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3/20/2017

Hotel brand companies are seeing the success of dual-branded properties in the US and looking at international markets for potential new development opportunities. Brands might initially consider the same international markets for dual-branded properties as they would for single-branded hotels, said Daniel Lesser, President and CEO of LW Hospitality Advisors.

“It really boils down to best use,” he said. “It holds true anywhere in the world. The fact remains the hotel business has always been a neighborhood issue. It’s submarket driven. It doesn’t matter if it’s in the US or China.”

The economics

Dual branding began in the US primarily when land prices rose and there was a bigger opportunity to put greater density on a project, said Joel Eisemann, Chief Development Officer of the Americas at InterContinental Hotels Group. Dual-branded hotels typically see more efficiency in staffing models and operations along with less food and beverage expenses, he said.

“Their success in the US is driving dual-branded projects in international-type locations,” he said.

IHG recently opened a dual-branded Candlewood Suites and Holiday Inn Express in Edmonton, Canada. The company also has two dual brands open in China and six open in Europe, with another five in its pipeline scheduled to open this year through 2019.

The key for each market is understanding what types of demand there are in the market and at what rate the demand is willing to pay, Mr Eisemann said. The fundamental issues are still the same, he said.

As companies continue to develop internationally, they’ll export more brands, he said.

“The use of dual branding will continue to grow,” he said. “It’s a clear tool for franchisors and brands like IHG to use, and it makes more sense for the real estate developer.”

Choosing a site for a dual-branded hotel, domestic or international, boils down to fundamentals, Mr Lesser said. The decision over whether to pursue a single- or double-branded property means looking at the profit motive, he said.

“I would think in markets where they don’t have tremendous diversification of demand and profit, they’re less likely to support the notion of dual brands as opposed to submarkets that have a complex array of demand generators looking for different product types,” he said.

If the profits would be greater in having a single-branded hotel, perhaps a full-service property with meeting space as opposed to two select-service properties, he said, it’s going to come down to economics.

A dual-branded property has to be economically supported, Mr Lesser said, and brands have different motivations than owners. Brands are looking to populate the world with as many of their products as they can, he said. Hotel developers and investors are more asset-specific focused on getting brand identity around the world, he said.

Spreading the word

For Hilton, most of its 60 multi-branded hotels open now are in the US, but the concept is gaining traction elsewhere, particularly in Latin America, said Ted Middleton, SVP of Development in Latin America at Hilton.

He cited the recent signing of the Hilton Garden Inn and Homewood Suites by Hilton Saltillo in Mexico. He said these types of properties offer three competitive advantages: efficiency of operations, a wider customer base and lower development costs.

Hilton spent roughly a year trying to develop a Homewood Suites prototype to fit in Latin America. The company is seeing success in growing those in the region, he said, and part of the result of that is seeing more dual-branded projects coming to Latin America, since an extended-stay brand often is part of a dual-brand mix.

Extended stay hotels aren't as common in Latin America because of the demand in some markets, Mr Eisemann said. IHG is looking at possible dual-branded projects in Brazil and Peru to grow extended stay in the region, he said.

Determining sites

Every market is distinct, Mr Eisemann said. When developers and owners look at a market, they what types of demand exist when selecting a dual-branded hotel, he said. IHG tends to look at high-barrier-to-entry markets and high-profile urban areas that call for a higher density of rooms for dual brands, he said.

When looking for sites for dual-branded hotels, he said, the company looks for a great owner interested in IHG brands. That opens the conversation to what is the best use for the market and, if dual-brand makes sense, what are the most appropriate brand combinations.

Hilton is working on dual-branded deals in Lima, Peru, and the Santa Fe business district of Mexico City, along with the Saltillo signing, Mr Middleton said, along with others under discussion. The company's primary focus will be to grow dual-branded properties in Mexico, where Homewood Suites is better known, because of its proximity to the US Hilton is also looking at Columbia and possible additional projects in Peru, he said.

"Saltillio was the deal we signed first," he said. "Then we did Santa Fe. It's the tip of the iceberg. I think you will see us selling it more frequently."

Bill Duncan, Global Head of Hilton's All Suites division, said the company sees dual-branded properties as a viable opportunity across the globe. He's been leading a dual-brand task force in the US and Canada looking at different brands and how to maximize their combinations in tighter markets.

Hilton opened a dual-brand property in downtown Halifax, Canada, and the company also has a Hilton and Hilton Garden Inn Frankfurt Airport in Germany and a Hilton Bursa with a Hampton Inn in Turkey.

"We are taking a strong approach with it, and also a pragmatic and practical approach," he said. "They're all individual deal conversations. They will spread as demand and opportunity match up with what we think will be successful for us and the owner."

By Bryan Wroten from Hotel News Now