

# Four Seasons Derails Ritz-Carlton's Six-Year Deluxe Reign

BY DAVID EISEN

**F**our Seasons Hotels and Resorts bested Marriott's Ritz-Carlton in *Business Travel News'* annual U.S. Hotel Chain Survey, as travel buyers rewarded the luxury brand based on its service, its quality amenities and aesthetic properties—attributes that perpetually have personified the brand and gave it its eminent designation this year. Ritz-Carlton led the segment for the previous six years.

Mandarin Oriental and Starwood's St. Regis flipped this year, as the former assumed the third slot and St. Regis fourth. Fairmont Hotels rounded out the group.

Four Seasons' high ranking in the corporate rate program category also contributed to its wresting the top spot from Ritz-Carlton. Although its rates are noticeably higher than hotels in other tiers—perhaps even in its own—travel buyers praised Four Seasons' price-value relationship.

"Yes, we are more expensive in our corporate rates than our competitors, but when we go into negotiations we always find that the corporate negotiators say, 'You provide the value to our employees and that is worth something to us,'" said Wolf Hengst, president of worldwide hotel operations for Four Seasons. "We are higher, but we give better value and the companies think so."

Conversely, Ritz-Carlton tends to price according to the market. "We enjoy a very healthy relationship with our clients and that doesn't change year to year, because the supply and demand doesn't," said Bruce Himmelstein, senior vice president of sales and marketing for Ritz-Carlton. "We're in dialogue with clients all year long. Just like rates are increasing across almost every sector, this won't be any different. It's a matter of degrees and a matter of how much for which clients, and those are market-based, not corporate. We price to the market, not to the brand."

The resurgence of corporate profits has contributed to higher demand in the luxury sector, especially as guests trade up from the lower hotel tiers. According to Smith Travel Research, year-over-year demand in the luxury segment increased 4 percent in 2005, which

contributed to an 11.9 percent bump in revenue per available room, highest amongst all the pricing tiers. The growth in RevPAR can be attributed to an average daily room rate that was \$251 in 2005 and is expected to rise \$18 this year. "For the first time, in 2005 we saw room rates in the deluxe tier increasing, not only by virtue of the lower-priced customers moving up their rates, but also the highest-priced customers started paying substantially more," said Sean Hennessey, CEO of Lodging Investment Advisors. "We saw the top going higher for the first time. They were willing to spend top dollar."



"Luxury in most major cities has done tremendously well and I don't see any signs on the horizon that leads me to think that there is any concern there," said John Fox, senior vice president of PKF Consulting. "There is a slight increase in supply, but we haven't added rooms as much as demand has increased."

Mixed-use development is an ulterior reason why supply remains at such low levels, especially in the luxury tier. Such properties as The Plaza in New York City are reconstituting to become a mix of both condos and guest rooms. The St. Regis in New York devotes three floors exclusively to residences, and—more than likely—condos will be erected in the footprint of New York's Drake Hotel, once it's razed. "Mixed use has been a staple of our development for years," said

Hengst. "In today's world, it's becoming increasingly difficult to not do mixed use. I think it's here to stay." Four Seasons has mixed-use developments in both Miami and San Francisco.

Indicative of the hotels in the luxury tier is the high-caliber service and amenities that they offer. Above all else, Hengst cited that superior service as what sets Four Seasons apart and is an explanation as to why customers keep coming back. "Our focus as a company has always been—first and foremost—what do we provide for our guests on the service level, because in the end it really is what it's all about," he said. "You can talk about technology and design elements—in the end analysis, it really is about the service provided." For nine straight years, employees of Four Seasons have named the company one of *Fortune* magazine's 100 best companies for which to work, a distinction that Hengst said reflects the staff's pride in their work.

To Himmelstein's surprise, Ritz-Carlton's travelers were most concerned with how they kick-started their day. "We looked at what our customers told us and the most important thing to them was in-room coffee makers—it actually came in number one. We always knew people wanted a good cup of coffee in the morning, we just didn't know they wanted to make it," Himmelstein said, adding that higher thread-count sheets, upgraded bathroom amenities, Wi-Fi and flat-panel plasma televisions also ranked highly.

Because hotels in the luxury tier tend to be splendidly configured, it's often overlooked that they are geared toward the business traveler.

"Our bread and butter is the business traveler—that's really what represents the vast majority of our business worldwide," said Hengst. Four Seasons' most recent opening in Palo Alto, Calif.—in the heart of Silicon Valley—is streamlined to be as business-efficient as possible. "We gear to the businessperson not only a comfortable place, but an efficient place where they can work," said Hengst. Four Seasons plans to open properties soon in Moscow, Istanbul, Beijing and Shanghai.

## Loews Holds Upper Upscale Title, As Tier Reinvests

BY DAVID EISEN

**B**rands among the upper upscale tier enjoyed hearty returns in 2005, allowing them to reinvest much of their earnings back into their properties for facility upgrades while steadfastly adhering to the what keeps guests coming back.

Loews Hotels retained its hold atop the upper upscale category in the U.S. Hotel Chain Survey, staving off JW Marriott in second and Starwood's W Hotels and Westin brands, which tied for third.

The momentum gained in the hotel industry in 2004 that spilled into 2005 was in no small way predicated on the performance of the upper upscale tier. According to Smith Travel Research, the upper upscale occupancy rate checked in at 70.8 percent for 2005, highest among all the tiers. This, combined with an aver-

age daily rate of \$140—a 6.7 percent increase over 2004—led to a 9.4 percent increase in revenue per available room.

The steady rise in demand within the upper upscale tier, intersecting with escalating average daily rates, has produced even more capital for hoteliers who aren't hesitant to reinvest their profits to better their brand. "With the kind of growth in room rates leading to higher profits, hotels will put more money into upgrading their facilities," said Sean Hennessey, CEO of Lodging Investment Advisors, a firm that offers counseling services to in-

vestors and other key players in the hotel industry. "It should flow through to the business travelers of the world, who will see a substantial improvement in the value that they get," he said, adding that meetings business specifically would improve as a result.

Loews continued to thrive as a single-brand hotelier, despite its multi-brand competition. "There have been a number of hotels that have gone through renovations in 2005, including Loews Annapolis, Loews Ventana Canyon Resort in Tucson, Ariz., and Loews Coronado Bay Resort in San Diego," said Loews Hotels president Jack Adler. "In addition, we continue to reinvest the appropriate amount of capital in the balance of our hotels."

Loews' victory is its second consecutive in the category, while Westin and JW Marriott finished second and third last year, respectively. Making a surprising move was W Hotels, which finished at the bottom of last year's survey. Omni Hotels and InterContinental rounded out the category.

Buyers rated the brands on 13 criteria. Loews carried nearly every category, notching its highest marks in ability to arrange individual travel and the physical appearance of its hotels. Loews also shined in the quality of its in-room and business amenities, as well as the helpful and courteous staff category. Adler has looked to cultivate the latter. "We've done a lot of research into what is important to the business travel-

er," he said. "We're really training our line employees in something we call genuine personal engagement: to be able to read the business traveler and understand the framework in which that traveler has arrived into our place of business."

JW Marriott and Westin performed well in the meetings facilities categories. JW Marriott slightly bested Loews in its facilities for non-resort meetings, the only category in which Loews did not finish first. Meanwhile, Westin nearly drew even with Loews in the facilities for resort meetings category. W Hotels was especially competitive in the categories of arranging individual travel and corporate rate programs.

Unlike some upper upscale  
*Continued on page 15*

## UPPER UPSCALE CHAINS UPGRADE PROPERTIES

Continued from page 14

brands that can exude a highbrow feeling in their models, Mike Jannini, executive vice president and general manager of brand management for Marriott, commended the JW Marriott brand for delivering top-quality amenities and service without the attitude. "Because it has the Marriott name on it and built to a five-star standard, it's got the upgraded experience but doesn't have the pretense, which younger people especially like. There's a market for people who want five-star luxury without the elitism," he said. He added that business travelers love the brand for the consistency that Marriott offers, combined with top-notch amenities.

Along with efforts to enhance existing properties, hoteliers still were concerned with giving their customers the greatest experience possible. W Hotels eagerly espouses its "whatever/whenever" mantra, which includes 24-hour business centers with high-speed Internet, laundry services—even dog-walking services. It's a policy that W Hotels' president Ross Klein said leaves an indelible mark on guests and is a formula that is indoctrinated on W employees. "2005 began from a guest point of view with the reevaluation and reeducation of our whatever/whenever service as an opportunity to make a guest memory," he said, "and when we say that we are full service and make dreams come true, we have to do both the sublime and also the most basic." JW Marriott also ranked high in the category of staff courtesy, something Jannini credited to its hiring practices. "We look at the character of a person, not necessarily the technical skills. We hire for friendliness, responsibility and the ability to self-motivate, then we train the technical aspect."

### REINVESTING IN UPGRADES

While hoteliers in 2005 realized tremendous profits, they did not rest on their laurels. Hoteliers were in a prime position to upgrade and improve their existing properties. "Businesses are spending more money on hotel stays and group business," Loews' Adler said. "At the same time, we began to really focus even more on creating a great guest experience." Loews Hotels now features an Emeril Lagasse restaurant at its Miami Beach location and nightly performances by Michael Feinstein at its Regency hotel in New York.

Heightening demand within the upper upscale tier also has spurred a new type of business traveler. Many travelers are not satisfied with a standard single room and are bent on enjoying the best amenities possible. "In the upper upscale tier, a lot of the demand has been focused on shifting to getting the features a guest wants in a room," said LIA's Hennessey. "Many hoteliers have indicated that most corporate travelers want an upgrade, not a standard room." Limited items have become increasingly standard and upgrades in bedding,

bathroom amenities and entertainment have been the norm.

Concurrent with the return of the business traveler, hoteliers are looking to capitalize by building on a supply growth that only increased 1.5 percent from 2004 to 2005, according to Smith Travel Research. "The business demand

and leisure demand is extremely strong, we're looking to grow our company in key cities across the country," said Adler.

Furthermore, many hoteliers are becoming increasingly attracted to converting hotels over to mixed-use developments, as witnessed in the transformation of New York's Plaza Hotel. W Hotels offers its W Residences in Dallas, which Klein said is one of the

cornerstones of W Hotels' entire growth plan. However, W Hotels also is eyeing international expansion of the brand. "The biggest difference between 2005 and what you'll see in the long-term future for W is the global footprint," Klein said. "We had Mexico City, Seoul and Montreal this year and half of the pipeline for the next three years is not in the United States."

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# Special Report: Top U.S. Hotel Chain Survey

## DELUXE

Rank	Chain	ARRANGE INDIVIDUAL TRAVEL	ARRANGE GROUP TRAVEL	FACILITIES RESORT MEETINGS	FACILITIES NON-RESORT MEETINGS	CORPORATE RATE PROGRAMS	COMMISSION PAYMENT SYSTEMS	QUALITY OF FOOD	HELPFUL COURTEOUS STAFF	PHYSICAL APPEARANCE HOTELS	QUALITY IN-ROOM AMENITIES	QUALITY BUSINESS CENTER	QUALITY IN-ROOM BUS. AMENITIES	OVERALL PRICE-VALUE RELATIONSHIP	OVERALL AVERAGE SCORE
1	FOUR SEASONS HOTELS	4.70	4.50	4.40	4.82	4.00	4.67	4.73	4.73	4.82	4.82	4.82	4.64	4.27	4.61
2	RITZ-CARLTON HOTELS	4.39	4.32	4.38	4.28	3.62	4.14	4.48	4.50	4.64	4.50	4.44	4.33	3.89	4.30
3	MANDARIN ORIENTAL HOTELS	4.60	4.20	4.00	4.00	3.60	3.33	4.60	4.60	4.60	4.40	4.20	4.20	3.80	4.16
4	ST. REGIS/LUXURY COLLECTION	4.00	4.00	4.13	3.67	3.38	3.50	4.22	4.40	4.44	4.30	4.38	4.22	3.78	4.03
5	FAIRMONT HOTELS	3.92	3.85	4.00	4.00	3.46	3.57	3.79	4.13	4.06	4.13	4.13	4.17	3.73	3.92

## UPPER UPSCALE

Rank	Chain	ARRANGE INDIVIDUAL TRAVEL	ARRANGE GROUP TRAVEL	FACILITIES RESORT MEETINGS	FACILITIES NON-RESORT MEETINGS	CORPORATE RATE PROGRAMS	COMMISSION PAYMENT SYSTEMS	QUALITY OF FOOD	HELPFUL COURTEOUS STAFF	PHYSICAL APPEARANCE HOTELS	QUALITY IN-ROOM AMENITIES	QUALITY BUSINESS CENTER	QUALITY IN-ROOM BUS. AMENITIES	OVERALL PRICE-VALUE RELATIONSHIP	OVERALL AVERAGE SCORE
1	LOEWS HOTELS	4.30	4.00	4.00	3.89	3.92	3.86	4.07	4.21	4.46	4.23	4.17	4.00	4.08	4.09
2	JW MARRIOTT HOTELS	3.59	3.58	3.90	3.91	3.71	3.60	3.83	4.00	3.68	3.67	3.58	3.64	3.71	3.72
3	W HOTELS	4.10	3.55	3.50	3.80	3.80	3.60	3.64	3.64	3.83	3.92	3.64	3.73	3.55	3.71
3	WESTIN HOTELS	3.74	3.57	3.97	3.81	3.37	3.13	3.72	3.73	3.94	3.94	3.88	3.78	3.61	3.71
5	OMNI HOTELS	3.60	3.78	3.50	3.89	3.40	3.33	3.64	3.91	3.83	3.83	3.50	3.40	3.50	3.62
6	INTERCONTINENTAL HOTELS	3.81	3.67	3.53	3.47	3.29	3.38	3.53	3.71	3.65	3.65	3.71	3.53	3.47	3.57

## UPSCALE

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1	WALT DISNEY WORLD RESORTS	4.67	4.38	4.54	4.45	4.00	4.00	4.20	4.60	4.47	4.33	4.14	4.29	4.13	4.32
2	HILTON INTERNATIONAL	4.00	4.00	4.07	4.07	3.69	3.73	3.94	3.94	4.13	4.00	3.88	4.13	3.81	3.95
3	MARRIOTT HOTELS & RESORTS	4.07	4.05	4.11	4.03	3.64	3.65	3.81	3.99	4.00	3.87	3.85	3.72	3.81	3.89
4	HYATT HOTELS	3.85	3.91	3.90	3.96	3.67	3.71	3.79	3.98	4.00	3.94	3.72	3.69	3.67	3.83
5	EMBASSY SUITES HOTELS	3.77	3.79	3.43	3.88	3.81	3.69	3.77	4.03	4.00	3.90	3.82	3.65	3.81	3.80
6	HILTON HOTELS	3.92	3.86	3.84	3.88	3.70	3.79	3.62	3.87	3.80	3.74	3.75	3.75	3.75	3.79
7	WYNDHAM HOTELS	3.87	3.93	3.90	3.79	3.57	3.75	3.87	4.00	3.63	3.71	3.69	3.69	3.72	3.78
8	RENAISSANCE HOTELS	3.73	3.54	3.75	3.79	3.56	3.70	3.71	3.76	3.94	3.88	3.88	3.69	3.29	3.71
9	CROWNE PLAZA HOTELS	3.80	3.69	3.50	3.69	3.53	3.67	3.71	3.89	3.68	3.74	3.50	3.46	3.55	3.65
10	MILLENNIUM HOTELS	3.90	3.63	3.14	3.64	3.50	3.29	3.50	3.85	3.62	3.62	3.42	3.73	3.77	3.58
11	SHERATON HOTELS	3.57	3.48	3.56	3.68	3.50	3.64	3.33	3.67	3.51	3.66	3.64	3.59	3.46	3.56

## MIDPRICE WITH FOOD AND BEVERAGE

Rank	Chain	ARRANGE INDIVIDUAL TRAVEL	ARRANGE GROUP TRAVEL	FACILITIES NON-RESORT MEETINGS	CORPORATE RATE PROGRAMS	COMMISSION PAYMENT SYSTEMS	QUALITY OF FOOD	HELPFUL COURTEOUS STAFF	PHYSICAL APPEARANCE HOTELS	QUALITY BUSINESS CENTER	QUALITY IN-ROOM BUS. AMENITIES	OVERALL PRICE-VALUE RELATIONSHIP	OVERALL AVERAGE SCORE
1	COURTYARD BY MARRIOTT	<b>4.27</b>	3.86	3.36	3.78	<b>4.19</b>	<b>3.41</b>	<b>3.92</b>	3.74	3.66	3.55	3.87	<b>3.78</b>
2	HILTON GARDEN INN	3.97	<b>3.88</b>	<b>3.40</b>	3.80	3.80	3.33	3.71	<b>3.85</b>	<b>3.82</b>	<b>3.66</b>	<b>3.97</b>	3.74
3	BEST WESTERN INTERNATIONAL	4.00	3.46	2.89	3.93	3.25	3.33	3.65	3.41	3.38	3.08	3.76	3.47
4	FOUR POINTS BY SHERATON	3.64	3.13	3.20	3.46	3.29	3.17	3.46	3.38	3.71	3.50	3.46	3.40
4	HOLIDAY INN	3.80	3.72	3.54	3.37	3.11	3.16	3.56	3.31	3.13	3.21	3.56	3.40
6	RED LION HOTELS	3.40	3.17	3.40	<b>4.00</b>	3.50	2.67	3.60	3.40	3.00	3.00	3.60	3.34
7	QUALITY INNS	3.88	3.55	2.92	3.35	3.00	3.22	3.47	3.26	3.29	2.93	3.79	3.33
8	CLARION	3.29	3.67	2.75	3.14	3.33	3.00	3.13	3.00	3.00	3.00	3.25	3.14
9	RAMADA INNS	3.50	3.00	3.25	2.83	3.00	3.00	3.00	2.83	2.67	2.60	2.67	2.94

## MIDPRICE WITHOUT FOOD AND BEVERAGE

Rank	Chain	ARRANGE INDIVIDUAL TRAVEL	ARRANGE GROUP TRAVEL	FACILITIES NON-RESORT MEETINGS	CORPORATE RATE PROGRAMS	COMMISSION PAYMENT SYSTEMS	HELPFUL COURTEOUS STAFF	PHYSICAL APPEARANCE HOTELS	QUALITY BUSINESS CENTER	QUALITY IN-ROOM BUS. AMENITIES	OVERALL PRICE-VALUE RELATIONSHIP	OVERALL AVERAGE SCORE
1	COUNTRY INNS & SUITES	4.00	<b>4.25</b>	3.00	3.60	<b>4.14</b>	<b>4.25</b>	<b>4.25</b>	<b>3.88</b>	<b>3.71</b>	3.83	<b>3.91</b>
2	LA QUINTA INN & SUITES	<b>4.20</b>	3.67	<b>3.55</b>	<b>4.21</b>	3.67	4.07	3.67	3.57	3.18	3.73	3.66
3	HAMPTON	3.91	3.46	3.38	3.88	3.79	3.83	3.65	3.67	3.57	3.84	3.64
4	WINGATE INNS INT'L	3.73	3.44	3.27	3.91	3.60	3.73	3.73	3.82	3.60	<b>4.00</b>	3.56
5	SPRINGHILL BY MARRIOTT	3.86	3.20	3.20	3.57	3.00	3.71	3.71	3.71	4.00	<b>4.00</b>	3.54
6	COMFORT INNS	3.43	2.75	3.17	3.50	3.40	3.50	3.25	3.50	3.38	3.75	3.32
7	AMERISUITES	3.50	3.60	2.86	3.50	3.33	3.45	3.45	3.00	3.00	3.36	3.28
7	COMFORT SUITES	3.50	3.29	2.80	3.50	3.50	3.56	3.33	3.33	3.14	3.22	3.28
9	HOLIDAY INN EXPRESS	3.81	3.30	3.00	3.31	3.00	3.59	3.33	3.40	3.00	3.47	3.27
10	FAIRFIELD INN BY MARRIOTT	3.62	3.33	3.00	3.39	3.30	3.55	3.32	2.91	2.71	3.30	3.17

## UPPER UPSCALE EXTENDED STAY

Rank	Chain	ARRANGE INDIVIDUAL TRAVEL	CORPORATE RATE PROGRAMS	COMMISSION PAYMENT SYSTEMS	QUALITY OF FOOD	HELPFUL COURTEOUS STAFF	PHYSICAL APPEARANCE HOTELS	QUALITY OF IN-ROOM BUS. AMENITIES	QUALITY OF BUSINESS CENTER	OVERALL PRICE-VALUE RELATIONSHIP	OVERALL AVERAGE SCORE
1	SUMMERFIELD SUITES	<b>4.25</b>	<b>4.29</b>	<b>5.00</b>	3.50	<b>4.14</b>	3.67	<b>4.20</b>	3.33	<b>4.25</b>	<b>3.91</b>
2	HOMEWOOD SUITES BY HILTON	4.16	3.82	3.80	3.71	4.00	<b>4.18</b>	3.97	<b>3.79</b>	4.00	3.86
3	RESIDENCE INN BY MARRIOTT	4.08	3.75	3.78	3.48	3.93	4.02	3.86	3.56	3.85	3.74
4	STAYBRIDGE SUITES	3.89	4.13	4.00	3.80	3.75	3.63	3.38	3.50	4.00	3.73
5	HAWTHORN SUITES	3.75	3.67	n/a	<b>4.00</b>	3.75	3.50	3.00	3.00	3.75	3.54

## Methodology For BTN's 2006 U.S. Hotel Chain Survey

**B**usiness Travel News' Top U.S. Hotel Chain Survey is an annual measure of corporate travel buyers' opinions of the lodging brands that their companies and clients use.

Business Travel News sent an e-mail to a random sample of 6,000 corporate readers responsible for hotel buying decisions, asking them to rate hotels with which they do business in 10 hotel segments: deluxe, upper upscale, upscale, midprice with and without

food and beverage, economy, budget and upper upscale, upscale and midprice extended stay. Buyers rated hotels in each segment on six to 13 attributes, including quality of food, physical appearance, corporate rate programs, quality of facilities, and overall price-value relationship. Ratings are presented on a numerical scale from one to five, with the number highlighted indicating the highest score for each attribute.

To qualify to rate a particular hotel company, re-

spondents were required to have done business with that chain within the past 12 months.

This year, *BTN* created a more extensive questionnaire with sister company ACNielsen, which tabulated 322 completed responses to the online survey Dec. 17, 2005 to Feb. 4, 2006. *BTN* used telemarketing firm Advanced Data-Comm to contact another 103 buyers by telephone who added responses for the economy and budget categories.

# Walt Disney World Wins Burgeoning Upscale Category

BY DAVID EISEN

Eleven brands vied for top billing in the upscale category of *Business Travel News*' U.S. Hotel Chain Survey, with Walt Disney World Resorts coming out ahead by offering premium meeting facilities and staff service. Strong growth performance within the category also stimulated new development of many hotel brands—both domestically and abroad.

Disney carried every category, receiving high marks for its ability to arrange individual travel, its meeting facilities and the helpfulness of its staff. Falling in behind Disney was Hilton International, which in January was bought by Hilton Hotels Corp. for \$5.71 billion, in second place. Marriott, Hyatt and Hilton brand Embassy Suites rounded out the top five.

The upscale segment is cluttered with many brand offerings and has been one of the fastest-growing categories during the past five years in terms of demand. That has resulted in an occupancy rate that is at the top of the tiers—70.7 percent in 2005, which exceeded 2004's rate by 1.6 percentage points, according to Smith Travel Research. The impressive growth in the segment is spurring more property development, even spawning neo-brand offerings, including Starwood's Aloft brand—debuting in 2007—NYLO Ho-

tels and Hyatt's rebranding of AmeriSuites to Hyatt Place Hotels.

These new brands will offer upscale amenities at a price-conscious rate and augment a supply growth that Smith Travel Research estimated at 1.4 percent from 2004 to 2005.

As the upscale category continued to absorb new entrants, hoteliers jockeyed for position to ensure their brands remained relevant. However, Sean Hennessey, CEO of Lodging Investment Advisors, said growing supply will not marginalize hotel profits. "There will be no deterioration in the business on the basis of too many new hotels coming in and dividing up

the pie," he said. "The only real concern is if the economy slows." Optimism has not slowed hoteliers from adding value to their brands. "At Disney, we think that all the meetings and group spaces don't need to be utilitarian," said George Aguel, senior vice

president of Walt Disney Parks and Resorts. "Truly, there had to be a way to make it more thematic and continue to tell the story of the resort. Every one of our resorts tells a story and we extend this feeling into our hotel properties and meeting spaces." Disney's Coronado Springs boasts more than 220,000 square feet of meeting space with a Southwestern feel.

Disney offers a meetings service, conceived in 2004, to assuage some of the burdens that meeting professionals encounter and to help exhibitors maximize their trade show investment by abetting the exhibitor in anything from technical services to dinner reservations for clients. "It's an opportunity for the exhibitor to leverage the things that Disney may be able to do to help them do business with their customers that are attending their trade shows," Aguel said.

As demand in the upscale sector continues to surge, hotel companies are becoming less hesitant to populate areas with their brands both domestically and internationally. Hilton Hotels Corp.'s expensive buy of Hilton Group Plc was done to globally grow the brand, similar to what Marriott and Starwood already have done. The purchase added Hilton Group's 400 hotels to Hilton's existing portfolio, but also will enable Hilton to populate Europe and Asia with its domestic brands. Linda Bain, vice president of group communications for Hilton International, said that the Hilton

flag's success in the United States will transfer effectively across the Atlantic. "Hilton continues to focus on high-growth markets," she said. "We are accessing opportunities for key brands and taking existing Hilton brands—like Embassy Suites—and applying them internationally. Hilton's attraction for the deal is the international opportunity for its brand range." Hilton International's existing portfolio includes the Conrad, Hilton and Scandic, its respective luxury, upscale and midprice offerings.

Hotels across the spectrum are dedicating more resources to ensuring that their guests—both business and leisure—have memorable experiences. This service guarantee is something at the core of Disney's model and has been taught to its employees and fine-tuned over the years. "Researching and understanding what our guests are telling us is something we exhaustively look at," said Aguel.

While premium service is pivotal to Walt Disney Resorts' success, Disney doesn't neglect keeping pace with technology. It is in the process of refurbishing the Contemporary Resort, one of its 22 operated hotels, with many upgraded features, including flat-panel televisions in the guest rooms, high-speed Internet capability and wireless Internet in meeting spaces. Aguel noted that these revisions, as well as new bedding and workspaces, were aimed to increase business traveler comfort.

**T**here will be no deterioration on the basis of too many hotels coming in and dividing the pie. The only concern is if the economy slows.'

LIA'S SEAN HENNESSEY

# Courtyard Takes Midprice With F&B; Country Inns Without

BY DAVID EISEN

Working more closely with corporate travel buyers to improve continuity in the room procurement process and upgrades in both rooms and public spaces highlighted a robust year for the midprice with and without food and beverage categories, especially in the latter tier where double-digit percentage growth in revenue per available room was reached. Industry analysts are predicting the tier will outpace most others in 2006.

Courtyard by Marriott retained its hold atop the midprice with food and beverage group, edging its main competition in the class, Hilton Garden Inn, by scoring high in its ability to arrange travel and a commission payment system that travel buyers contended was the best in the class.

Hilton Garden Inn received high marks for the physical appearance of its properties, its in-room business amenities and overall price-value relationship.

Best Western International made the most dramatic move in the category, moving up four slots in the survey from last year to third. Travel buyers noted its corporate rate program as a reason for its strong bump. InterContinental's Holiday Inn and Starwood's Four Points by Sheraton rounded out the top five.

Continued dwindling supply levels within the midprice with F&B sector—a decrease of 2.8 percent, year over year, according to Smith Travel Research—has re-

sulted in an increased occupancy rate over 2004 as well as an 8 percent increase in revenue per available room. This has prompted excitement from analysts who have cited languid growth in the sector over recent years. "Very low supply growth in almost all the sectors and the economy continued to chug along," said Sean Hennessey, CEO of Lodging Investment Ad-



visors. "Even the midprice with food and beverage sector has seen an improvement in demand—really for the first time in quite a while."

The growing number of midmarket travelers has forced midprice hoteliers to redevelop and reshape their existing products. The present-day norm consists of hoteliers implementing new bedding programs

and room amenities that are similar throughout the brands. However, many hoteliers in the midprice tier are upgrading packages to make them less representative of a midprice stay.

"We introduced a bedding package to every hotel in our system worldwide," said Mike Jannini, Marriott executive vice president and general manager of brand management. "It was a dramatic upgrade from what was typical in that moderately priced segment to something much more luxurious. Customers really reacted to that." Courtyard also introduced new ergonomic chairs, workstations and track lighting. "It's very plush for the moderately priced brand," said Jannini.

Not to be outdone, Hilton Garden Inn also began implementing new bedding and upgraded amenities for its 245-plus properties. Mark Nogal, vice president of marketing for Hilton Garden Inn, said the brand has partnered with both Phillips and office furniture manufacture Herman Miller to create an even higher standard of in-room business amenities in a new room the brand is rolling out. Nogal is targeting an audience that uses midprice hotels, but still banks on the idea that it will receive top-notch facilities and service. "We get the middle-management types or road warriors—the ones who get most of the work done," he said. "They are perfect for our brand."

Hilton Garden Inn's attention is shifting squarely on the business traveler. This is readily apparent in what Nogal described as "owning the goodbye," whereby

Continued on page 20

## UPSCALE EXTENDED STAY

Rank	Chain	ARRANGE INDIVIDUAL TRAVEL	CORPORATE RATE PROGRAMS	COMMISSION PAYMENT SYSTEMS	HELPFUL COURTEOUS STAFF	PHYSICAL APPEARANCE HOTELS	QUALITY BUSINESS CENTER	QUALITY IN-ROOM BUS. AMENITIES	OVERALL PRICE-VALUE RELATIONSHIP	OVERALL AVERAGE SCORE
1	TOWNEPLACE SUITES BY MARRIOTT	4.15	3.77	<b>3.71</b>	3.79	<b>4.00</b>	<b>3.50</b>	<b>3.93</b>	3.71	<b>3.65</b>
2	CANDLEWOOD SUITES	<b>4.18</b>	<b>4.20</b>	3.67	<b>4.10</b>	3.91	3.25	3.64	<b>4.00</b>	3.37

## MIDPRICE EXTENDED STAY

Rank	Chain	ARRANGE INDIVIDUAL TRAVEL	CORPORATE RATE PROGRAMS	HELPFUL COURTEOUS STAFF	PHYSICAL APPEARANCE HOTELS	QUALITY IN-ROOM AMENITIES	QUALITY IN-ROOM BUS. AMENITIES	OVERALL PRICE-VALUE RELATIONSHIP	OVERALL AVERAGE SCORE
1	HOMESTEAD STUDIO SUITES	<b>3.83</b>	<b>3.80</b>	<b>3.60</b>	<b>3.80</b>	3.60	<b>3.50</b>	<b>3.83</b>	<b>3.56</b>
2	EXTENDED STAY AMERICA	3.67	3.67	3.00	3.00	<b>3.67</b>	3.00	3.67	3.15

## ECONOMY

Rank	Chain	ARRANGE INDIVIDUAL TRAVEL	CORPORATE RATE PROGRAMS	COMMISSION PAYMENT SYSTEMS	HELPFUL COURTEOUS STAFF	PHYSICAL APPEARANCE HOTELS	OVERALL PRICE-VALUE RELATIONSHIP	OVERALL AVERAGE SCORE
1	RED ROOF INNS	3.56	3.41	3.00	<b>4.14</b>	<b>3.79</b>	<b>3.86</b>	<b>3.64</b>
2	SUPER 8	3.66	<b>3.50</b>	3.03	3.89	3.53	3.85	3.58
3	RAMADA LIMITED	<b>3.82</b>	3.13	2.91	4.00	3.71	3.70	3.54
4	DAYS INN	3.61	3.36	<b>3.08</b>	3.75	3.46	3.71	3.50
5	TRAVELODGE	3.43	3.28	2.91	3.79	3.46	3.68	3.42

## BUDGET

Rank	Chain	ARRANGE INDIVIDUAL TRAVEL	CORPORATE RATE PROGRAMS	COMMISSION PAYMENT SYSTEMS	HELPFUL COURTEOUS STAFF	PHYSICAL APPEARANCE HOTELS	OVERALL PRICE-VALUE RELATIONSHIP	OVERALL AVERAGE SCORE
1	MICROTEL INNS	<b>4.13</b>	<b>4.00</b>	<b>3.25</b>	<b>4.67</b>	<b>4.33</b>	<b>4.67</b>	<b>4.18</b>
2	MOTEL 6	3.74	3.30	3.00	3.80	3.63	3.80	3.54
3	ECONO LODGE	3.53	3.29	3.03	3.80	3.71	3.80	3.53

## COURTYARD TOPS MIDPRICE W/F&B

Continued from page 19

travelers are contacted by staff the evening before departure to garner feedback and ensure that their stay was pleasant.

"Our business traveler is our key constituency and we want to know that their stay was good," said Adrian Kurre, senior vice president of brand management for Hilton Garden Inn. Recognizing this has prompted Hilton Garden Inn to improve the structure of its corporate rate program to make the entire process as seamless

as possible.

"One of the big things we did in 2005 was our best-rate guarantee that we extend to the travel professionals so there wouldn't be a third-party Internet company that would undercut us," said Kurre. Added Hilton's Nogal: "We are working with our business travel sales team to really get to the folks who are setting up the arrangements for the corporate traveler. We are bundling our services so that travelers don't need to worry about things like keeping re-

ceipts and recording things."

Courtyard also reconstituted its public spaces, which it said struck a chord with business travelers. The Courtyard name evokes an enclosed garden area—something Courtyard tried to build upon by what Marriott's Jannini called "activating the oasis."

"Courtyard has reinvented its model because it launched 23 years ago and business travel is different now than it was then," Jannini said. "We've opened up the great room concept, with an upscale sophisticated lobby. The courtyards

were pretty, but latent. We have created a seamless indoor/outdoor oasis experience. Travelers will feel like they are in an oasis in the middle of a business trip."

Hotels in the tier also have begun to introduce new food items, especially for breakfast, as many business travelers insist on a certain diet. This usually consists of food selections high in protein. "That is a big deal for business travelers—most of them are Atkins or South Beach," said Jannini.

Sustaining an even higher degree of success than its sib-

ling, the midprice without F&B tier is encountering perhaps the biggest resurgence of any tier in the hotel industry. The tier had the smallest declines in RevPAR of any other tier during the industry downturn of 2001 and—according to Smith Travel Research—had an 11.5 percent increase in RevPAR in 2005 over the year before. The one force dimming the tier's growth is emerging supply as the tier continues to absorb foundering midprice with F&B brands that convert to non-F&B. Lodging Econometrics,

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## COUNTRY INNS WINS MIDPRICE W/O F&B TITLE

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an industry authority on hotel real estate, detailed this growth: Pipeline project counts increased 36 percent year over year in 2005, the highest of any tier. Despite the supply growth, it's expected that the tier will continue to profit as the occupancy rate is expected to increase two percentage points in 2006, coupled with an average room rate anticipated to increase 5.5 percent to \$80, according to Smith Travel Research.

Travel buyers selected Carlson's Country Inn and Suites as their top mid-price without F&B selection, followed by La Quinta Hotels, Hilton's Hampton Inn, Wingate Inns International and SpringHill by Marriott. Country Inn and Suites carried six of 11 categories, excelling in its ability to arrange travel, the physical appearance of its hotels and staff friendliness. Similar to many of the brands in the midprice with F&B tier, hoteliers rolled out new bedding programs and services.

"In 2005, we looked to upgrade the standards of the brand," said Nancy Johnson, executive vice president of Country Inns and Suites. "We launched a new bedding program and modified our breakfast offering—what used to be a continental breakfast is now really an expanded light breakfast." The latter

**'The midscale category is more resilient to changes and economic swings, and so is becoming a more dominant force in the industry.'**

HAMPTON INN'S PHIL CORDELL

portrays how the line may slowly be blurring between what a midprice brand without F&B is and is not.

Country Inns and Suites also aimed to increase its rapport with travel buyers and increase fluidity in the room-booking process. "We want to make it easy for the business traveler to book a stay with us," Johnson said. "We have listened to the travel agents who say: 'Our customers are your customers.' So when they book you into the hotel, they want to make sure that we are delivering on the promise they made." Carlson Hotels is one of the only companies that maintains a loyalty program in which both travel buyers and agents receive loyalty award points.

Hampton Inn's strong RevPAR growth—it never has had a year of negative performance—validated the strength of the tier. Phil Cordell, senior vice president of Hampton brand management, said much of Hampton Inn's success is predicated on its "Make it Hampton" initiative of 127 changes and improvements that was rolled out in 2004 and still is in progress. The campaign includes such

offerings as a grab-and-go breakfast, complimentary high-speed Internet access and a user-friendly alarm clock. Hampton Inn is in the second phase of its endeavor, which calls for upgrades in bedding that will be standard in every Hampton guest room by June. The duvet and cover are washed

clean after every checkout. "These are small things that are collectively powerful to make customers feel welcomed," added Cordell.

The midprice categories continue to outshine many of the other tiers because, as Cordell points out, the tier is much less affected by downward economic trends. "The midscale category is much more resilient to changes and

economic swings," he said, "and for that reason it is becoming a more dominant force in the industry. It appeals to the needs of many travelers today who are seeking value. They don't care as much about a restaurant or bar because they are going to go someplace else for that anyway. The midscale category has been and will continue to be a dominant segment in our industry."



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# Homewood, TownePlace, ESH Top Extended Stay Tiers

BY DAVID EISEN

**E**xtended stay brand hoteliers shifted their focus by introducing downtown properties and implementing service upgrades in an effort to capitalize on the ever-changing needs of the business traveler, as evidenced in research for *Business Travel News'* annual U.S. Hotel Chain Survey.

Homewood Suites by Hilton continued its reign at the head of the upper upscale extended stay category, but shared the distinction with last year's third-place finisher and Hyatt's newly acquired brand, Summerfield Suites, which leapfrogged runners-up Residence Inn by Marriott and InterContinental Hotels' Staybridge Suites. Hawthorn Suites, in which Hyatt owns a majority stake, rounded out the group.

The race for the top spot in the upscale extended stay category mimicked last year, as TownePlace Suites by Marriott outpaced IHG's Candlewood Suites, albeit by a closer margin.

The midprice extended stay division was a win-win for Extended Stay Hotels, as its offerings finished one and two. Homestead Suites took the top prize, with Extended Stay America following up. The Blackstone Group bought the brands, previously separately owned, in 2004 and consolidated them under the Extended Stay Hotels umbrella.

Extended stay companies are seeking to develop more properties to keep up with burgeoning demand. Primarily for the traveler staying more than five nights, only 5 percent to 6 percent of U.S. hotel rooms are categorized as extended stay. Sean Hennessey, CEO of Lodging Investment Advisors, highlighted the extended stay tier as an upstart in the hotel industry that will continue to gain prominence. "Analysts continually indicate that the amount of demand that will continue to grow at extended stay will make it one of the darlings of the industry and supply will continue to grow, but occupancies will remain strong and the high value relationship will continue to make it an attractive option," he said.

What was once a product that serviced suburban areas almost exclusively now is entering downtown destinations. "Extended stay is moving into some of the urban locales—the Residence Inn in Manhattan that opened in late fall 2005 is an example," said John Fox, senior vice president of PKF Consulting. Homewood, too, offers a flexible prototype that can be implemented into urban areas. Developers also are building Homewood Suites adjacent to such other Hilton offerings as Hilton Garden Inn and Embassy Suites to derive efficiencies. Gary DeLapp, president and CEO of Extended Stay Hotels, noted that this progression to urban builds is indicative of the changing needs of the business traveler, adding that ESH just opened an Extended Stay Deluxe in downtown Ottawa.

Both Homewood and Summerfield are rolling out new bed models. Homewood will integrate its Serta Sweet Dreams bedding package in 50 percent

of its rooms in 2006 and Summerfield will introduce the Hyatt Grand Bed as one of its new signature items.

Extended stay brands increasingly are making services like in-room high-speed Internet complimentary, a service that is indispensable to business travelers. Both Homewood and Summerfield give their customers Internet free of charge. "Adding technology upgrades has been very important, particularly high-speed Internet access," said Jim Abrahamson, Hyatt's senior vice president of acquisitions and development.

Extended Stay Hotels in the midprice category is ramping up efforts to introduce wireless Web capability in all its hotels. "Our big initiative that speaks to the corporate business travelers is the implementation of Wi-Fi at all our hotels last year," ESH's DeLapp said. ESH has most recently made a foray into the upscale extended stay category with its Extended Stay Deluxe brand offering. The brand's 63 properties provide more guest amenities and bigger suites and are conversions of ESH's Studio Plus

brand. DeLapp said that 100 more properties will be converted within the next 18 months.

Global Hyatt Corp. acquired Summerfield Suites' 21 hotels on Jan. 5 as part of the vertical integration of its portfolio and soon after announced it would rebrand it as Hyatt Summerfield Suites. Hyatt's move is part of an aggressive buying pattern that started in 2005 with its acquisition of AmeriSuites from the

ment system, for which it received a perfect score. "The hotels are very dedicated and committed to the travel agent and consortia community, just like Hyatt, so this is a good match for our acquisition," said Abrahamson. "Hyatt will continue to be dedicated to this high performance level." TownePlace was tops in categories including the physical appearance of hotels and its commission payment system, while Candlewood

bested TownePlace in categories including its ability to arrange individual travel.

"We build the experience around being able to provide local knowledge," said Laura Bates, senior vice president of extended stay brand management for TownePlace Suites. "Travelers want to get to know the area. They often have new-found time and want to know where the best pizza joint is or cheapest gas station."

For the extended stay category as a whole, "the increases in demand are at a rate faster than the increases in supply," said Fox. "We'll probably hit equilibrium within a year or two, because there is a lot on the drawing board. There are cycles and we happen to be riding a period that is close to the crest. It will come down in the near term, but is by no means near a trough."



Blackstone Group, which will be rebranded as Hyatt Place Hotels in 2006.

Buyers using upper upscale extended stay chains ranked Summerfield as the leader in eight of the 12 categories, while Homewood carried only one but was competitive throughout. Summerfield excelled in its ability to arrange individual and group travel, its corporate rate program and its commission pay-

## Red Roof, Microtel Top Lower Segments

BY DAVID EISEN

**I**ncreased demand and hearty profits in the hotel industry seeped down into the economy and budget sectors, as hoteliers looked to upgrade their properties with new amenities and services, while still maintaining a consistent price-value relationship.

This year, Red Roof Inns edged Super 8 Motels for the top position in the economy sector, with last year's winner Ramada Limited, Days Inn and Travelodge falling in behind. U.S. Franchise Systems' Microtel Inns dominated the budget class, beating out Motel 6 and Econo Lodge.

"There's always been demand for an economy product for business travelers who want to be provided with quality amenities," said Joe Wheeling, COO of Red Roof Inns and executive vice president of Accor North America. Red Roof Inns is in the midst of a massive renovation process that began in 2004 and will give the brand a more contemporary feel and look.

"One of the reasons travelers come to us is because they know what they are going to get. The same amenities in each room with the same continental breakfast in each property," said John Valetta, president of Cendant's Super 8 Motels. Super 8 will implement free high-speed Internet in all of its properties by August and new televisions with free cable, including such premium channels as HBO.

"We are keeping the economy product where it is, but improving our amenities like bedding and continental breakfast," said Mike Leven, CEO of U.S. Franchise Systems, adding that Microtel is the only economy chain to offer free local and long distance calling and free high-speed Internet. Mi-

crotel swept every category in the budget portion of the survey and scored extremely high in both the physical appearance of its properties and price-value relationship. "Our prices increased in 2005, maybe 6 or 7 percent," Leven said, "but in the budget tier that translates to only two or three dollars."

Travel buyers singled out Microtel as having the best commission payment system in the budget sector. "2005 was the first year that we essentially had the travel agent centralized pay commission program," said Leven. "That and our corporate rate program were a big deal."

"We have a state-of-the-art reservation system, which includes our Click 6 Internet rates, and a national salesforce," said Jim Amorosa, COO of Motel 6. "We go after corporate accounts, trucking firms and believe that we have a very good position for secondary and tertiary businesses." Super 8 also launched in 2005 what it calls its "refresh" program, which will infuse rooms with new designs. Amorosa said the entire system will be completed by year-end 2008.

Although economy and budget hotels are known to charge rates that can be 30 percent below midprice hotels, the sector amassed a RevPAR growth of 6.9 percent in 2005 over 2004, according to Smith Travel Research. The segment also had a modest increase in average daily room rate—3.5 percent over 2004—which translated into an ADR of \$50.

"The industry is having a tremendous resurgence from what was the worst recession, from 2001 through the middle of 2003," said Amorosa. "But we didn't sit on our hands—we saw the opportunity to invest because we knew it would come back. It's very cyclical and the strong demand will remain and keep in line with supply."