Dual-brand popularity stems from revenue, cost-saving advantages


The Residence Inn/Courtyard by Marriott Syracuse Downtown Armory Square opened in 2013 and was among the first 25 dual-brand hotels opened, according to HVS.

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New Castle Hotels & Resorts was one of the first companies to dive into the dual-brand hotel model. The reasons why, according to president and COO Gerry Chase, were clear: They held enormous benefits and minimal disadvantages.

"The concept is fairly new, but the amount of properties in the pipeline speaks for itself," Chase said. "We were on the ground floor, so now we are expanding our footprint."

When New Castle's Residence Inn/Courtyard by Marriott Syracuse (N.Y.) Downtown Armory Square came online in 2013, it was among the first 25 dual-brand properties opened, according to an HVS study. Now the company has one dual-brand hotel under construction and two more in the pipeline, according to Chase.

"Construction costs are high," he said. "If you can get the density on a site and the efficiencies from the dual branding and the size is such to support the development, you're probably going to get more of those done than if you try to do a single-source hotel."

DRIVING REVENUE

Dual-brand hotels offer the opportunity to drive revenue in ways single-branded hotels can't, according to sources.

One of the biggest benefits that Ben Seidel, CEO of Real Hospitality Group, sees is that these types of properties are opened up to a larger variety of market segments and average-daily-rate categories. The company is the operator of the 232-room dual-brand Hilton Garden Inn and Homewood Suites by Hilton at Dolphin Mall in Miami, developed by Procacci Development Corporation, which opened late last year. Real Hospitality also will add to its portfolio a Courtyard/Residence Inn by Marriott dual-brand property in New York City, which is under development.

Seidel said that the Hilton Garden Inn/Homewood Suites property is a perfect example of one property appealing to different segments. Homewood's extended-stay model attracts contract and corporate group business, while HGI draws in the transient and leisure guest.

Chase agreed, saying that an extended-stay product, such as a Residence Inn connected to a business-oriented Courtyard property, allows for cross-selling of product.

"During the week, the business traveler drives the majority

See **Dual-brand hotels** | page 28

Dual-brand hotels

Continued from page 27

of the demand. On the weekends, with social events, you have high demand, which you can push over to the [other brand]," he said. "It's a great indication for segmentation and cross-selling."

However, Chase said a drawback for the dual brand could be that one brand sees more demand over the other. In these cases, guests would be pushed into a different product that they might not have expected.

"Sometimes there can be a little confusion when that happens," he said. "But when they get to the room, they are usually satisfied and they are still in the same building."

Real Hospitality Group operates the 232-room dual-brand Hilton Garden Inn and Homewood Suites by Hilton at Dolphin Mall in Miami, which opened late last year.

CONTROLLING COSTS

Cost savings abound in dual-brand properties—the biggest coming from a reduced labor force and shared back-of-house operations, according to Chase.

For instance, the two brands can share one pool and fitness center, which can save on staff levels to work those areas.

"We started seeing savings on the management side," he said. "You don't need two GMs, two directors of engineering, two executive housekeepers. The sales efforts can be combined, so there are efficiencies."

However, Seidel said some brands don't always allow for a management reduction, with some requiring a GM in each box. When this happens, operations can become frustrating. For example, one GM's guest satisfaction scores can be higher than the other GM's scores. Or maybe an issue arises when one GM thinks a director the two properties share is spending too much time working for the other brand.

"How do you resolve that? It becomes difficult when you have that type of structure," Seidel said.

Chase said that dual-brand hotels do require more skill from management in order to run two different hotels smoothly. But if the two boxes can be run with the same staff, there's nothing but upside when it comes to controlling costs.

"We haven't really found any disadvantages," he said. "We always look for the efficiencies of running [two brands] under the same roof." **HM**