

Increasing Revenue Through Retail



In today's competitive hospitality industry, the difference between success and failure is often the ability – or inability – to attract high-end guests. Recent research indicates that a large percentage of business and leisure travelers view shopping at luxury retailers such as Cartier, Gucci and Tiffany as an important component of their trips.

Savvy hoteliers now generate additional revenue either by leasing space to luxury retailers or offering these items for sale in hotel-operated boutiques to capture these purchases at the property. For hotels looking to attract top-flight retailers, however, it is essential to create a complete luxury atmosphere. Hotels that do not provide this ambience for their guests are missing an opportunity. Needless to say, a small sundry shop hidden within the hotel fails to meet the needs and expectations of high-end guests.

"Hotels that do not incorporate retail into their operations are missing out," says retail expert Brad Kornfeld of The Kornfeld Real Estate Group. "Providing high-end shopping at the property increases revenue, improves guest satisfaction and loyalty, reinforces a property's luxury appeal and ultimately generates repeat business. To maximize revenue from retail, hoteliers should realize that every aspect of the hotel's operations present retail opportunities. In-room décor, spa products, recreational facilities and restaurants all have retail potential without significant capital outlay," adds Kornfeld.

Hotels that have fully incorporated retail into the guest experience have realized impressive returns. Improving spa retail can create a return on investment of up to 80% and re-merchandising hotel-operated boutiques can provide a return of up to 40%. Due to the minimal initial investment, sales of in-room décor items can realize even higher returns.

Creating a vibrant retail experience also requires innovative design. "Successful retailers know that design is an integral component in the sales process. Just look at Apple! It is amazing how color, texture, style, smells and sounds influence shoppers and their desire to buy," advises Interior Design expert Hans Galutera, Principal, BG Studio International, Inc. "Strategic lighting, a fresh coat of paint, new flooring – even these simple changes can significantly alter the retail experience, and create a cachet of glamour and

sophistication in presenting merchandise," Galutera continues. Designing with ROI in mind is one way to maximize your budget and build loyalty with your guest.

The bottom line is that guests demand high-end merchandise in a luxury atmosphere. Fortunately, there are affordable and effective ways to turn an average property into a marquee destination. Hotels and resorts are increasingly realizing the economic benefits of retail. Shopping promenades offer more luxury branded goods than ever in an environment that rivals the most beautiful retail districts.

Relatively easy and cost-effective initiatives include re-merchandising hotel boutiques and branding shops to enhance their luxury allure. Savvy hoteliers research their guests' luxury

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HOTELIERS SEE BOOM THROUGH 2007

Most hotel executives and investors expect healthy occupancy and revenue levels to continue through 2007, according to a survey of executives attending the recent New York University 27th Annual International Hospitality Industry Investment Conference.

Hoteliers have reason to be sanguine, according to PricewaterhouseCoopers projections that point toward strong occupancy, record high room rates, RevPAR growth and growing profits in 2005 and beyond.

Bjorn Hanson, of PwC's hospitality and leisure practice, reported that occupancy rates this year will average 63.4 percent, which would mark a year-over-year increase of 3.3 percent and bring occupancy to its highest level since 1997. PwC expects the trend to continue through 2007, growing to 64.5 percent and 64.9 percent, respectively in 2006 and 2007. RevPAR is expected to jump 7.8 percent this year, yielding stronger profits than anticipated. "At a growth rate of 4.3 percent, this is the strongest increase since 2000, when the rate was 5.4 percent," said Hanson.

Source: *BTOOnline.com*

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purchases and the hotel area's top-selling luxury items to increase the merchandise's appeal and to increase sales. Spas also offer tremendous opportunities to increase revenue through retail sales. The sale of spa products, apparel and other lifestyle goods are natural extensions of spa operations. Sales are often strong enough to merit a free-standing Spa Boutique at many properties. Creating alliances with off-site retailers and shopping districts to offer goods and services exclusive to their guests such as private shopping and package delivery can also generate significant revenue.

The most recent trend in hospitality-retail is for guests to take home a piece of the hotel by purchasing design items found in their room or at the spa. Gone are the days of stealthy towel and robe 'appropriations' as hotels now feature these products and other 'soft materials' in menus available for purchase. Interest in robes and bedding has grown to include furniture, accessories and artwork as well as the bed itself. Hoteliers are discovering that, in addition to increasing revenue, sales of hotel décor items also serves a marketing purpose by continually reminding a guest of their stay at a hotel and leading to repeat business. Whether replicating a vacation experience at home or purchasing a glamorous signature product associated with the property, opportunities abound to reinforce a brand with guests onsite and again in their own homes.

Members of The Leading Hotels of the World enjoy an advantage that other properties do not – their individuality. The hotels and often their locations are known for their uniqueness and in many cases their history as well. Offering select retail goods such as décor items, historical memorabilia and custom hotel-branded goods is an opportunity to enjoy additional retail sales while further reinforcing the hotel's brand and identity.

For more information on how to maximize your return from your retail space and operations contact Deniz Omurgonulsen, Strategic Planning Manager, at 212 515 5857 or via email at denizo@lhw.com

The Importance of a SEO Site Review

The Internet is home to millions of websites and users. Google, in fact, claims to list over 8 billion web pages, MSN 5 billion. In the U.S. alone, search engine users totaled over 130 million in 2004 and will go beyond 150 million in 2006. If you are in business to sell, there is a captive audience online.

Research indicates that 80 to 90 percent of corporate websites are not well optimized despite the potential for fantastic gains in both visitors and sales. While most hotels have websites, a high percentage are not designed to optimize placement within search engines. The reason is that they neglect important back-end issues that make websites search-engine friendly.

Even with many user visits, elaborate graphics, great content and a luxurious look, if potential problems lurk on the back-end, the site will not gain top rankings on the major search engines. Back-end problems such as shorting-out inhibit the connect with the stealthy search engine robots that index and rank websites for major search engines like Google, Yahoo! and MSN.

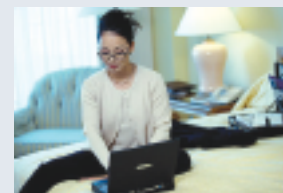
A technical site review is the first step in Search Engine Optimization (SEO) primarily to verify that all search engine spiders are able to digest the site's content. Once the site has been analyzed by a qualified SEO professional, your web team can begin the process of making the necessary adjustments to your website.

Leading Hotels currently supports member properties by providing to best practices for search engine optimization. If you are interested in learning more about this opportunity, please contact Jeffrey Mirman, Director, e-Marketing at jmirman@lhw.com.

WI BOTHER WITH WI-FI?

In the past, wireless internet was an amenity but now it has become a necessity. Wi-fi is becoming as common in hotels as "cable TV and a free newspaper on the doorstep," reported The Washington Times. Pyramid Research reports that in 2002, only 1,000 hotels had Wi-Fi. That number is expected to reach 25,000 by 2007. From public spaces and meeting rooms to individual guest rooms tech-savvy travelers are looking for hotels that have added wireless "hot spots" throughout the property. Realizing this trend, The Leading Hotels of the World, Ltd. added a wireless availability requirement in their guest-rooms to its quality assurance standards.

Inder Arya, COO of WanderPort Wireless Inc., a member of the Leading Service Provider Network, says "Research has shown that travelers will make the crucial decision where to stay based on as simple a thing as whether or not wireless internet is available. And, more importantly, if the guest is unhappy with their wireless internet access, it is likely they will not stay at the hotel again."



In surveys 85% of travelers said they would not return to a hotel with poor internet

service. "As a member of the Leading Service Provider Network, we focus exclusively on the hospitality industry, ensuring that your needs, as well as those of your guests, are met in order to ensure complete satisfaction with the wireless internet service," adds Arya.

For more information LSPN Wireless service offerings contact Deniz Omurgonulsen, Strategic Planning Manager at denizo@lhw.com.