through offers on popular lifestyle travel websites like Mr & Mrs Smith, Voyages Privé or Secret Escapes, all are focussed on authentic experiences incorporating mainly original boutique hotels and luxury independent hotels.

Millennials, the golden market segment everyone has been raving about, also seems to appreciate more authentic and original personalised experiences over a cookie cutter, off the shelf type of product. So for the years to come I would say this is quite a good outlook for independent hotels.

And this does not only count for the high-end or luxury market. In the mid-market and budget or economy segments independent hotels are making in-roads as well. Refreshing concepts with original design, personal guest service are popping up and moving up the charts everywhere. Even in the youth hostel market we have seen a product upgrade happening over the last few years with some cool new places to stay.

What has inspired or triggered this phenomenon? The world has changed, people have become more aware and expressive of their needs. The modern consumer is much more conscious of what he appreciates and wants. The consumer is not looking for a standardised industrialised product. He is looking for a fun time at a nice place. And the industry is catching on.

Review scores and OTAs have levelled the playing field when it comes to distribution reach of an independent hotel vs a chain branded hotel. By leveraging the online travel agencies and distribution platforms, independent hotels gain a global reach. And the original experience of an independent hotel drives very good review scores, giving your hotel an immense global reach and exposure.

Key advantages of independent hotels over chain properties:

- More focus on what the guest wants vs focus on chain brand standards.
- More space for original design, product creativity and a unique identity.
- Less bureaucracy and more attention to original guest experience and unique initiatives.
- Less overhead cost in terms of chain revenue contributions and marketing fees.
- Freedom in commercial and distribution strategies, without chain regulations holding back the individual property over the chain strategy.
- Stronger and more unique local experience oriented marketing efforts.
- Original concepts drive higher guest review scores, which brings more exposure.

There is a huge gap in the market left by the chains for independent hotels to capitalise on.

From managing a portfolio of 50 independent hotels, all with their own unique identity, we can clearly see that these hotels are outperforming competitors in their market and bringing in a higher RevPar and NOI % (EBIDTA) than normal.

The freedom an independent hotel gives, allows for assets to be created to drive a far better return on investment and bottom line than we would be able to achieve with chain hotels. Not only can an independent hotel differentiate in its concept and service, but we use guerrilla techniques in terms of revenue management, distribution and marketing strategies to drive financial results.

I foresee that in the next 5 to 10 years we will see many more independent hotels being developed than ever before.

We might even be at the beginning of the end of the hotel franchise model. When speaking to hotel owners in Asia, they are getting fed up with the chain rules, regulations and costs, and limited resolve to drive business volume to an individual property. Many are doing their math, and are figuring out, that the cost might not be worth the returns. The first few have even started with removing their brand flag, and the results are very encouraging.

In my book, independent hotels rule!

It comes down to a great quirky or authentic concept, and a passionate team with a true hospitality DNA to deliver a unique and personal guest experience.

If your hotel is a story worth sharing, your property will flourish, and rank at the top of the review score charts.

Case closed ...

Patrick Landman
CEO and Co-Founder, Xotels

Xotels is an Independent Hotel management company and a driving force of change in hotel management. They believe in the individual character and unique customer experience of the independent hotel. With an online market place driven by reputation and guest reviews, the success of an original hotel concept can be leveraged to gain global reach and exposure.

This article first appeared as a blog on their website www.xotels.com