

MIDDLE OF THE ROAD



The Golden Tulip Mangosteen Resort and Spa, Phuket

Ellen Boonstra examines the growth in hotels aimed at cost-conscious travellers

SOME INDUSTRY PROFESSIONALS WILL EVEN GO AS FAR TO SAY THE GOOD OLD DAYS ARE OVER FOR LUXURY HOTELS.

Like the no-frills, few-thrills budget airlines where you only pay for what you really need, a slew of savvy hotel groups are following suit.

Staying at a five-star hotel is always a bit of a glamorous experience. The liveried bellboy who comes rushing to your aid the minute you step out of the taxi, the grand lobby with its magnificent, floral centrepiece, the abundance of fluffy towels, the pillow menu ... the list continues. When it comes to providing amenities, luxury hotels are on a mission to try and outdo each other. Although you may not find these extravagances on your itemized invoice when you check out, ultimately it's you, their valued customer, who has to foot the bill.

But do you really need five different F&B outlets, room service at 3am and a fully equipped fitness centre? At the end of the day it's just about getting a decent night's sleep. In these financial challenging times, a number of savvy hotel groups are tapping into the potentially much more lucrative market of budget-conscious hotels where amenities and services have been stripped to the bare minimum. Some industry professionals will even go as far to say that the good old days are over for luxury hotels.

"Five-star properties have had their run," contends Roy Olsson, president and CEO of HotelCorp. The privately held hotel group's portfolio includes the Hotel UNO brands, Esprezzo Hotels and a chain of Ramada properties in Thailand.

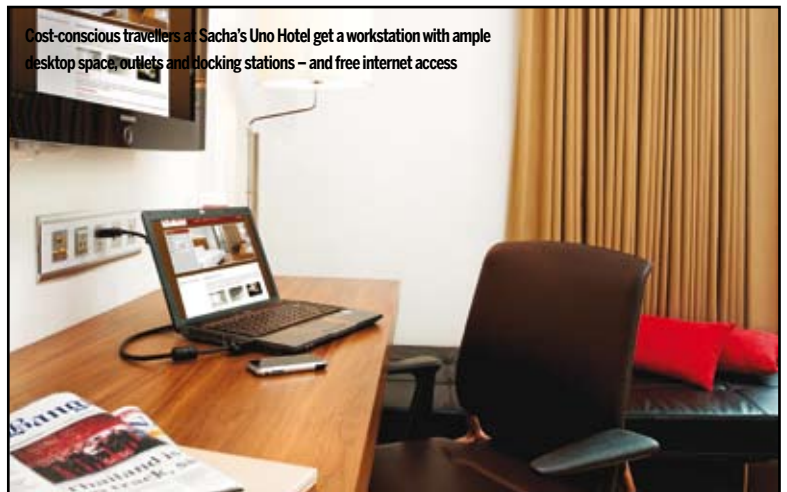
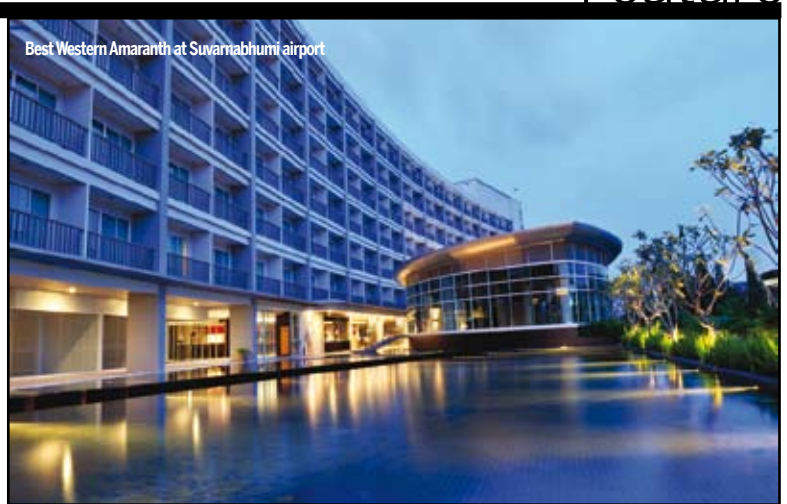
The company has identified a market niche in many Asian cities. Existing properties cannot be torn down due

to the difficulties in obtaining new construction permits, and the UNO brand fills this niche. Created especially for conversion properties, Hotel UNO is ideally suited for key city locations that have conversion potential, such as small office buildings and residential or hotel properties. While positioned as a business hotel, it's also suitable for leisure travelers. A prime example of this concept is Sacha's Hotel UNO on Sukhumvit Soi 19, Bangkok (hotel owners have the option of personalizing the name by adding their own unique signature).

Touring the facilities of this hotel, which consist of four hongtaew (shop-houses) converted into a 56-room boutique bed and breakfast, it's easy to see why the hotel has enjoyed an occupancy of around 91 per cent since opening in October 2008.

Although modest in size, each of the rooms boasts a comfortable bed with a high-quality mattress (Olsson confided that after trying it out, he immediately replaced his home mattress with one), a large flat-screen TV, a workstation with ample desktop space, outlets and docking stations conveniently located at desk level, and a spacious bathroom with an ultra-modern stainless steel shower. These elements form the unpretentious hotel experience which HotelCorp aims to give their guests, summed up by Olsson as "the best bed, an invigorating shower and a proper workspace."

He points out that, "basically it's five-star where it should be", adding that "three-star doesn't equal inferior quality – it just means limited services, but limited good



services." Currently the hotel's room rate is a reasonable THB2,800 per night which includes free high-speed internet in all rooms – a refreshing concept compared to five-star hotels where travellers often find themselves paying through the nose. "It's like charging the guest for water," says Olsson of this source of irritation for many.

Another hotel group which has jumped on the budget-conscious bandwagon is Dutch hotel management company Golden Tulip Hotels, Inns & Resorts. The company is aiming to position itself as a leading hotel chain in south east Asia by introducing the five-star Royal Tulip, the four-star Golden Tulip and Golden Tulip Resort, and economy business three-star Tulip Inn. Plans are to expand its portfolio over a four-year time span to 40 hotels by converting existing properties as well as developing new hotels.

Golden Tulip's main focus, however, is on the mid-range. Managing director for south east Asia, Mark van Ogtrop, explains just why building a three- to four-star property can be such an attractive investment.

"Because people are increasingly making direct hotel bookings online rather than via a travel agent, the need for an internationally recognized brand has become a lot more important," he says. Yet, according to research, only about 25 to 30 per cent of the total hotel inventory of most Asian cities consists of branded hotels, while the vast majority – some 90 per cent – are five-star hotels. Factor in the cost of building a three- to four-star property is 40 to 50 per cent less than opening a five-star property and profit margins for

economy business hotels are 10 per cent higher, it's evident why Golden Tulip has identified this segment as a niche market with tremendous growth potential.

Olsson concurs. "There's an oversupply of five-star hotels. We feel that as an investment today, a three to four-star hotel is an all-weather product and frankly this is where we can make money."

Van Ogtrop notes that "travellers are looking for a good, modern product, in a good location at a good price. For this they are willing to pay a bit extra." Room rates for Golden Tulip Inn range from US\$80-110 per night depending on the city. The group currently manages the 40-villa Mangosteen Resort & Spa on Rawai Beach, Phuket, and is planning to open six more properties under the Golden Tulip or Tulip Inn brand this year – two conversion properties and one new development in Bangkok, two hotels in Pattaya and another hotel in Phuket.

There are many other players fishing in the same pond, like Accor's mid-tier brand Mercure, the Radisson on Sukhumvit Soi 13, newly opened Best Western Amaranth at Suvarnabhumi airport and last but not least, the city's many independently run hotels and serviced residences like the Citadines.

The success of these properties, pulled along in the jet stream of the low-cost carriers, shows that the poles of travel – once confined to the lower and upper echelons – have been slowly brought together by a burgeoning middle-class of travellers, willing to forsake a little superfluous luxury for solid reliability and bottom-line savings. ■

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