

# Going independent not an easy decision for branded hotels

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Pulling a flag and going the independent route has its advantages: no brand standards to live up to or franchise fees to pay, to name two. But before jettisoning a brand, a hotel owner needs to carefully consider why he or she wants to go independent, and whether it will pay off in the long run.

The most obvious benefit to taking a branded hotel independent is cost. “I love my branded hotels and they all do really, really well, but when there is sufficient demand in a market to not use a brand, you save a lot of money,” said Bob Rauch, founder and CEO and of San Diego-based [RAR Hospitality](#).

But uncoupling may not save as much money as people think. While it’s true that going independent eliminates franchise fees, other prices may increase without the bargaining power of a brand. “The thing that gets overlooked in many cases is the impact of online travel agencies,” said Gary Isenberg, president of [LWHA Asset & Property Management Services](#). “The brands, typically, have negotiated commission rates with Expedia that are far less than what an independent would pay.” For example, he said, the OTA commission rate for a Marriott-branded hotel is probably about 15 percent, while an independent’s rate can be as much as 25 percent. At the same time, unbranded hotels rely more heavily on OTAs than their branded counterparts with company websites do. Isenberg estimates that branded hotels get as much as 20 percent of their business from OTAs, while independents can get as much as 50 percent. “If you go independent, now you’re taking more OTA business at a higher commission rate that could almost cost as much as what you would have paid if you stayed branded,” Isenberg said.

Brands offer loads of benefits, Rauch said, particularly in terms of support for first-time owners and operators, and

especially during economic downturns. Franchise fees can be considered insurance that has to be paid at the height of the cycle. But when the script flips, brand support can become crucial.

“The months between September 2008 through all of 2009 were pretty painful for the independents,” he said. “And that is what we’re paying insurance against. What I get out of the brand is reservations and—most importantly—peace of mind during a recession.”

## How to Unbrand

In-demand cities make going independent easier. “People choose a hotel based on location and what it offers,” Isenberg said.

Even without a connection to a formal brand, an independent hotel can be its own brand, but “you have to understand what it is you are trying to accomplish,” Isenberg said. Older hotels can have an easier time creating a brand based on history. For example, the Hotel Roanoke in Roanoke, Va., operated as a DoubleTree for years before joining the Curio Collection, which, while Hilton’s soft brand, allows hotels more freedom to act as an independent.

In Tucson, Ariz., Rauch acquired a 170-guestroom Quality Inn and Suites that he separated into a 122-guestroom Quality and the 48-guestroom Executive Suites Airport North, an extended-stay independent hotel. “We paid Choice a fee to remove those rooms from their inventory,” he said. The conversion was based, he said, on guest demand and local need for extended-stay properties.

## Frequent Flyer

Morris Moinian, owner and founder of [Fortuna Realty Group](#), has turned several New York-area branded hotels into independent properties. Last year, the company purchased the Wyndham Garden Manhattan Chelsea West at a bankruptcy auction for \$60 million. Within days, the Fortuna team had a game plan. “We shut the property down and we gut-renovated every inch of it,” Moinian said. The independent Hotel Henri opened in the spring as a full-service boutique hotel designed by Marcello Pozzi.

“We had to reinvent it,” Pozzi said. “We had to play with what we had, reinventing the rooms, reinventing the look and reinventing the outside.”

The lobby was opened up with walls removed, the layout of the rooms was flipped around and the bathrooms were also reconfigured, with the showers turned around—a move Moinian called a more efficient use of the space.

The best part about taking the hotel independent, Moinian said, was the freedom the Fortuna team had in creating exactly the kind of hotel they—and their guests—wanted. “We created our own [property improvement plan] and our own wish list—which is based on what the customer needs,” Moinian said.