People–in–Travel

Tracking Travel's Leaders

Interview, Chris Cahill

Head of Fairmont Raffles Hotels. (Reproduced from ABTN; may be paraphrased.)

How do you sell your way out of this market downturn?
There has been a fundamental change in the hotel business over the past 10-12 years. Before the mid-90s, when you had economic downturns people, tended to pull back. But starting then, there was growing evidence that people had moved travel from discretionary to essential spend. That has been challenged, but so far around the world markets, leisure is up, possibly because rates are down. Getting higher rates is tied to getting people moving. As leisure is already there, then business at some point has got to come out. Once they have confidence in the global banking system, they will start travelling. We're seeing bits and pieces of it all over the place, lots of short-term corporate meetings, where they say "We finally have to bring people together and plan on the future". So I don't think there's anything you can do to stimulate travel; I just think people need to believe we've hit the bottom.

Do people understand the difference between the Fairmont and Raffles brands?
Research would say they understand the difference. Raffles is the super luxury, transient brand, with fairly-large room sizes and lots of suites. It tends to be more internationally sophisticated in terms of design. Raffles hotels are not going to be as rooted in the local community as Fairmont, which is 'authentically local', being all about the destination, unrivalled presence and having much more scale and substance to them. When we merged the companies in 2006 we felt Raffles wasn't clear and was small enough that we could make changes. So the Raffles Plaza in Singapore was a 750-room meetings hotel, and we converted it into a Fairmont. The Montreux Palace in Switzerland had 55% of its business from groups and business while for Hamburg in Germany, which we owned, we could have gone either way, but we felt that the mix of business in that hotel fitted much better with Fairmont.

We made a strategic decision that if you're going to run multi brands, you want them distinct. No disrespect to the mega multi-brand companies but they can end up with them being pretty similar in look and feel and separated by price and feel only, which is a tough way to keep a brand separate. We didn't want to create a super brand. Having said that, we leverage the company in every way we can. So all back-of-house activity will support all three brands: development, legal support, reservations, financing, accounting, technology, procurement are all shared.

We also merged global sales, because we have made it easy for them to explain the difference. So we do a lot to leverage it without diluting the brands. Fairmont was a fairly robust company with 50-some hotels going to 70, so we were able to use a lot of that infrastructure and any best practice the other brands had, but it allowed us to save time, money and effort because developing this stuff takes so long. We try to do benchmarking against multi brand companies but our scale is so small with only 92 properties, it's hard to tell we do a lot of benchmarking on the property side.

Raffles has 7 hotels but 15 in development. Isn't that daunting?
Two years ago it was more daunting, when it looked like we could have 25. Now developments are stretching out and not coming online as fast as we thought for a whole bunch of reasons and it allows us to have more time to absorb them in the system and get them open properly.

How is your geographical footprint with the brands?
One of the great things about the merger between Fairmont and Raffles was there wasn't a lot of geographical overlap. Going forward, the new openings are helpful, but it's not as great as we'd like.

Why didn't the Savoy become a Raffles?
It didn't fit. We didn't want to have the image of Raffles to be heritage or colonial, we wanted it to reflect its true brand attributes, which when we went and talked to the customers was residential, transient, and more intimate spaces, so they are very exclusive and tend to be smaller. Fairmont is multi-segment business - meetings, travel agents, corporate transients, leisure transients. It's got it all and a relatively big banquet house like the Savoy which has an unrivalled presence was more a Fairmont. And the contracts were already long done by that time.

Where will you be in 2012?
We will be at about 120 hotels. But that assumes we won't add anything in the current environment, and I'll think there'll be conversations, particularly for Swissotel and Fairmont. Swissotel has a great opportunity in this environment. We've just opened Shanghai, Kunshan, and I can see a lot more happening in China.

What do you think the future will hold?
When the world stabilises, what's going to be the perception of people and the type of product they want to pay for? We've been through an era of super luxury and conspicuous consumption, so will people want inconspicuous consumption and in doing so change their value-set around the product?

An annual subscription to People-in-Travel, costing €100, is delivered only via email in PDF format. A small extract from PinT is normally included in the Asia Pacific and Europe editions of Travel Business Analyst. ISSN-1998-6882.
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