

WHY BUDGET LIFESTYLE HOTELS ARE BREAKING THE MOLD



With travelers seeking out better lodging experiences and affordable deals, cheap, chic offerings are proving to be the new industry disruptors, as **Nada Alameddine**, managing partner at Hodema Consulting Services, explains.

The hospitality industry has had three main segments for as long as hotels have existed: cheap – also called budget; mid-range; and luxury. They have evolved at a different pace over time, depending on the economy, trends in travel and, most importantly, people's spending power. Each has its clientele – youngsters and backpackers for the low-priced segment and middle-class travelers and families for the midscale ones, with the wealthy minority usually opting for the high-end names.

But the pandemic and, more specifically, the 'revenge travel' phenomenon that erupted once the travel restrictions ended, reshuffled the cards. Hotels offered bargains to boost their decimated finances, while vast numbers of people were keen to make up for lost time by visiting new places, although not at any cost; months spent at home led to people changing their views on a wide range of issues, including travel, and prompted many to seek out better lodging experiences and affordable deals. The budget and mid-scale segments were raising their prices, hit by inflation. This left high-end establishments as the sole survivors, largely unharmed by the sharp increase in prices.

Cheap chic is the new trend

For many hospitality groups, however, the main strategy for attracting more clients has been to diversify their offer. Fancy brands Hilton and Marriott are taking this route, bringing their glitz and glamor – and opening their loyalty programs – to the average traveler. Hilton launched Spark, its premium economy name, in January. The idea is to convert existing structures into the new brand, with rates ranging from USD 85 to USD 105 a night, and

open thousands of hotels across the US and Europe. For Chris Nassetta, Hilton's CEO, this new business venture was a no-brainer, the thinking being that the young travelers targeted by Spark are likely to be better off one day and remain in their loyalty programs. It is the company's second incursion into the affordable range, alongside its midscale brand Tru, which is targeting middle-class travelers. Marriott is also vying for the same segment. The global group is in the process of acquiring Mexico-based City Express, a midscale brand located across Latin America.

An untapped market

These new projects could make the cut in a highly heterogeneous environment and redefine clients' expectations of moderately priced offerings. Budget hotels can sometimes have a poor reputation when it comes to cleanliness and maintenance, with some also in remote areas, far from transportation and offering minimal services. International groups will bring their brand standards and standardization processes to the table, making an important differentiation between budget and basic. In the Middle East, Centro by Rotana, Ibis by Accor and Holiday Inn by IHG have managed to set foot across a region where

mid-market options are scarce.

Living the high life on a budget

The latest trend, however, is for budget lodging, given something of a glamorous twist. Developers are setting out to bridge the gap between cheap and chic by developing a budget lifestyle hotel concept. Some international chains, such as Accor, are already trying their hand at it. The group is developing SLS, 25hrs and Hyde across the globe, including in the Middle East. Most of the existing options, however, remain small independent structures.

Small-sized advantages

Small businesses have proven that they are better at providing a unique atmosphere and tailored service, having successfully spearheaded the trend of offering experiences to visitors that make them feel at home. They can afford to focus on their customers on an individual scale and have garnered a reputation for giving a real feel of the neighborhood or area in which they are located. They make up for their limited facilities or food menus by offering their visitors custom-fit stays. Young travelers eager to discover new places and meet people value the experience even more than the room fee: it's the trend of affordable luxury. The rise of Airbnb, which gives guests a glimpse of life as a local and enables tourists to access lodgings with mid or higher-end amenities for a price cheaper than a hotel, is no doubt contributing to the rise of budget-boutique hotels. 'Cheap chic,' 'balling on a budget,' 'more bang for your buck,' 'luxe for less,' – whatever term you opt for, there's no doubt that hospitality professionals are competing to meet this new clientele's standards, keen to offer an assurance that travelers can live the high hotel life without breaking the bank.

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