

# One powerful brand teams up with another to create a whole greater than the sum of its parts

By **Kenneth MacKenzie, Goulston & Storrs**

**Question:** When does 1+1=3?  
**Answer:** When one powerful brand teams up with another to create a whole which is greater than the sum of its parts.

All across the hospitality industry, but most particularly in the upscale and luxury segments, hotel companies are finding innovative ways to leverage other brands to increase occupancy, enhance guest experience, and define a niche within an industry segment. The trend is referred to most commonly as "co-branding" or "brand alliance." The practice is not limited, however, to hotel companies. Lately, companies which traditionally have had nothing to do with running hotels are using their brands, and the customers loyal to those brands, to bring guests to hotels which provide a guest experience derived from the essence of those brands. Most of the major fashion houses of Europe have projects underway in exotic locales around the world, some tied to an established hotel flag, some not. Next time you are in Dubai, be sure to stay at the Armani Hotel.

Since most of the major hotel companies are publicly traded, and since the CEOs of those companies and the private equity investors who provide capital for most of the deals come increasingly from marketing and financial backgrounds, as opposed to coming up through the ranks as hoteliers, the trend is likely to continue. People tend to do what they know best. There are many forms of co-branding arrangements, likely with many more to come, both obvious and subtle. Some exist right here in New England.

## Making A Destination

At a recent presentation to the Goulston & Storrs Hospitality and Recreation Group, Pyramid Advisors executives John Hamilton and Jim Bradley offered perspective on how to turn a stop-over business travel hotel into a destination. Assuming the hotel already had adequate meeting space and a sufficient room count, but had some space left over for an alternative use, Pyramid could decide to build out that space for lease to a renowned branded restaurant appealing to business travelers, focusing typically on seafood or steak. Now you have both steak and "sizzle." Guests at the hotel can call down for reservations at the restaurant and entertain their business associates. Why not stay right on top of the restaurant that is going to host your meeting in the first place? The restaurant, of course, gets increased business from the supply of hotel guests wishing to dine there. Get the idea?

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It all started when Barry Sternlicht, former head of Starwood Hotels and Resorts, decided to brand something that has been in hotel rooms for as long as there have been hotels: the bed. Not only could a guest stay at a Westin, a Sheraton, or a W, but when there, the guest would be treated to a night's rest on Barry's "heavenly bed." It worked. The returns for

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Starwood were also heavenly. Not to be outdone, Starwood's competitors rummaged through their hotels looking for other brandable elements. Most recently, Hyatt has launched a proprietary wine label called "Canvas" in partnership with Napa's Folio Wine Partners/Michael Mondavi--and you can only get it at a Hyatt. Had Hyatt announced its own vineyard and bottling plant; ho-hum. Instead, Hyatt announced a partnership with one of winemaking's most well-known and respected names, to make "hand crafted, artisanal varietals". Decidedly not ho-hum.

## Since You're Already Here

Perhaps the most well known examples of co-branding involve locating hotels in existing destinations that attract visitors year after year. Ordinarily rodents are to be discouraged in hotel operations. A rodent called Mickey, however, has been filling hotel rooms in Orlando

for years. One of our clients owns the skier's mountain, Mount Mansfield in Vermont. It is also in the process of opening an adjoining ski mountain, lodge, hotel, spa, residences and fractionals at Spruce Peak. Wisely, the client chose not to call the development "Spruce Peak Lodge", but rather opted for the more bankable "Stowe Mountain

Lodge". Guests will come for the skiing but stay for the amenities provided by what is intended to be the peer of any of the best ski resorts in the American West. Hotels located in destinations like Disney World and Stowe get by very nicely with no other brand alliances.

## You Like It? Buy It.

Goulston & Storrs recently assisted a client in the licensing of a U.S.-based upscale department store to be located in Shanghai, PRC. There will also be a co-branded hotel at the same location. The hotel stay is intended to feature a shopping experience which will never require the guest to enter the store. Imagine checking into the hotel in Shanghai for a meeting with your Chinese business partners. Unexpectedly, you receive an invitation to dinner with some local dignitaries. What to wear? Not to worry, call the concierge, and inside of an hour or so, you will be able to try on some

tuxedos in the privacy of your own hotel room. If you decide to buy, then after dinner, the hotel will be happy to package and ship your purchases home so that you do not have to stuff them in your already overloaded garment bag. The hotel room will also be filled with items that may be purchased from the department store. Lately, it is not at all unusual for hotels to give guests the opportunity to purchase from the hotel or its vendors any number of items that have provided a positive experience for the guest in the hotel room. Beds, chairs, toiletries, robes, televisions, linens, towels and more are all for sale. With a department store right downstairs, however, instant gratification is part of the deal.

Closer to home, and on a smaller scale, art gallery owner Peter Alpers, of Alpers Fine Art in Andover, Massachusetts (named "Best of Boston" Art Gallery by Boston Magazine), has figured a way to co-brand his gallery with a local inn. Peter displays original contemporary artworks in the common areas of the Andover Inn on the campus of Phillips Andover Academy. The Andover Inn gets to hang high-quality original

contemporary artworks from a "Best of Boston" gallery for free. Peter gets to double his gallery space and have ready access to a pool of wealthy customers. The artworks are available for purchase by Andover Inn guests.

## Brands are People Too.

The Williams sisters of tennis fame are reportedly considering the co-branding of resorts featuring an intense tennis experience for enthusiasts. Sports and talent agents everywhere are discovering that hotels and resorts may open up a whole new area of revenue for their clients. Hotel guests will pay for a travel experience that invokes the essence of their idols, whoever they may be. The Boston Harbor Hotel recently offered a unique guest package targeted at Japanese tourists to Boston and intended to capitalize on the Daisuke Matsuzaka craze. The hotel guest package included Red Sox tickets and memorabilia packaged in a handsome inlaid tropical wood box with separate compartments for the tickets.

Boston's new Mandarin Oriental hotel being built by our client CWB, when it opens, will set a very high bar for standards applicable to luxury branded residences. To be sure, the Mandarin Oriental brand is compelling on its own. Never content with the merely extraordinary though, Robin Brown, the "B" in "CWB", brought his considerable experience of what works and does not work in the location, design and operation of hotels with branded residences to bear on the execution of the project. For fourteen years, Robin was general manager of the Four Seasons in Boston. Robin's reputation in the hotel industry, coupled with the reputation of his partners, Julie Cohen and Steve Weiner in real estate development, particularly in Boston, played a large part in building the excitement surrounding the project and propelling the sell out of the residences.

The foregoing examples of co-branding are but a few of the many arrangements now in place and the many more which might be imagined. The hospitality industry abounds in creativity.

## About this month's author

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