

Outside the Box: Yotel CEO Hubert Viriot on the Seaport, hotel market and Airbnb

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Hubert Viriot

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Hubert Viriot is CEO of Yotel, an "affordable luxury" hotel brand that's expanding aggressively across the globe, including in Boston's Seaport District. By reducing the size of rooms — dubbed "cabins" — and investing heavily in amenities such as free broadband internet, Yotel is rapidly becoming a major disruptor in an industry that's already ripe with disruption in the wake of Airbnb. Yotel Boston this summer opened on a prime spot on Seaport Boulevard, across from the \$600 million One Seaport development and at the entrance to the MBTA Silver Line's Courthouse station.

Viriot sat down with Real Estate Editor Catherine Carlock from the roof deck of the new 326-room Yotel Boston to discuss worldwide hospitality trends and how his company's relatively unknown brand landed on a prime development parcel in the city's newest neighborhood.

Why was the Seaport the right place for Yotel Boston? This is the type of destination we're targeting, not just in the U.S. but around the

world. Generally speaking, the cities are quite mature because they are large and they've been there for a long time. We are especially interested by new districts being developed and redeveloped. We will always look for the new place in town. Boston Global Investors shared with us the master plan of the project, and we were immediately attracted. It met all our key requirements: a great, well-established international hub with a new district under development.

How did the relationship form between Yotel Boston and Boston Global Investors, which developed the original master plan for the 23-acre Seaport Square? At the time the opportunity came open, our business development head in the U.S. was from Boston, and he knew the market intimately. He lived around the corner, so that helped a lot.

Yotel launched less than a decade ago. Is it a tough sell to convince investors to back the brand? It is a leap of faith. We're not Marriott; we don't provide that secured environment that a hotel company with 5,000 hotels can give you. We've created a product, a brand and experience which is really focused on the future. We're locating in markets like Boston and San Francisco and Singapore and London where the future is being created. We're not based on how hotels have functioned in the past; we're focused on what we think travelers will require today and tomorrow. Today, luxury has a very different meaning than it did 20 years ago.

What does luxury mean for Yotel? Flexibility, efficiency, freedom. It's the ability to check yourself in on the road. We can connect our housekeeping system and our room attendance system with our check-in systems, and if we have information from our guests telling us when they're going to check in, we're not charging them a fortune for a late checkin or early checkout. It's a great value add. Internet is broadband and free, and you're able to connect anywhere in the hotel.

Yotel Boston's lot size isn't that large. How did you fit 326 rooms, or "cabins," on the site? Your traditional hotel architect or engineer would have told anyone, 'yeah, you can build 200 rooms, that's the potential of this site.' That's where our concept is very attractive for developers and investors. From an investment perspective, the fact that you can put 326 rooms on this site instead of 200, we were told it's very attractive. And obviously my room rate will be a little lower if it was 200 rooms, but it's not going to be half, it's going to be 10 percent lower. So your eventual return on investment is much more significant than a typical hotel model.

How does decreasing the standard room size help the overall bottom line? By removing what was not necessary in the hotel, we don't need to sell our room as expensive. Our cabins, they're compact. Nobody complains about it because you know what you're embarking into. Our travelers are so savvy and they know what to expect. They've already seen our room videos on YouTube. And because the rooms are smaller than your typical hotels, I've removed the most expensive element of a the room. It's not the nice bed. It's all the real estate, especially in a market like Boston where real estate prices are skyrocketing. If I can make such an experience over 17 or 18 square meters, then obviously I don't need to charge the same rate as the guy who's building a 35-square-meter room.

The word "disruptor" is batted around a lot, but do you see Yotel as a disruptor in a very traditional hotel industry? The hospitality world has been very traditional for a very long time, and most of the real estate stock was built a long time ago according to this former world. And therefore what's on offer is not very attractive to a newer, younger traveler. Everybody wants an experience, and the problem with budget brands is that was not their purpose. And your more 3-, 4-, 5-star brands, they were more built around your business travelers going around the world. More functional, not super exciting, not super fun. We offer the best of both worlds. We're mixing standards. We're taking upscale standards in terms of construction and furniture, fixtures and equipment, but we're taking the size of the room of a budget hotel.

How do you see Yotel competing for a customer who might have otherwise selected an Airbnb? The average stay in our company is 2.8 nights, and people are fed up paying a lot of money for short stays around the world. A lot of our guests who would have originally stayed in a budget hotel, for 25 percent more can come here. And guests who were typically staying in a luxury hotel, the Yotel is cheaper and it's actually more fun. So it's disrupting both ways. And because we are very focused and our touchpoints are very clear, we have a very strong natural alternative for a guest who would have contemplated going into an apartment. At the end of the day, let's face it, a lot of people book through Airbnb because of price. It's not really the fact that they need an apartment. So because we're affordable, suddenly we've removed the main argument.