

LODGING

Brand Buildup

Behind the rush to raise new flags

JIM ANHUT
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By Philip Hayward
 Photo by Pete Winkel

Present *at the* Creation

**With each new hotel brand,
 Jim Anhut learns more and more.**

Between 2004 and 2007, more than a dozen brands were introduced. That's typical of an upturn in the economic cycle where investment capital is plentiful and supply growth still muted. Developers aim at missed niches and shifting demographics and psychographics as well as changing travel habits. Thus in 2007 we see the arrival of lifestyle brands in a variety of

price segments tapping the mores of Generation X—hipper and more social, design- and technology-conscious. A few of the new brands have opened this year—Cambria Suites (Choice Hotels), Capella (West Paces) and Indigo (IHG). Later this year NYLO (independent) and aloft (Starwood Hotels) are expected to open their doors.

The launch of so many new brands logically should mean there will be winners and losers.

As the lodging economy heads into the final, "mature" phase of this upturn in the cycle, it's important to examine the phenomenon of creating and launching new brands. In Jim Anhut, senior vice president of brand management at Hotel Indigo, there's a wealth of information to be gleaned from the start-ups in his 25-year career—Residence Inn, Summerfield Suites, MainStay Suites, Staybridge Suites and Hotel Indigo.



When discussing the role of the brand creator he emphasizes it's a team effort. He firmly believes there will be winners and losers in the brand race that should be heating up in 2008 with the opening of a variety of products. He hopes his accumulated experience of launches will leave his legacy with all winners and no losers.

ROOTS OF A SERIAL BRANDER

"I am the son of a son of a son of a hotelier," Anhut says of his childhood growing up in Michigan. "Both my grandfather and my father were lawyers, though my father never practiced law—we were independent hotel operators, that were never affiliated with any brand. I grew up learning the business from the ground floor—from making beds to booking weddings to adding a wing to the hotel."

Anhut fought a losing battle to be anything but a hotelier, instead considering engineering and medicine. Everyone but Anhut could see what he belatedly came to realize: "Hospitality was in my blood. It was in my DNA," he says. So he eventually steered his college studies to lodging, with a degree in marketing from Emory University, and then went back to his father's hotel company. Within three years, he realized his father's community and political involvement precluded any chances the company would grow. "So, I went back to graduate school to exercise my exit plan." At Michigan State University he studied hotel management, earning an M.B.A.

Armed with a dual major in finance and hotel management, Anhut journeyed to Wichita, Kan., to join the fledgling Residence Inn Company, started by Jack DeBoer, who is widely

credited with creating the branded extended-stay hotel segment of the industry.

"I got exposed very quickly to a small, highly energized entrepreneurial company and got exposed very early to the financial and development side of the business and I haven't really looked back from that," Anhut says.

Residence Inn had close to 35 hotels open and operating when Marriott International bought it in 1987. Anhut sees

and Anhut was then further along in his evolution as a hotel brand architect.

ALWAYS LEARNING

"So, what did I learn? The brilliance of a niche product or a narrowly defined, well-positioned hotel product," Anhut says. "Our customer was an extended-stay customer—we found they wanted more of a home than a hotel. It was a category creator and it's worked incredibly well.

atives, Anhut learned the value of good corporate culture. Some of it he already appreciated from working in a healthy family-owned environment. DeBoer had a knack for attracting bright and energetic talent that was amply empowered to fulfill its potential. Anhut describes the Residence Inn culture as relaxed—he compares it with a company like Ritz-Carlton, which he describes as "buttoned up, tightly wound and brilliant."

dence Inn and Summerfield Suites, Anhut was nevertheless learning the basics of linking operations with brand strategy. "I was involved with that on a day-to-day basis—from what does a product look like to how are we going to get it financed?" he says. "Ultimately, how are we going to grow it?"

"And you start thinking: Is this a product that we want to own exclusively or is it something we want to share with the franchise community or is it



ONE OF WEST PACES HOTEL GROUP'S NEW LUXURY PROPERTIES IS THE CAPELLA CASTLEMARTYR IN IRELAND, WHICH OPENED ITS DOORS THIS SPRING. FROM LEFT: THE POOL AT THE PROPERTY'S SPA; THE MAIN ENTRANCE; THE GRAND SUITE ROOM.

the irony in the acquisition, since Holiday Inn Worldwide owned half of the chain on a joint-venture basis. The venture dissolved, leaving DeBoer and a few executives, including Anhut, in Wichita. They soon embarked on a follow-up brand—Summerfield Suites—

"I also learned that the opportunity exists for you to grow rapidly because of the capital markets that are willing to invest in a concept," Anhut says. "When those cycles come around, you need to take advantage of those and grow as quickly as you can. A well-positioned product with a narrow focus on the customer set will endure and make it through the good times as well as the bad times."

With DeBoer's group of exec-

"It's very important to get as acquainted and emotionally connected to the culture of a branded hotel product as to the physical product," he says. "In my opinion, that's more important than the actual physical plant because, ultimately, the good ideas get copied. That happens a lot in our business. If you establish a unique culture and attitude, it will be much harder to steal from."

While admittedly on the lowest rung of creativity at Resi-

something we will want to bundle up and sell again?"

THE DOWN SIDE OF CYCLES

Anhut learned about up cycles and the availability of development in the early 1990s. "The spigot dried up, and we had that moment in time when the cycle was going against us in terms of the capital markets," Anhut says.

Summerfield Suites would soldier on, but Anhut took his newly acquired real estate

skills to Maryland-based Manor Care Inc., the then-parent company of Choice Hotels International. Working with Manor Care's real estate division president Donald Landry and others, Anhut helped acquire more than 63 under-priced hotels that they refurbished and folded into Choice's brands.

When the capital markets picked up again in the mid-1990s, the Manor Care team found itself on the periphery of

brought to market. They were all closely bunched together, with Candlewood and Town-Place Suites way behind us."

It was a busy time for Choice as it introduced a variety of new concepts, and it was a period of major transition among senior management, with a new CEO and the departure of key product development staff. Some would say focus momentarily wandered at Choice. In the midst, Holiday Inn Worldwide recruited Anhut away



the real-estate acquisition business. However, it had converted several hotels into extended-stay properties and soon saw that Choice had the opportunity fill a niche: moderately priced extended-stay lodging. That's when MainStay Suites was born.

"We were pretty early on with the concept," Anhut says. "What a lot of people forget is that MainStay was one of the first, if not the first midscale extended-stay product that was

from Choice. Anhut was taxed with creating a mid-priced extended-stay brand—Staybridge Suites—for the company that would become IHG.

"At Choice, I learned that creating brands is not for the faint of heart," Anhut says. "It requires a lot of patience and persistence, especially in a franchise environment where you are looking for the franchisee to help you grow the distribution of the brand. They have to have confidence you're

Shooting for the Stars

Horst Schulze talks about creating brands for the highest end of the lodging spectrum.



Horst Schulze headed the Ritz-Carlton Hotel Company from 1982 through 2002, a period of time in which the chain of upper-upscale hotels won an unprecedented two Malcolm Baldrige National Quality Awards. Marriott International liked the chain so much, it acquired the brand to round out the high end of its product offering. When he left the company, Schulze couldn't sit still long and soon worked up plans for not one, but two upscale brands. His Atlanta-based company, West Paces Hotel Group, announced the formation of Solis and Capella. He intends Solis as a traditional five-star product and Capella as providing more personalized service on a smaller scale. In this question-and-answer session, Schulze discusses the brand considerations behind Solis and Capella.

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■ **Lodging magazine:** Why did you decide to create the new brands? Was it easier or harder than you thought?

■ **HorstSchulze:** The desire to create a brand that would truly serve the upper reaches of the market—which is what we have created with Capella Hotels and Resorts—has been with me for decades. My team and I also learned a great deal about providing consistent service through the years, and I felt this could be applied to a brand serving a broader market, and serving the group market, which we will do with Solis.

I've come to believe that existing five-star hotels cannot adequately serve the top-tier guest, first and foremost because their size means that they must cater to group business. They cannot provide truly personalized service, which today's luxury traveler demands. Personalized service is a hallmark of Capella Hotels and Resorts, and we keep each Capella's size to approximately 100 rooms or less to ensure our ability to provide this service.

Solis hotels will be larger, and will court group business, so they can't offer the personalization of Capella and are at a different price point, but as I mentioned, they will provide consistently exemplary service, which is surprisingly lacking at many hotels today.

Has it been easy? Not necessarily. But I love what I do, and believe that Capella will redefine the luxury hotel experience.

■ **LM:** In many respects you created the Ritz-Carlton brand. Now Solis and Capella. What is it about such undertakings that attracts you? Why are you so good at it?

■ **HS:** The hospitality business is in my blood. I've been doing it since I was a young boy working even as a busboy in Europe.

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going to be there along the way as they work their ways through the duration of their franchise agreements.”

BRAND MELTING POT

In coming to Holiday Inn Worldwide, Anhut was joining the company that had been involved in the Residence Inn and was now connected through the acquisition pipeline to Promus Hotels, which founded Home-wood Suites. In 1997, a time of decisive re-energizing at Holiday Inn under CEO Tom Oliver, getting back into extended stay was high on the company's list of priorities.

“I was basically given a blank sheet of paper and a commitment that the company was willing to put capital behind growing a new brand in the extended-stay segment. That was an opportunity to pull all the strings on all those experiences I had to develop a concept that would compete in an existing [industry] category.”

That was nearly 10 years ago, and Staybridge now has 112 properties open in the mid-price segment. Four years ago, Anhut was brought in to explore yet another new brand, Hotel Indigo.

“We didn't really have a name for it, but we knew it would be a lifestyle oriented brand of hotel, of course,” Anhut says. “So, three years ago I took that on full time.”

Anhut was now working in a more complicated and complex business environment—a publicly owned company.

“Most of the brands we refer to today as the ‘great brands’ out there in our business today are great brands because they've been around 30, 35, 40 years, and in the case of Holi-

day Inn, 55 years. Intercontinental, 60 years. A lot of people don't remember that. They don't realize it took a long time to get there.

“Sometimes publicly traded companies aren't real patient when you've got quarterly earnings announcements and calls,” Anhut says. “Through the process of launching Staybridge Suites and Indigo we've gotten pretty good—with a lot of help from others—at managing expectations for a product that is reliant on real estate for its growth.

“That's not the case for building brands outside our business—think about the consumer package goods industry, for example,” Anhut says. “They can modify packaging on a Coke can or turn out a new formula for a box of cereal. If it doesn't work, they pull it. In our case, you get a bunch of dots on the map and it doesn't work, you can't pull it....It's a slow burn early on in growing a sustainable brand.”

Indigo currently operates in 12 locations. But Anhut says the company is looking as many as five years out, asking such questions as: “How does this thing evolve? Where does it get distributed? How do you grow it internationally?”

Getting to that point was easier for Indigo than Staybridge. A hotel that owners would choose to personally stay in made sense to them. A hotel predicated on reducing rack rate the longer a guest stayed stumped prospective owners.

“Why would we do that?” they asked,” Anhut says. “It took awhile for them to understand the economics of where the longer a guest stayed, the less consumptive of services

and amenities they were. Plus, your transaction volume at the front desk is lower, which means your staffing goes down. So, it took a lot more education than I thought.

“Again, that's where you need to take a long-term view and take a little bit of comfort in looking back at how long it took Courtyard by Marriott to get to 500 units,” he says.

WINNERS AND LOSERS

With a multitude of new brands hitting the market with regularity, one wonders which will make it and which won't. Anhut is certain there will be winners and losers.

“The winners will be the ones who think long-term. The winners will be the ones who identified a customer and do anything within their power to connect with and ultimately own that customer,” he says.

“The losers, if you will, are the ones who are clearly focused on growing a chain—but one with a loose collection of product out there whose only common thread would be size....There are whole portfolios of product out there, but what do they mean? There's no emotional attraction. No intellectual engagement to that brand. And, more importantly, when you say that name to someone, it doesn't mean anything.”

As Staybridge enters the end of its second economic cycle and Indigo its first, Anhut is confident those two brands will endure the traditional pitfalls and not end up in a competitor's portfolio. It's what gives him the confidence to sum up a long conversation on his career in brand creation:

“It's a great time for our business right now.” ■

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I believe that the needs and desires of today's luxury traveler have changed since my days at Ritz-Carlton, and it's exciting to design brands for a new environment.

Capella was created to be about choice—and will offer choices to its guests that no other hotel company in the world can match. It is comprised of a portfolio of hotels and resorts that cater to the currently underserved top-tier consumer who wants to extend his personal lifestyle on the road, or enjoy world-class service at a residential property. Solis will reach a broader market, but will still extend the lessons we have learned in providing consistent service and compelling locations.

■ **LM:** *What are your observations of the many other brands coming online in the last two years?*

■ **HS:** I'd rather focus on building my own brands than comment on others, but I will say, in general terms, that I believe some of the proposed new brands miss the mark. They promise even more luxurious amenities than their competitors and that's still working from an outdated mindset. Certainly, world-class amenities are important, but luxury today is not only thread count, it's providing the ultimate in personal service, it's providing hotels that aren't “cookie-cutter,” but are a reflection of their locale. All these attributes are hallmarks of Capella Hotels. Capella is not a hotelier's idea of luxury, it's a brand that's redefining luxury based on guest preferences.