

Evolution of the Hotel Shop

No longer just an over priced gift shop selling brandless toiletries and shiny plastic figurines of the local architectural highlights, real estate located in or around large hotels in Asia is now managed as prime retail space.

In Asia there are varied reasons why hotels and retail outlets tend to be collocated. In the underdeveloped markets there is not a significant proportion of the population to be able to make discretionary purchases to support a significant retail market. If they do exist they are either visitors or travellers who are likely to frequent luxury accommodation. For the retailer hotels also often provide the only quality real estate to house anything other than stores selling daily necessities.

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At the other end of the spectrum mature markets there are developments such as the IFC sprawl in Hong Kong or The Raffles Hotel in Singapore, where the thinking seems to have been to attract and capture as much potential spend from one group of people by putting all their needs under one roof. In some of the more retail saturated mixed-use facilities it is a challenge finding the hotel at all.

Some hotel groups use the retail portions of their hotels as revenue generators. Starwood Group is one of these; The Westin Resort Macan's relatively small store brings in close to HK\$300,000 a year. The Four Seasons does not prioritise retail concessions within its Asian properties while the Raffles group derive a significant amount of their profit from their retail activities. In 1991, the original Raffles hotel in Singapore recognised the value that the brand could bring to a retail mall and opened The Raffles Hotel Arcade housing 65 speciality shops and the Raffles Hotel Museum & Museum Shop.



Capitalising on this brand has made Raffles become a retailer in their own right. Where rather than being simply a hotel they see themselves as a "lifestyle experience" provider. Supporting this ethos the group has launched Raffles Shops where the range of merchandise ranges beyond essential sundries to exclusive and specially commissioned items. It also owns other retail outlets such as the THOS S.B Raffles & C, "a forerunner in product development as well as a purveyor of fine food and wines".

Another landmark Asian hotel group, the Peninsula, has also followed and extended this trend by opening Peninsula Boutique stores off the hotel premises, the most recent addition being in Siam Paragon in Bangkok. With over one hundred stores in their Hong Kong Hotel Arcade they can also be regarded as a shopping centre operator in their own right. However as no two hotels in the group are alike a variety of retail management situations exist.

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Kate Kelly explains for the group, "For example, both The Peninsula Hong Kong and The Peninsula Palace Beijing, with extensive retail space, have commercial operations and/or leasing managers, whilst those with limited space such as The Peninsula Bangkok and The Peninsula Manila are handled by the resident manager. The Peninsula New York's retail is handled by an external consultant."

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Upgrades to existing space in hotels in Asia have seen an increased emphasis on a retail element. This takes two forms. In some cases hotels are built as part of a significant mixed use development. Langham place provides an example as do all the new build projects that are rumbling along in Macau. In this case retail tenants are attracted to the traffic brought about by the hotel, offices or apartments. In Macau, the 60 000 odd hotel rooms expected to be built along the Cotai Strip have retailers itching for a share in the winnings.

Increasingly, the hotel itself are built with the idea of attracting tenants into its retail space. In India, hotel/mall developments, such as the Leela Palace in Bangalore, are a growing trend that has been noted by CBRE in their most recent retail property market update.

In these projects, deciding how much space will be devoted to retail is a science. For the Peninsula “The amount of retail [in new build projects] depends on a number of variables including the plot ratio, the hotel services to be incorporated, space available for retail etc., and that is incorporated into the hotel design using both in-house design & planning experts and external design consultants. Tenants for new hotel builds are sought by the head office hotel operations team in order to secure these ahead of opening and prior to the appointment of an hotel staff.”

the designers say...

Mischa Bedner of Hirsh Bedner, a leading hotel designer and hospitality design consultant, has worked on hundreds of projects around the world. Here are his opinions on the hotel/retail nexus.

The importance of retail? Often, the retail spaces are the first areas of the hotel that the guests encounter upon entering a property. If the shops are high-end and worth perusing, this enhances the image of the hotel. On the other hand, if the retail shops are of not the highest caliber, this reflects poorly on the hotel. The retail spaces set the tone of the hotel.

Retail Trend? It appears that more and more hotel owners and operators are becoming cognizant of the symbiotic relationship between retail and the hotel itself. If you have a five-star hotel that provides the finest services, amenities, and the like, it seems only natural that the hotel would be associated with five-star retail shops as well.

Where does this happen? I believe this trend of hotels and retail spaces working beneficially with one another is a worldwide phenomenon and is more prevalent in casinos than in other types of properties. Owners would prefer that [the occasional winners] spend their newly-won money within the confines of the hotel, i.e. at the retail stores. The longer the guest stays within the hotel, the more likely he/she will spend money in the hotel.

A well known casino operator once told me that the most important retail store you can have in your hotel is the high-end watch store. For whatever reason, whenever high-rollers make it big at the tables, they felt that nothing else flaunted their wealth better than a beautiful watch. Asian hotel owners and operators, more than most regions of the world, appear to desire the more high-end retail shops to be within their hotels. For these reasons, casino hotels have a tendency to have more space devoted to retail than would a typical hotel.

Who decides? The client (owner or operator) usually have retail experts and consultants whose job is to deduce what type of stores would be best for the hotel, where they should be located in the hotel, where they should be located in relation to one another, etc.

Because trends change so rapidly, it is important that everyone be involved in regular meetings. A certain item falling out of favour may dictate a change in a particular fixture within a shop, so it is essential that everyone be abreast of constantly-evolving trends.

When renovating? I think that, regardless if the hotel has old-world charm or is even an historical landmark, guests desire the most up-to-date amenities and services. These updates would include seemingly small things like motorized drapery, IT connectivity, and electronic door locks to larger things like conversions of a 3-fixture bath to a 4-fixture bath. I think a designer can focus on these type of updates but must make sure to be sensitive to the original design intent. **RFP**

