

## Starwood Hotels Explore Second Life First By Reena Jana



The owner of the Westin, Sheraton, and W chains is testing out a new loft-style hotel with prototypes in the suburbs and in virtual reality

You won't be able to check into aloft, Starwood's new line of moderately priced, loft-style hotels, until the first quarter of 2008. But in September, you can wander into the lobby of its digital Doppelgänger inside the popular online world of *Second Life*.

Starwood, owner of the chic W brand as well as the Westin and Sheraton chains, is the first real-world hospitality company to open in *Second Life*, and joins a growing list of other companies who are using the online world to build their brand name, test products, or simply sell merchandise—albeit digital merchandise (see [BusinessWeek.com, 6/27/06, "American Apparel's Virtual Clothes"](#)).

Created and run by San Francisco's Linden Lab, *Second Life* is a 3D digital universe with a growing population of some 400,000 people. This alternate world is filled with the same mundane interactions as our real world: People buy land, build homes, and pay for a range of everyday goods and services. And they pay in cold, hard U.S. dollars (which are exchanged for Linden dollars, *Second Life's* currency).

**FISHING FOR FEEDBACK.** For Starwood, opening aloft in *Second Life* is a way to test-market the hotel's design and rapidly prototype the evolving concept. For instance, staffers will observe how people move through the space, what areas and types of furniture they gravitate towards, and what they ignore.

The project is also an effort to tap consumers for ideas. They're encouraged to post on a [blog](#), which debuted on July 24 and features steady updates on the virtual hotel's design, along with detailed screenshots.

The ultimate goal is, of course, to attract hip, youthful, tech-savvy customers to the aloft brand. For that reason, the virtual hotel will remain online, as an interactive marketing tool, even after the real-world buildings open.

**PARALLEL UNIVERSE.** The prototype being built in *Second Life* is based on a physical prototype under construction in a nondescript warehouse near White Plains, N.Y., a quiet suburban setting north of Manhattan where the company is headquartered. Starwood hired two New York-based companies to build the digital model and then to market it within *Second Life* and beyond: marketing firm Electric Artists and the Electric Sheep Company, which specializes in designing goods for sale within *Second Life*.

Visits to the aloft prototypes at both the White Plains warehouse and online in *Second Life* revealed parallel works-in-progress. In the warehouse, index cards were taped to the walls indicating where some architectural features, such as an indoor waterfall, would eventually be placed. And sample fabrics were draped over ottomans in the bar area. In the *Second Life* version, one designer placed photographs from the warehouse near furniture to compare the digital models to the real objects.

Both sites featured the clean architectural lines, high ceilings, and minimalist couches, tables, and beds that characterize the aloft brand as efficient yet stylish hotels that offer sophisticated, W-style environments at budget prices (Starwood hasn't set final pricing yet).

**MORE PROTOTYPES.** "The aloft brand fits well into *Second Life*. It's about sleekness, and the buildings and furniture don't take a lot of time to render or load," says Marc Schiller, chief executive of Electric Artists. He adds that while it's possible to build an ornate Rococo-style hotel in *Second Life*, "the aloft project is much more appropriate."

This is the first time the company has created a complete mock hotel—digital or physical—to serve as "a laboratory," says Starwood Vice-President Brian McGuinness, adding that they're already building a second physical prototype for an extended-stay hotel under the Westin label in the same White Plains warehouse.

This is unusual for the industry. Hotel prototypes usually don't amount to more than a single-room model that might be shown at a trade show. But the company says that both prototypes made financial sense.

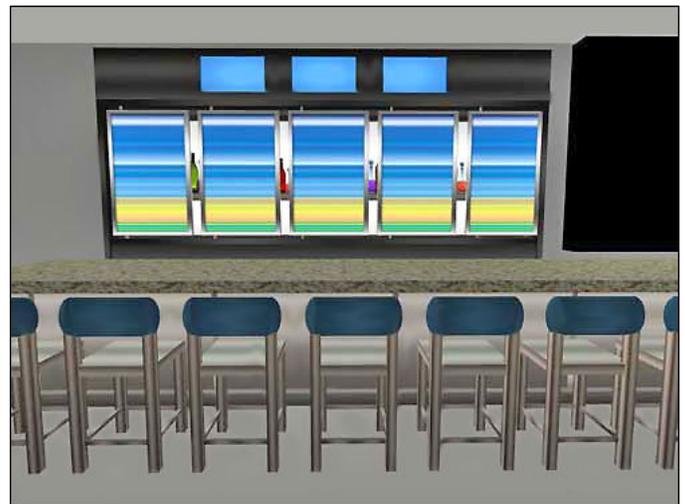
**OPENING SOON.** "We're saving money. If we find that significant numbers of people don't like a certain feature, we don't have to actually build it," says McGuinness. "We don't have to have a painter here for 40 hours changing the color of a wall. We can reconfigure a detail. It is very parallel to rapid prototyping." Starwood doesn't disclose the actual cost of producing the prototypes, both physical and virtual.

The first aloft hotels are scheduled to open in Lexington, Mass., Tucson, Ariz., Cherry Creek, Colo., and the San Francisco and Philadelphia airports, and are available for franchising. Starwood predicts that by 2012, there will be 500 aloft properties worldwide.

The company's ambitious launch of what it hopes to be a rapidly growing line of stylish and affordable new hotels reflects analysts' predictions that there's room for sales growth in the hospitality industry. In his presentation at the 2006 American Lodging Investment Summit, PricewaterhouseCoopers analyst Bjorn Hanson predicted that U.S. profits in the lodging industry will increase steadily between 2005 and 2007, from \$20.8 billion to \$29.7 billion.

**LONG-TERM CHALLENGE.** The increase seems dramatic after a period of low profits after September 11, when the travel industry cooled. Still, Hanson predicts hotels will see profits surpass the industry high of \$22.5 billion in 2000, in part because U.S. hoteliers such as Starwood are building more properties. PricewaterhouseCoopers predicts hotel room construction starts will rise from 77,549 in 2005 to 127,708 in 2006.

While Starwood's approach to developing the aloft design is certainly innovative, the long-term test for the company will be to lure Second Lifers, and, more importantly, real life guests, toward the brand. Opening the doors of the aloft hotel in *Second Life* next month might be a big help in meeting the challenges ahead.



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