

— PACIFIC  COAST
BUSINESS TIMES®

February 1-7, 2008

Proudly Serving Santa Barbara, Ventura and San Luis Obispo Counties

\$1.50

Vol. 8, No. 48

Hospitality: Larry Broughton's move - Tackling a hospitality hotbed

By Barabra Pearson, Staff Writer
Feb. 4, 2008

Larry Broughton made his foray into the hotel business as a night auditor at what he describes as a “no-tell motel” in the Tenderloin district of San Francisco, where he divided his time between studying and kicking out prostitutes and drug dealers.

Today, Newport Beach-based Broughton Hospitality – a high-end, boutique hotel management, consulting and development company – manages or owns The Inn at East Beach and Inn of the Spanish Garden in Santa Barbara, Wine Valley Inn in Solvang and The Orchid Inn in San Simeon, along with several other boutique hotels outside of the Central Coast.

Following the company's launch of Bandera Hospitality, a new division that specializes in the management of mainly branded and franchised hotels, Broughton signed management agreements with the Best Western Kronborg Inn and Holiday Inn Express in Solvang.

Broughton, who was honored as an Ernst & Young Entrepreneur of the Year in 2006 and a Vetpreneur of the Year in 2007 by the Veteran-Owned Business Association, currently owns about a third of the hotels he manages. The Business Times caught up with Broughton while in town to check on hotel renovations at The Inn at East Beach.

Question: How are the management needs of high-end boutique hotels different from those of branded and franchised properties, and how will the new division reflect those differences?

Answer: “I think the difference has less to do with management than it does with marketing and positioning of the hotels. Whether guests are paying \$450 a night or \$105 a night, everyone wants to have an experiential hotel stay, with great services and amenities.

Everyone wants to feel like they are getting a value for their dollar. We have found that people who stay at boutique hotels, however, tend to be fiercely loyal to that specific hotel. Guests of boutique hotels tend to view their choice of accommodations as an extension of how they view themselves. If guests describe themselves as hip, energetic and irreverent, they will likely find an emotional connection with Inn at East Beach after our renovation. If they describe themselves as sophisticated, laid back and well-traveled, they'll likely get an identity refresher at Inn of the Spanish Garden. Those guests who stay at many franchised hotels find loyalty to the brand, perhaps due to travel rewards, convenience and the fact that it is a known commodity.

At the end of the day, we'll manage both divisions

with an entrepreneurial spirit, driven to increase the value of the assets, but we'll market them separately and differently.”

Q: Are the Best Western Kronborg Inn and Holiday Inn Express in Solvang the first hotels under the Bandera management banner? What do you have planned for them?

A: “No, The Palos Verdes Inn in Redondo Beach was the first hotel. Bandera Hospitality will also include select independent hotels that might not have the high levels of design and service that are expected at boutique hotels. Palos Verdes Inn will be renovated in the next 24 months, at which point it will be marketed with the other boutique hotels under Broughton Hospitality.

Our plan at the Kronborg Inn is to do a full renovation, including furniture, soft goods and bathrooms, throughout the interior and exterior of the property by the high season this summer. The Holiday Inn Express will see some soft goods upgrades. We'll also introduce some customer service training initiatives and targeted marketing strategies.”

Q: Is this a good time for Solvang hotels, with growing exposure from the Amgen Tour?

A: “We believe the real play is on the entire Santa Ynez Valley, not just Solvang. Clearly, the ‘Sideways’ movie phenomenon raised the profile of the Valley as a major wine region, and this has helped. But we believe that the boutique shopping, outdoor activities, the horse ranches, golf and spa amenities available and even the casino make the entire valley a viable destination.”

Q: Explain your theory about long-term “significance” and how you go about achieving it?

A: “We believe that most companies have it wrong by placing more emphasis on the bottom line than on serving others. We understand that there is no higher calling than serving others – we serve our team members, vendors, our communities and our investors. If we build a work environment based on honesty in all we do and we treat our team members with dignity and respect, they in turn will do the same to our guests and customers. If we can build fiercely loyal team members, they'll assist us in building fiercely loyal guests. When a business recognizes that they are well served by being a good corporate citizen, they build up the communities they serve. We have an award we give to one of our team members each quarter called the Honor & Excellence Award. It recognizes those team members who are not only superstars at work, but those who do great things in their communities.

If we are successful in doing all those things, then clearly we'll be making a significant impact in the

lives of our team members, communities and investors; and success will be its by-product.”

Q: What steps does Broughton take once the company takes over management of a hotel [staff, décor, money management]?

A: “The first few weeks, we simply monitor the operations and ask tons of questions on what has worked, and what has not worked in the past. We try to evaluate each staff person to find out if they are working in their areas of strength, and if they are not, we try to get them there.

Usually, it means we find them a new role in the organization or we coach them up so that they can be effective in their role, which leads to increased feelings of self worth. Everyone wants to feel good about their performance and they want to feel like they are on a winning team. We evaluate each property on a case-by-case basis as to what the needs are for design changes and customer service standards.

Regarding financial management, we get hawk-like about controlling expenses and we develop metrics to measure as much as we can about efficiencies and productivity. We all recognize that what is measured is improved. Too often, we find business owners take their eye off the financial ball, which always leads to a disastrous end.”

Q: How does Broughton spark management relationships with its clients? Do you choose hotels and approach them or vice-versa? How did Broughton come to manage one hotel in Bali, so far from the rest of its clients?

A: “We do a little of both. We see a hotel we like that would fit our collection and our growth strategy, and we contact them. More and more, however, people are hearing that we have a somewhat unique approach to how we conduct business. We're savvy financial managers, dogged in our approach about driving revenue, while maintaining a positive and upbeat spirit, and this seems to be refreshing for many.”

Our hotel in Bali used to be part of the portfolio of my former company. Bali is an amazing part of the world and its economy was hit hard after the bombings. The owner, who is the Prince of Ubud, became a friend of mine and asked if we would do sales and marketing for them in North America. We agreed.”

Q: What are your predictions for tourism in general in 2008?

A: “I think we'll see a bit of a slow down in domestic travel, but the weak dollar is going to entice lots of travel from Canada, Mexico and Europe.”