

TRAVEL AND HOSPITALITY

## Catering to affluents' interests is tightrope walk for luxury hotels

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*Four Seasons plans out extension expansion for 2018. Image credit: Four Seasons.*

By BRIELLE JAEKEL

Luxury hotel brands are competing against one another in expansion growth and branching out to new markets, but whether or not the widespread developments will damage the hoteliers' exclusivity is questionable.

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Hospitality chains Marriott International, Four Seasons, Ritz-Carlton and Rosewood are among the many luxury hotel brands who are establishing themselves in new locations to cater to the affluent traveler's interest in unique and undiscovered destinations. But a key factor in being a luxury brand is exclusivity, which means going too massive could hinder these hotels' high-end images.

"Our research on the wealthiest 5 percent of travellers in the U.S. shows that Four Seasons and Ritz Carlton continue to be the most widely admired brands in the luxury hotel space," said Chris Fair, president of **Resonance**, Vancouver. "However, the more ubiquitous these brands become, the less exclusive they will seem in the minds of the wealthiest consumers.

"But the expansion of the brands means they are able to reach and serve more affluent customers in more markets so the value of the brand will rise overall," he said. "What the expansion of these brands does do is create opportunities for new entrants such as Aman to raise the game in terms of service and exclusivity."

### Exclusivity at stake

Affluent travelers are more interested in one-of-a-kind travel experiences more so now than ever.

This is one of the most important factors when it comes to leisure destinations and these brands are taking that into consideration by entering a variety of atypical and new markets.

For example, Marriott International continued its growth by announcing 40 new luxury hotels opening over the course of 2018.

The Ritz-Carlton, Luxury Collection and St. Regis are among Marriott's hotel properties that will all get new locations over the next year, with 25 new countries joining the Marriott family. This move is consistent with the larger shift towards more luxury properties that Marriott has taken since its acquisition of Starwood in 2015 ([see more](#)).



*The Tasman, a Luxury Collection Hotel, Hobart will open in 2018. Image credit: Marriott International*

In line with the overall forward momentum in the hospitality industry, Four Seasons Hotels and Resorts also ramped up its expansion strategy via new property openings in popular and emerging tourist destinations.

Four Seasons was the latest hotel brand to announce a global expansion plan, in which it will enter new markets in places such as Tunisia and Malaysia ([see more](#)).

As helpful as catering to unique tastes can be, however, it could also be what brings these travel brands down.

With so many establishments across the world, affluent consumers may start to look for hotel brands that are less ubiquitous.

These hotels need to focus on creating curated experiences that are highly localized and emphasize the culture of each individual destination.

"There is a heightening of competition for luxury hospitality brands as luxury consumers look for individuality and uniqueness in their experiences," said Alex Hadwick, head of research at [EyeForTravel](#) and its [The Global Luxury Travel Consumer report](#), London. "This competition not only comes from other hotels but also from strong growth in the alternative accommodation sector.

"This is why we are seeing high-end accommodation brands expand into new areas to give them an edge, such as OneFineStay's offer of a concierge service that you can use for a year after booking or Ritz-Carlton looking at its own luxury cruise liners," he said.

#### Positive growth

While the question of exclusivity is in the air, these brands might be protected from these issues as the demand is supportive of their expansions.

Factors such as the new United States tax law, which will help support high equity values, and the return of Chinese luxury travelers should support the high-end travel sector.

The new U.S. tax will help affluents, who will be more likely to travel with the extra cash flow it will bring.

China's luxury sector saw a positive 2017 that will continue on into 2018, and Chinese consumers will focus more on travel. Both Europe and North America saw strong economic growth, while Brazil and Russia finally bounced back after recessions.



*The Ritz-Carlton Hotel de la Paix Geneva exterior. Image credit: Ritz-Carlton*

"I don't think there is too much of an issue in expansion of luxury brands at this stage as there is enough demand to underpin this growth and it is why so many travel brands are expanding in the area," EyeForTravel's Ms. Hadwick said.

"Changes to U.S. tax law will help to keep U.S. equity values high, even though they are on something of a bubble, which benefits luxury consumers, and China's luxury market returned to growth in 2017 and should continue into 2018," he said.

"Overall, 2017 appears to have seen a rebound across all luxury travel as wealthy Chinese consumers focused back on travel, Japan experienced high wealth creation, Brazil and Russia came back out of recession and the Eurozone and North America grew strongly."

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