

The CEO of LW Hospitality Advisors lets loose on Airbnb, OTAs and hotel brands

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Daniel Lesser, the CEO of LW Hospitality Advisors, a firm that offers various advisory services to the hospitality industry, doesn't mince words and not Airbnb, not OTAs and not hotel brands escape his scrutiny. In this wide-ranging Q&A, Lesser discusses some of the bigger current challenges on the hotel industry and how it must deal with these impacts.

1. Now into 2018, what are the crucial storylines you'll be watching in the hospitality space?

For one, the Tax Cuts and Jobs Act is generating considerable optimism with anticipation that a pro-growth environment will stimulate economic expansion and further increase demand for hotel accommodations. Given the daily leasing and constant repricing of hotel rooms, the sector represents a well-positioned hedge for any downside risk if the national economy enters a period of "overheating" characterized by rising inflation and higher interest rates. Meanwhile, direct-booking initiatives have resulted in the lodging industry finally gaining ground in shifting consumer behavior toward brand.com versus online travel agencies. During the Great Recession, the sector was shortsighted and welcomed OTAs to place heads in beds. This

experiment was costly and ceded control of the industry's most precious commodity: guests. Look for the lodging sector to continue to push back on OTAs by investing in technology that creates seamless, friction-free booking.

Daniel Lesser, CEO of LW Hospitality Advisors



2. The hotel industry is famously fragmented when it comes to a single asset: one brand, one owner, one management company, one asset manager. What are the biggest challenges each one faces and what are their biggest opportunities?

The biggest challenge for brands is how to expand their geographic footprints without negatively impacting existing same-brand properties. Their biggest opportunity is enhancing guest loyalty while improving control of the booking process and lowering reservation acquisition costs. The biggest challenge for hotel owners is to increase profits as evolving brand standards that require significant capital reinvestment are implemented to maintain competitiveness. Their biggest opportunity is to vigilantly track and measure results of brand and/or management contributions and charges. The biggest challenge for management companies is expense growth is outpacing revenue growth and operators must work harder to achieve profit growth. Their biggest opportunity is that revenue management continues to grow in importance and complexing multiple assets within a submarket can yield substantial benefits. The biggest challenge for hotel asset managers is to balance ownership investment objectives and returns within the practical realities of a hotel's operation. Their biggest opportunity is outlining profit objectives and strategies so that all parties' interests are aligned toward common goals.

3. There is an idea that brands and owners have an antithetical relationship: what's good for one is bad for another. For instance, brands love more supply because it means more fees; owners abhor new supply because it means

more competition. What's the best way the two should work together?

Theoretically, brands and owners should operate together as a team. That said, motivations of team members are driven by compensation. Properly aligning compensation is the only way for brands and owners to work together to achieve common goals. As long as brands and owners have different goals and objectives, there will always be tension or friction between the parties.

4. You've been an outspoken voice against Airbnb and particularly its vituperative attacks on the hotel industry of late. What's the point you are making?

I am a firm believer in a free market. With that said, I believe Airbnb has fought too vigorously against being subjected to a level playing field with the lodging industry. Airbnb's claim of being a champion of the middle class is misleading and its publications—from "The Hotel Industry Agenda: Punish the middle class" to "Airbnb: Fighting hotel price-gouging, saving millions for consumers"—are disingenuous. Price-gouging is not rampant in the lodging sector and, to the best of my knowledge, unlike the airline industry, the lodging sector has not been the recipient of class-action lawsuits alleging [such]. Airbnb started as an online marketplace founded by two unemployed entrepreneurs who seized upon an opportunity to earn money by renting three airbeds in their living space. Today, a significant amount of Airbnb's activity, in cities such as New York and San Francisco, does not originate from the listings of "regular people" who are merely renting out a spare room. Instead, professional landlords are removing multifamily stock from local markets and providing availability exclusively for tourists and business travelers. In some cases, landlords are even evicting residential tenants and jettisoning rent-controlled housing to create Airbnb listing opportunities. Airbnb is a privately held company that owns no real estate, and serves as a broker/agent that receives fees from both guests and hosts. Sequoia Capital and Greylock Partners, the original financial backers of Airbnb, are venture capital firms whose fundamental ethos is to earn monetary returns on their investments. Achieving risk-adjusted investment returns on highly speculative ventures is considered to be the American dream and is commendable; however, capitalist competition is meant to be fair and balanced, and the fact is Airbnb and its hosts and users must comply with state and local laws, codes and regulations that apply to traditional types of transient lodging facilities.

5. Technology continues to evolve and impact the guest experience. That evolution obviously comes with a cost to owners. Does new technology improve the guest experience, and is it worth the cost?

Although the lodging industry has historically been behind the curve in terms of developing and adopting technology, today investing in a wide range of solutions that create immediate and personal engagement is critical to attracting and retaining hotel guests. Technology benefits many aspects of the sector including for example: revenue management, customer history/preferences, automated check-in/check-out, mobile/keyless guestroom entry, energy management. In order to stay competitive, implementation of cutting edge technologies is not

a choice, it is a must. The key to enhance profits is to harness the benefits and/or efficiencies that technology offers so the incremental revenue(s) and/or savings are greater than the cost(s).