

Debate: This House believes Corporate Chain Hotel Brands Tend to Suppress Value rather than Create It

Melvin Gold introduced himself as a specialist consultant to the hotel industry. He explained the topic of the debate, and welcomed Robin Sheppard, Chairman of Bespoke Hotels, and Surinder Arora, Founder and Chairman of the Arora Group. Melvin Gold explained there would be a vote at the beginning and the end of the discussion. At the beginning, 57% of people were for the proposal, and 42% were opposed to it.

Melvin Gold outlined that about half of the rooms in UK hotels were independent, and the others were either in chains or consortia. In his most recent report, he had discussed the fact that the industry was consolidating in favour of brands. Melvin Gold believed that there was a limit to how much of the industry could end up as brands. Since 2007 the number of independent hotels had shrunk, and the branded section of the market had grown by 6.5% a year. The independent sector was trying to find a way to effectively reach the market in the internet age.

Robin Sheppard proposed the motion. He argued that given the increasing homogenisation of brands on the high street, consumers had begun to long for differentiation and intrigue. Independent brands were the answer to that. Robin Sheppard conceded that there were locations that brands were able to service better than independent chains might.

Surinder Arora spoke to oppose the motion. When he had tendered for the site that the Heathrow Sofitel was on, he had been initially turned down as Arora was not a recognisable brand. This was why they had partnered with Accor to open the site as a Sofitel. For sites of 600 or 700 rooms, a brand was a necessary way to extract value.

Melvin Gold asked Surinder Arora if maintaining control of his own sites was a key part of his operation. Surinder Arora said that he hated the idea of someone else managing one of his sites. He added that staff and culture were key, and that it did not matter what the building was like if the people were not very good. Robin Sheppard said that chains made it more difficult for hotels to offer a variety of consumer experiences, and hotels should be sources of pleasure and reward. It was more difficult for a brand to make the experience truly engaging.

Melvin Gold asked if there were negative connotations associated with having to go to brands for finance or other support. Surinder Arora said he had realised that a brand would make a big difference in opening what had become the Sofitel. Given Arora's desire to open multiple hotels at the different Heathrow terminals, the ability to franchise them through different major brands was useful.

Robin Sheppard commented that brands could be a barrier to growth for independent hotels, as banks would not lend to independent hotels. After the disruption caused by booking.com in 2006, banks had been eager for brands. Brands were useful when there was a need to fill rooms, but that there were some 'soggy' brands out there. He added that if the staff of a hotel were not good, a brand could not cover that up. Some sites needed to be run as white label hotels, as a brand would cover up what made them engaging.

There was a question from the floor about whether websites such as TripAdvisor helped to tip the scale in favour of independents. Surinder Arora said that review sites were increasing access to information for brands and independents alike. Robin Sheppard said that neither hotelier nor consumer had ever had it so good in terms of their access to information. He advised those present that when replying to comments on TripAdvisor it was useful to quote the customer's positive points in a response.

Melvin Gold invited everyone to vote again. When the results were reviewed, there had been more of a shift towards opposition to the motion.