

**Nobody Asked Me, But... No. 14**  
**Impact Studies, Stretching Segments, Short-Stay Rentals,**  
**Smoke-free Marriotts, Franchising in China,**  
**Save the Belleview Biltmore Hotel**

**By Stanley Turkel, MHS, ISHC**

1. In June 2006, I wrote that “The study of impact by a new hotel franchise on an existing franchise is an art not a science. The conclusions of impact studies are, therefore, subjective.”

Now, Steve Rushmore, president and founder of HVS International has confirmed my thesis that impact studies “are at best educated guesses. It’s like trying to guess what the Dow Jones Industrial Average will be a year from now.” Rushmore says “... the solution isn’t to try quantifying impact, but rather to head off the problem before it occurs.”

Rushmore proposes the following solutions:

- a. all new hotel franchise agreements should contain a defined geographic area in which the hotel chain could not franchise, operate or invest in a hotel having either the same or a competitive brand over the term of the agreement.
- b. Existing franchisees (with no exclusive territories) should be given an option either to negotiate a territory or accept the use of impact studies over the remaining life of their agreements.
- c. Franchisees who decide to go the exclusive territory route but cannot reach agreement should be subject to arbitration. Franchisees who are not satisfied with the findings of the arbitrator should then be allowed to terminate the franchise without payment of liquidated damages.
- d. Franchisees who opt for the use of impact studies should have the right to terminate the franchise without paying liquidated damages if they do not agree with the findings of the impact study.

Impertinent Question in Search of a Pertinent Answer: Which major franchise company will be the first to adopt this commonsensical position?

2. Professor Larry Selden (Columbia Business School) and Professor Ian C. MacMillan (Wharton) wrote in the April 2006 Harvard Business Review about the growth gap between insular research and core customer requirements. They suggest a three-step process for closing the gap by understanding what the customer wants and then using the understanding to drive innovation. Here’s my take on how the hotel industry can benefit:

Step One in the process is identifying and developing a better understanding of the core customer. How many more guests could you attract if your hotel featured the following amenities:

- Free in-room high speed internet access and wireless internet throughout the entire hotel
- Smoke-free environment
- Flat screen panel TV with high definition
- Stereo FM radio music system with Ipod/MP3 connection and an easy-to-program alarm clock
- Refrigerator and microwave in every guestroom
- Walk-in shower with side sprays and hand holds
- Better lighting throughout the guestroom but especially over the headboard for reading in bed
- Healthful foods in the restaurant and room service

Step Two is to enlarge the core business by satisfying the customers' other needs and looking for customers who have needs like those of the core customers.

For example, for senior citizens, provide specially-trained staff members who understand the needs and wants of the older traveler provide services that appeal to them. The staff must be taught how to communicate with persons with poor hearing or weak eyesight or both. Many mature travelers prefer locations on the low floors near an elevator. Safety and security are concerns, so smoke detectors and floor-located fire exit signs in corridors can be a strong selling point. More than other travelers, older guests prefer designated public areas where they can talk and socialize. Such rooms should generally be separated from the noisy cocktail lounges. (See my "Nobody Asked Me, But... No. 13 Turning Gray Into Gold" [www.HotelOnline.com](http://www.HotelOnline.com), July 18, 2006).

Step Three is to "stretch" segments, that is find customers beyond the core who can be served with your expertise.

For examples, for the VFR (Visiting Friends & Relatives) market, D. K. Shifflet & Associates has identified a 60 million room-night opportunity. Even in these busy times, only 65% of our guestrooms are occupied. On an average day, therefore, 1.5 million rooms are vacant. If we could capture just 5% of that potential business, it would add millions of dollars of revenue. Many of these leisure travelers want

to stay in a hotel for freedom, privacy and comfort but their hosts are the key resistance factor to moving guests to hotels. Therefore, hosts need to get over “the guilt of not inviting them” and “the need to save them some money.” The challenge is to activate a strong industry advertising program (probably humorous) with guilt-reducing messages.

3. Did you hear about the short-stay apartment rental market? It is an off-shoot of the corporate housing industry which traditionally provides apartments for employees who need to work off-site temporarily or who need transitional housing after relocation to another city. But while those services usually require a stay of month or more, short-stay apartments are geared to travelers who need a place for a week or less. According to the New York Times (July 9, 2006), short-term rental firms say that short-stay guests typically save 25 to 50 percent of the cost of a deluxe hotel room. Most apartments feature full kitchens with pots and pans, silverware and utensils, dishes and glassware. The major suppliers of such apartments are:

- Oakwood Worldwide which offers stays with minimums of five to seven days in cities across the United States and in Asia
- Metro-Home, a New York service whose apartments are equipped with cable television, VCR's, telephones with dataport for Internet access and answering machines.
- Resortquest, a division of Gaylord Entertainment which manages thousands of properties in 50 destinations, mainly in resort areas
- Furnished Quarters, a service based in New York offers apartments in the metropolitan area and in Boston, Florida and a few overseas locations. Its apartments are stocked with items like ironing boards, tea kettles and cookie sheets.
- Adobe, a New York-based service

4. Congratulations to Marriott for going 100% smoke-free at all hotels in North America beginning in September. This represents the industry's largest move to a non-smoking environment with more than 2,300 hotels and corporate apartments and nearly 400,000 guest rooms under the Marriott, JW Marriott, Ritz-Carlton, Renaissance, Courtyard, Residence Inn, SpringHill Suites, Fairfield Inn, TownePlace Suites and Marriott ExecuStay brands.

5. Most of us know that Kemmons Wilson started Holiday Inns in 1952 when, on a family vacation, he couldn't find decent accommodations on the road. Within sixteen years, there were 1000 Holiday Inns

built in conjunction with the construction and expansion of the United States interstate highway network under President Dwight Eisenhower.

As I wrote last month, in the next 10 years, China will become the largest in-bound travel destination in the world. It is estimated that there will be 180 million trips in China. Where will all these tourists stay?

If Andrew Cosslett, CEO of the Intercontinental Hotel Group has his way, most of them will be staying at Holiday Inns who built their first hotel in Beijing in 1984. Cosslett says that most people in China think that Holiday Inn is a Chinese name, not one that started in the United States.

Since the Chinese are registering 4000 cars a day, building 85000 kilometers of freeway and 47 airports, the need for new hotels is extraordinary.

And since only 10 percent of the “away from home” market in China is branded there is a once-in-a-lifetime opportunity for the major U.S. hotel brands and their franchisees. Is it time to suggest that the Chinese governmental authorities create a model franchise agreement that avoids the one-sidedness of most U.S. franchise contracts? On January 1, 2006, the Vietnamese government passed a new commercial law which for the first time provided a general framework for franchising by defining franchising and requiring registration by prospective franchisors. (see Philip F. Zeidman’s article in Franchise Times August 2006)

6. Save the Belleview Biltmore Hotel: “The White Queen of the Gulf”. The owners of this historic landmark hotel in Belleair, Florida have applied for a permit to raze all the buildings on this resort property and are planning to demolish seven buildings totaling 440,000 square feet including the removal of resort pools and tennis courts.

The hotel was built in 1897 by Henry Bradley Plant, the prominent railroad, steamboat, express mail and hotel developer (the FedEx/UPS man of his time). The Belleview Hotel at Belleair opened with 145 rooms, Georgia-pine construction, swiss-style design, golf course and race track. The Belleview became a retreat for the wealthy whose private railroad cars were often parked at the railroad siding built to the south of the hotel. Guests at the Belleview enjoyed the amenities of regal rustic living; yachting and sailing on Clearwater Bay; horseback riding, golfing, tennis, skeet shooting and bicycling.

In 1920, the hotel was acquired by John McEntee Bowman, international sportsman and owner of the Biltmore chain of hotels (Los Angeles, New York, Atlanta, Delaware, Santa Barbara, Havana, Providence).

Since the hotel is listed on the National Register of Historic Places it would be a tragedy if the owners (Di Bartolo and Urdang) ignored the one-of-a-kind history and tore down this historic hotel.

Stanley Turkel operates his hotel consulting office as a sole practitioner specializing in franchising issues, asset management and litigation support services. Turkel's clients are hotel owners and franchisees, investors and lending institutions. Turkel serves on the Board of Advisors and lectures at the NYU Tisch Center for Hospitality, Tourism and Sports Management. He is a member of the prestigious International Society of Hospitality Consultants. His provocative articles on various hotel subjects have been published in the Cornell Quarterly, Lodging Hospitality, Hotel Interactive, Hotel & Motel Management, Lodging, FIU Hospitality Review, AAHOA Lodging Business, Bottomline, New York Times, Wall Street Journal, Travel & Leisure, etc. If you need help with a franchising problem such as encroachment/impact, termination/liquidated damages or litigation support, don't hesitate to call 917-628-8549 or email [stanturkel@aol.com](mailto:stanturkel@aol.com).