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Heartbreak hotels: Many independents are struggling to compete with chains

By David Nicholson

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The rise of brand hotel chains in the UK is threatening the existence of hundreds of independent hotels.

According to a new survey from Hotel Reservation Service, almost half of the 300 owners surveyed are in direct competition with a chain and more than a quarter report a drop in bookings as a result.

Chains are criticised for their failure to invest in local communities or to engage with them. A total of 62 per cent of independent owners believe brand hotels in their area make an insignificant contribution as an employer or trainer of local people, with a similar figure claiming they fail to buy local produce or services.

"We used to have an active hotels association in Leicester," said James Bowie, owner of the Belmont House Hotel in the city. "We would put on citywide promotions and share information. But in recent years the chains have become much more reluctant to share any information – they've become much more insular.

"Consequently, the association no longer exists."

Mr Bowie said that the vast marketing budgets of the chains can make a big difference, while custom flowing through websites can be a mixed blessing. The sites may ask for a cut of up to 25 per cent and insist on the lowest possible room rates being quoted.

"The big boys can absorb these kind of costs better than the smaller operators," he explained.

For Ricky Kapoor, commercial director at the 85-room Old Waverley Hotel in central Edinburgh, winning the battle against the encroaching chains means upgrading the hotel facilities and keeping prices down, adding value to the proposition.

"We have added things like wi-fi, so the facilities are four-star, but we're charging three-star prices," he claimed.

Rather than always competing on price, Mr Kapoor argues that reinvesting in the product, offering extras like a free bottle of wine in every room and concentrating on good marketing strategies can make a difference.

"We have to come up with creative ideas and ensure our quality remains high."

As Andrew Beale, owner of Beales hotels in north London, pointed out, many of the large chains are now owned by private equity firms, which have stripped the assets to the bone in a search for higher margins.

"I'm not worried about the chains at all because I'm in a totally different place from them," he said. "If you'd asked me 10 years ago, I'd have said they felt like a threat, but groups like Thistle, Ramada Jarvis and Queen's Moat haven't had any money spent on them for years."

As in any industry, if you stand still, you are likely to be left behind, said Mr Beale, whose family has managed to keep refreshing its products since 1769 (he is an eighth-generation owner).

Grant Appleton, commercial director of Hotel Reservation Service, argued that the type of online booking service that customers use can make a difference in encouraging them to visit independent hotels.

"Using an impartial booking system such as ours means a fairer deal for the independent hotel as the customer can search for a room that suits their needs.

"By not promoting one hotel above another the customer also gets more choice, value and ultimately a better deal."

Hotel Reservation Service charges a flat fee for hotels to list on its site, rather than a percentage of room rates.

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