

# Growth Unlimited

Limited-service hotels face  
new challenges, full-speed ahead

BY ALISTAIR KYTE

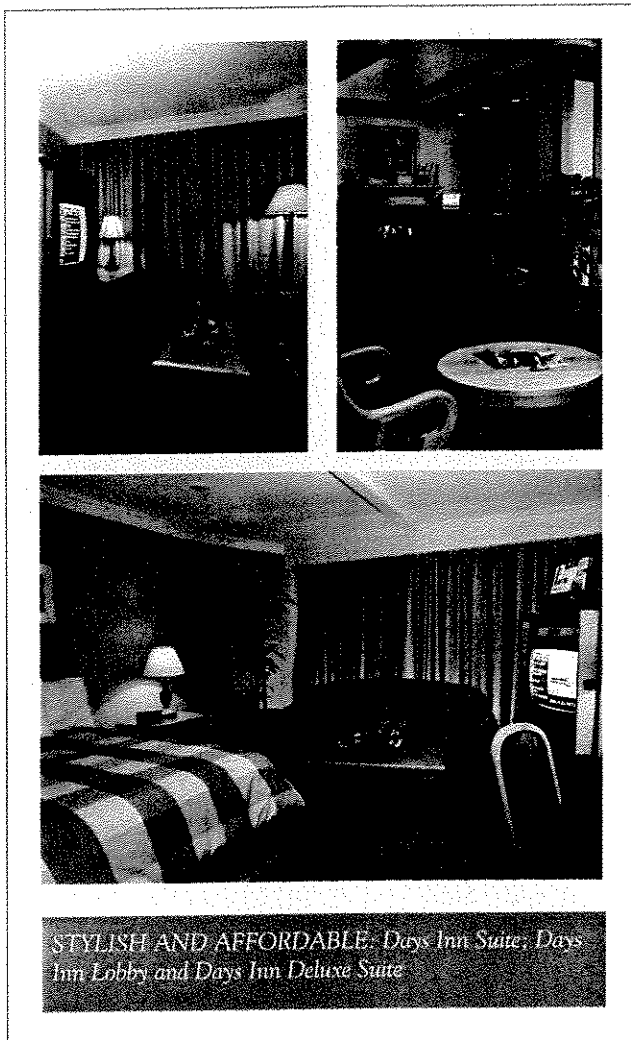
The period between autumn 2001 and spring 2004 was a tough time in the accommodation industry. Hoteliers were forced by consequences beyond their control, to navigate through immense roadblocks thrown in their path. Whether it was the worldwide fear of terrorism or the fear of disease on Canadian soil, business suffered.

Yet when the economy is weakened, limited-service hotels also see opportunity. Many travellers normally willing to splurge for high-end accommodation during strong economic times start looking for better-value alternatives. Once these new customers realize all their needs can be met by mid-market brands, it's an excellent chance to increase market share.

Today, the economy and hotel industry are finally on the upswing. PKF Consulting forecasts occupancy will rise to 59 per cent in 2005, up from 58 per cent last year, and 56 per cent in 2003. Average daily room rate (ADR) will also increase to \$85 this year, up from \$82 last year and \$80 in 2003. But with the average Canadian having a little extra money, the pressure is on for limited-service hotels, faced with the challenge of retaining customers who have more choices and cash at their disposal.

"Through SARS and 9/11, the tourism market definitely downshifted," says Susan Strain, director

NEW AND  
IMPROVED:  
(clockwise  
from top left):  
Motel 6 Whitby,  
Ont.; Travelodge  
continental  
breakfast; Comfort  
Inn's new sign  
and Travelodge  
double room



of Marketing and Communications at Travelodge Canada. "Mid-market brands attracted a lot of customers that otherwise we hadn't necessarily seen staying at our kind of hotels." In order to keep clients from migrating back to higher-end hotels, Travelodge is thinking big.

"Travelodge is looking not only to maintain our position, but advance our standing by embarking on a focused program surrounding new-built properties," says Gopal Rao, Travelodge Canada's vice-president of Sales and Marketing. While some franchise companies grow through absorbing existing hotels into their own brand, new-builds are another way to increase market share.

"We are focusing on growing the franchise footprint by working with developers and franchisees to build new properties," adds Rao. "The main reason for the directive towards new-builds is to elevate the quality within the brand, within the Travelodge portfolio, because customers perceive new builds to be better properties."

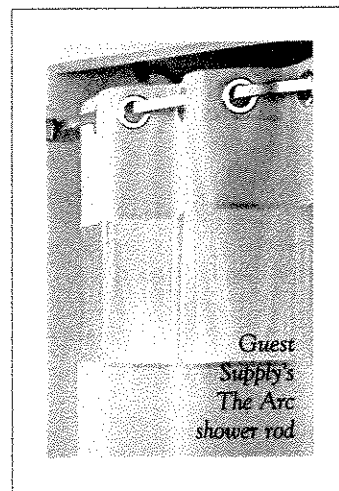
Irwin Prince, president and COO of The Realstar Group, is excited about a new development initiative he believes will bring Motel 6 to the forefront of the economy "brandscape" in Canada — a market segment he feels has been under-serviced in the past. Motel 6 is the only all-

new construction brand in the budget segment of the market. Because no other chains are focusing on building brand-new properties only (with no conversions) in the same segment, Prince feels the opportunity to grow is immense. He hopes to have between 125 and 150 new Motel 6s across Canada in the near future.

"Guests will now have a clear choice when they stay at a price-conscious operator," says Prince. "They can check into a no-frills, brand-new property that still offers high-speed Internet access, and an efficient, economical room, in a great location." And those are attractive selling points for both corporate and leisure travellers. Prince says 65 per cent of his customers are business travellers, with the other 35 per cent of the demographic leisure travellers.

Indeed, if you build it, they will come. It's all part of the competitive playing field where limited-service hotels conduct their business. "We see it as a great opportunity to set down beside older properties in this same segment, and build a brand-new three-storey, clean, contemporary building that will stand apart from older products," Prince adds.

Yet, it's not just through constructing bigger and better facilities that chains are trying to attract customers and build loyalty — it's also through the image of the brand itself.



Mike Jackson, president of Choice Hotels Canada Inc., has created a new face for its leading property brand, Comfort Inn. "This year we've undertaken a significant repositioning of the brand," he says. "We've made a lot of amendments to standards, and looked at really changing the exterior image of the hotels with a new icon and sign."

Comfort Inn replaced its old yellow-and-black sign with the sunburst logo, with an updated version that is more stylized and contemporary. The logo still has a sunburst, but it's now blue, a more attractive colour. According to Jackson, the changes are not just superficial. Guests say their likelihood to stay at a hotel behind the new sign is significantly higher than it was behind the old sign, and that the price they expected to pay to stay at a hotel with the new sign out front is actually higher. "That's a big positive for our franchisees," he says.

Jackson also wanted to re-image the hotels from the inside out. Research of guest behaviour showed the addition of certain services and amenities were now expected from limited-service hotels, and not just the higher-end chains. Comfort Inn introduced standard high-speed Internet access in all guest rooms, and bathroom fixture changes, like multi-setting shower heads and curved shower rods.

"We are adding facilities and features to the rooms in that market segment that guests staying with us tell us

they want and appreciate," Jackson says. "It's not necessarily a re-branding of Comfort Inns, but an updating and a rejuvenation of what's been a particularly strong brand position."

Conscious of amenity creep setting in, rival mid-market chains must still keep up with each other — and to a lesser extent, higher-end competition as well — although competing with full-service properties when it comes to the scope of amenities and services they offer is not a primary goal. But there are other areas where limited-service hotels can increase market share, such as focusing on growth in secondary locations.

Secondary and tertiary markets are one place where limited-service hotels need not worry about luxury chains gobbling up customers; they just aren't in those regions. "If you look at the Canadian marketplace from a macro outlook, just over 40 per cent of rooms in Canada are branded," says Jackson. "In the primary markets in Canada (the 14 larger cities), the percentage of branded hotels moves up sharply, often well over 70 per cent."

"When you look at what exists in those markets because they are smaller communities — they don't have 300-room hotels, they have 50-room hotels," Jackson continues. "[Motels] in those markets lend themselves well to an econ-

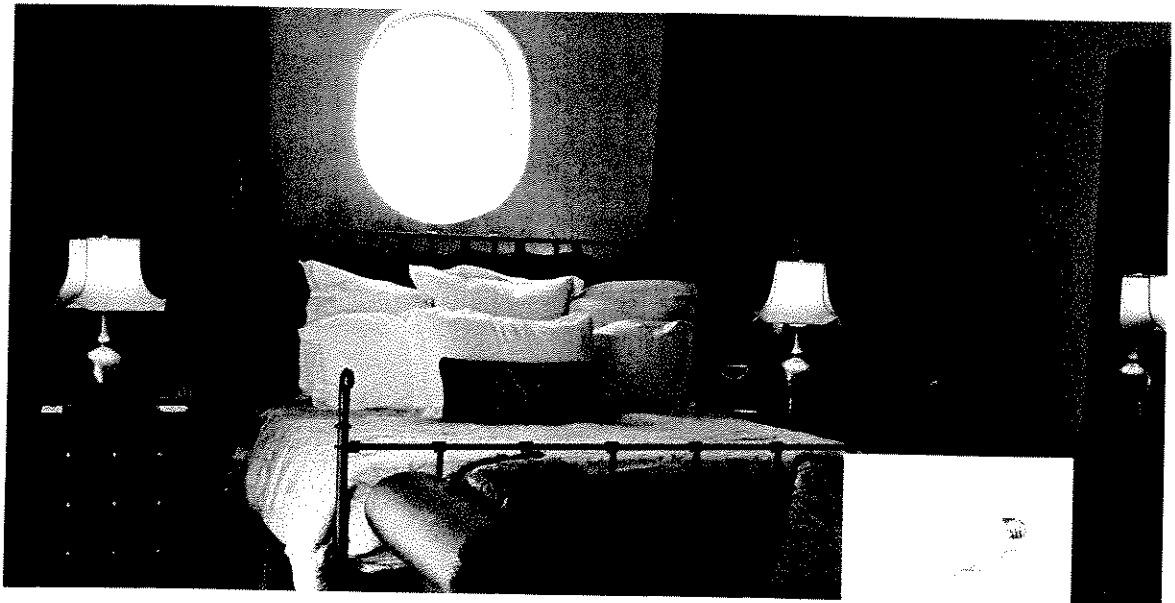
omy or limited-service type of brand positioning, if they are going to look at branding as a way to grow their business and become more successful as operators."

Certainly, there is opportunity for branding growth in the mid-market industry in secondary and tertiary markets, and that's where a lot of new-builds are breaking ground. Days Inns Canada will be adding more than 350 rooms to the chain's portfolio by year's end, with construction underway at five future Days Inn sites located from coast to coast. The five hotels are in Chetwynd, B.C., Langley, B.C., Red Deer, Alta.,

Prince Albert, Sask., and Oromocto, N.B. These openings will bring the number of new construction properties added since the introduction of its construction prototype in 1999 to 31.

Limited-service hotels recognize exactly where they can best penetrate the marketplace and make their biggest impact. Whether it's through offering new amenities, or great loyalty and reward programs to their customers, or even by building new hotels in Canada's smaller cities and towns, Jackson believes they must remain visible. "The key to a brand is to be recognizable, to be relevant and to be a differentiator for the franchise." ♦

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