THE GLOBAL HOTEL REPORT **2016**

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Contents

Chapter one: Introduction

Objectives

The purpose of this report is to provide the reader with an insight into the global hotel industry in terms of company strategies and key trends that are emerging. The report investigates the leading hotel companies and analyses their strategies. It then uses this information to identify the key trends in the industry and how they will impact the industry moving forwards. This report is not concerned with measures of financial or operating performance except in circumstances where it explains a point. This report concentrates on the strategies being used and trends occurring in the hotel industry at present. The Global Hotel Report is updating the Global Hotel Perspectives report published in 2012, 2014 and 2015.

Structure

The report is split into two sections: firstly, an overview of the key trends in the global hotel industry and secondly, a section which provides detailed profiles on leading industry players. The Hotel Giant's listings were used to choose these key players, with additional research providing more timely room counts.

The decision was taken not to split the major players by geographic region as in the original edition of Global Hotel Perspectives 2012, as many of them no longer perceive themselves as regional companies.

Each of the profiles of the companies looks briefly at: the company's history; its strategies; its stance on the ownership of its assets; its brands; development pipelines in terms of ownership model and geography; operating models in terms of marketing/distribution and online strategies; people – leadership and employee initiatives and, finally, corporate responsibility. By investigating each of these areas, it has been possible to draw out some interesting trends with a significant impact on the hotel industry. These trends are discussed in more detail in the front section of the report.

Chapter two: Overview of the global hotel industry

Definition

There is no official standard definition of what a hotel consists of. In simple terms, the Oxford English Dictionary online defines a hotel as:

‘An establishment providing accommodation, meals and other services for travellers and tourists, by the night’.

In general, to be called a hotel, an establishment must have a minimum of six letting bedrooms, at least three of which must have attached (en suite) private bathroom facilities.

Although hotels are classified into 'Star' categories (one-star to five-star), there is no standard method of assigning these ratings, and compliance with customary requirements is voluntary. A US hotel with a certain rating, for example, may look very different from a European or Asian hotel with the same rating, and would provide a different level of amenities, range of facilities, and quality of service.

Whereas hotel chains assure uniform standards throughout, non-chain hotels (even within the same country) may not agree on the same standards. In Germany, for example, only about 30% of the hotels choose to comply with the provisions of the rules established by the German Hotels & Restaurants association. Although both UN World Tourism Organisation (UNWTO) and International Organisation for Standardisation (ISO) have been trying to persuade hotels to agree on some minimum requirements as worldwide norms, the entire membership of the International Hotel & Restaurant Association (IH&RA) opposes any such move.

According to IH&RA, to harmonise hotel classification based on a single grading (which is uniform across national boundaries) would be an undesirable and impossible task. As a rough guide:

- One-star hotel provides a limited range of amenities and services, but adheres to a high standard of facility-wide cleanliness.
- A two-star hotel provides good accommodation and better equipped bedrooms, each with a telephone and attached private bathroom.
- A three-star hotel has more spacious rooms and adds high-class decorations and furnishings and colour TV. It also offers one or more bars or lounges.
- A four-star hotel is much more comfortable and larger, and provides excellent cuisine (table d'hote and a la carte), room service, and other amenities.
- A five-star hotel offers luxurious premises, widest range of guest services, as well as a swimming pool and sport and exercise facilities[1].

Size

The global size of the hotel industry is not as easy to quantify as one might imagine. Data on the size of the global hotel market is scarce, subjective (with regard to what constitutes a hotel) and is only published with relative infrequency outside the US. There are also a range of factors that cloud the issue:

- The hotel industry ranges from very small privately owned family businesses to major international groups with over 600,000 rooms.
- The industry covers the whole of the globe from the US to the smallest of islands.

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[1] http://www.businessdictionary.com/definition/hotel.html#ixzz2lesn14iN

It is the absence of branding in the key regions of Europe and Asia-Pacific which offers significant opportunities for hotel companies pursuing the fee-based model, for whom growth going forward will be driven by the ability to brand additional hotels. The pace of this can rapidly increase if conversion of existing unbranded properties to branded hotels, as well as new supply, is taken into account. Investment bank, Dresdner Kleinwort stated that it expected the US still has room to further increase its share of branded hotels, while the other regions also are expected to reduce the gap between branded and unbranded[8].

Global hotel groups

According to Hotels magazine, the leading worldwide hotel brands are as follows:

Table 2: Leading worldwide hotel brands (2015)

Brand	Parent Company	Rooms	Hotels
7 Days Inn	Plateno	380,456	2,725
Best Western	Best Western International	303,522	3,931
Holiday Inn Express	IHG	229,110	2,365
Holiday Inn Hotels & Resorts	IHG	225,159	1,212
Home Inn	Homeinns Hotels & Mgt	225,000	2,000
Hilton Hotels & Resorts	Hilton Worldwide	201,047	560
Hampton by Hilton	Hilton Worldwide	198,914	2,005
Marriott Hotels	Marriott International	179,221	499
Super 8	Wyndham Hotel Group	160,847	2,510
Sheraton	Starwood Hotels & Resorts Worldwide	153,370	436

Source: Hotels magazine

Global hotel performance

Table 3: Global hotel performance (2015)

	Europe		Asia-Pacific		US		Middle East	
		% change on 2014		% change on 2014		% change on 2014		% change on 2014
Occupancy	70	2.3	68	0.1	53.0	0.8	67	(2.0)
ADR	EUR112	4.6	USD109	(0.5)	USD116	2.4	USD193	(2.6)
RevPAR	EUR	7.1	USD75	0.4	USD61	3.2	USD130	(4.6)

Source: STR & STR Global

Americas

The U.S. hotel industry reported positive results in the three key performance metrics during December 2015, according to data from STR, Inc.

In year-over-year results, the U.S. hotel industry's occupancy increased 0.8% to 53.0%. Average daily rate for the month was up 2.4% to USD115.81, and revenue per available room increased 3.2% to USD61.41.

"Occupancy for the month was 53.0%, the highest December occupancy we have ever recorded," said Jan Freitag, STR's senior VP for lodging insights. "And yes, that is pretty low, but between 2000 and 2010, the average was 47%, so

[8] Dresdner Kleinwort, Equity Research, European hotel sector, February 2007

Chapter three: Current ownership trends

Transition from ownership model to asset light

The move from owned to asset- light began in the 1990s as 'traditional' hotel companies looked to dispose of their asset intensive portfolios for a lighter portfolio of managed/leased and franchised hotels. This trend has been driven by a number of factors:

- Recognition of hotels as an asset class for property investors.
- Increasingly high prices paid due to cheap debt and a large surplus of oversupply for more traditional commercial property investments.
- Shareholder demands for owner/operators (especially listed companies such as IHG, Hilton and Accor) to release capital from their balance sheets to return to shareholders and improve return on capital employed.

Thus hotel companies embarked on a series of sale and leaseback, and sale and manageback deals. Sale and leasebacks have been used for a long time as a way of releasing value from a real estate investment and hotel companies have certainly not been the only sector where this was common. Sale and managebacks became common as part of the disposal programmes of the big owner/operator chains that were moving towards becoming asset light hotel management companies rather than owners of real estate[18].

Publicly quoted hotel operating companies began divesting of owned real estate and focussed on management as they were unrewarded for ownership stakes in hotels. Asset-light strategies enabled them to release capital, lighten their balance sheets and execute share buybacks, consequently increasing their share price. Practically speaking, hotel owners were focussing on building a base of long-term management contracts and stronger brand footprint in order to attract new capital sources and develop more predictable revenue streams[19]. IHG has pursued this strategy, and by the end of 2013 had disposed of 191 hotels with a net book value of USD 6.2bn. IHG now owns less than 1% of its hotel portfolio; management contracts account for about a quarter, and franchising the remaining three quarters.

Reasons for adopting an asset-light strategy include:

- Higher capital turnover as a result of lower capital invested means that the return of invested capital is greater.
- It helps to ease system growth and expansion of brands, and the brand awareness among customers, as it requires less capital.
- Financial risks for hotel operators are normally lower in hotels under management and franchise contracts without guarantees, compared with hotel ownership.
- Separation of hotel operations and property ownership implies less financial leverage and increased focus on hotel operations instead of property asset management.

Marriott's emphasis on long-term management contracts and franchising provides more stable earnings in periods of economic downturn, while the addition of new hotels to its system generates growth. The strategy has allowed substantial growth while reducing financial leverage and risk in a cyclical industry. Marriott also increases its financial flexibility by reducing capital investments and recycling the investment it makes.

Hotel ownership is still extremely diversified, differing significantly from region to region. Despite the well reported trend which separates hotel ownership from management, the owner/operator model prevails in several key markets,

[18] Journal of Retail and Leisure Property (2007) 6, Page, 'Asset-light – managing or leasing'

[19] Jones Lang LaSalle Hotels, The Hotel Ownership Pendulum in Motion, 2006

particularly in private hotel companies[20]. Hyatt owns 12% and Meliá 18% of their hotel portfolios in comparison to IHG and Marriott, which each own less 1% of their portfolios.

Global hotel companies are the most advanced with their asset disposal programmes, due in part to their early starts, Marriott in 1993 with its separation from Host Marriott and IHG in 2003 when it undertook a detailed review of its hotel stock. IHG and Marriott own less than 1% of their hotel assets, with Hilton owning/leasing 8% of its hotels. Of those properties Hilton actually owns itself, a number are its 'brand builders', which include the Waldorf Astoria, Hilton Hawaiian Village, and the New York Hilton, which are among its biggest profit earners. Choice International and Wyndham Worldwide operate a fee-based franchise model.

The leading US players have differing levels of hotel ownership, with Hyatt at the highest with 12% of its hotel assets owned/leased, followed by Carlson who owns c.10% and Starwood with 6%.

The leading European hotel companies profiled have much higher ratios of owned estate than their US counterparts. This is due in part to the maturity of its hotel industry. NH Hotels owns 22% off its portfolio and Meliá owns 18%, previously both family-run enterprises. Accor undertook a huge asset disposal programme, which it has recently curtailed under its new strategic direction.

Move to franchising and management contracts

With the advent of asset-light operating structures comes the increase in hotels being operated under management or franchise contracts. Details of this are discussed in the introduction.

However, several of the leading hotel companies have shown an interest in increasing the number of franchise agreements they operate, so why this increased interest in franchising?

Franchising in Europe is still in its early stages. It has been slow due to a range of factors such as a lack of established professional operators. It is also critical to have adequate network size. Once franchising starts to take hold there is indeed likely to be a snowball effect. Perhaps the combination of focussed efforts by a number of major hotel brands on establishing franchising and the need for independents to adopt brands to access capital will finally help to cause the snowball effect[21]. Hotel Analyst discussed the need for independent hotels to adopt flags during times of economic downturn as this gives security and increased access to potential customers.

Hotel consultancy, HVS is predicting that Europe seems poised to see an increase in branded hotels as the concept of franchising gathers pace among hotel operators in the region.

Until now, the uptake of franchise agreements in Europe has been relatively slow. But HVS reports that an increasing recognition of the strength of a hotel brand and brand affiliation has prompted the concept to expand. An estimated two-thirds of European hotel stock remains unbranded, and HVS believes that this presents a "huge opportunity" for branded operators who are looking to expand.

HVS claims that franchising agreements enable rapid expansion for brands entering new markets. The franchises are increasingly operated with the assistance of independent management companies - the franchisor provides the brand name and marketing platform and the independent management company provides the expertise and know-how to manage the hotel.

[20] Jones Lang LaSalle Hotels, The Hotel Ownership Pendulum in Motion, 2006

[21] Hotel Analyst, Volume 6 Issue 2

The story so far

Third party management companies are far more established in the US than in other parts of the world, due to the maturity of its hotel industry, where franchising is far more the norm, and the change in hotel ownership has led to owners looking for expertise in hotel management.

Table 4: Leading third party management companies in the US (2015)

Rank	Company	Third-party managed rooms at end 2015	Third-party managed hotels at end 2015
1	Interstate Hotels & Resorts	76,361	427
2	Aimbridge Hospitality	63,919	449
3	Highgate	24,860	88
4	Crescent Hotels & Resorts	23,258	97
5	White Lodging Services	21,540	144
6	Remington	18,112	94
7	TPG Hotels & Resorts	17,652	63
8	Pillar Hotels & Resorts	16,829	178
9	HHM	16,500	120
10	Pyramid Hotel Group	16,214	62

Source: 2016 Hotel Management Survey

The concept of third-party management has become more popular in Europe due to the expansion of the franchise model there. And as the gap between ownership and operational management becomes wider, asset management too is becoming more accepted in Europe.

The emergence and increasing popularity of third party management companies have led to brands making strategic decisions to expand via franchises as they know third party management companies can manage the hotels efficiently.

The franchise and third party management contract complement one another: the franchisor provides the brand name and marketing platform and the third party management company provides the expertise and know-how to manage the day-to-day operation on the hotel. The franchisor, third party management company and owner work together to manage the property effectively.

The partnership is mutually beneficial. Particularly in Europe, owing to the diverse market, as franchisors and management companies cannot typically be the masters of all things in all markets across the region. Although various brands are well established in many markets, this combined method is increasingly useful when operators are in the process of establishing presence in new markets and require the combination of an internationally recognised brand and local knowledge and know-how.

Obviously, implementing a franchise agreement and a management agreement with a third party management company means double fees for the hotel; however, HVS noted in a 2014 report on Hotel Franchising in Europe that third party management fees are typically more competitive than those of the brands. There are several other benefits, such as:

- Owing to their close relationships with franchisors, third party management companies are often able to help owners negotiate more competitive franchise fees.
- Cash flows are typically run at tighter level with marketing costs (which are covered by the franchise agreement) usually lower.
- The term of management agreement is characteristically much shorter (starting at a minimum lock in of five to ten years) and exit options are typically more flexible.

Chapter four: Hotel ownership

Background

Obviously, since the advent of the popularity of the asset-light model, there have been changes in hotel ownership patterns. So if 'traditional' hotel companies are selling the bricks and mortar, who are becoming the new owners of hotel real estate?

The hotel investment market saw unprecedented levels of transactional activity during the early to mid-noughties, during which hotel ownership has changed significantly. The traditional buyers, hotel companies, were replaced. In the early stages, private equity and Real Estate Investment Trusts (REITs) took preference with the advent of the sale and leaseback financing model that took the hotel industry by storm in the early noughties. It had actually already been an established financing model in France and Germany, but its popularity spread as companies began to dispose of their assets, preferring management contracts instead. Specialist hotel investors and real estate investors moved into the transactions arena in the heady days of mid-noughties.

In the last couple of years, the economic downturn has had implications for some owners, with many high profile property companies and hotel owners going into administration. By 2012, the age of banks 'putting up and pretending' came to an end, more property was seen to be coming on to the market and ownership was again from a different set of owners – experienced owners of hotel real estate.

Investment activity during 2013 has seen increased activity, with all the regions recording strong investment markets. The main sellers continued to be the hotel companies as they continue with their asset-light strategies. Sovereign Wealth Funds and private equity continued to be the main buyers of hotel assets. And in a move not seen for the past few years, Hilton and Extended Stay America were both subject to IPOs. The last couple of years have seen some large portfolio transactions with Marriott International's purchase of Starwood, Accor of Fairmont Raffles Hotels International, Jin Jiang of Louvre Hotels Group.

Key trends in investment

Key trends in investment activity (2000-2015)

2000/01

- Sale and leaseback transactions were predominant methods of financing acquisitions.
- Sources of funding from open- and close-ended funds, pension funds, property companies.
- Was less interest from trade buyers.
- Shift from public equity to private equity in form of private equity, property companies & institutional funds.
- Direct institutional funds eg. Norwich Union; MWB Hotel Fund.

2002/03

- Cross-border activity was on the increase.
- Capital for hotel investment became available from wider source of investors.
- Trend towards indirect property investment became prominent.
- Private equity capital dominated portfolio activity.
- Whilst hotel operators were the largest selling group, still active buyers were looking to build global presence.
- Sale and lease activity was significantly less in 2003.
- Growing trend for German open-ended fund to invest in hotel development projects.

2004

- Significant changes in buyers of portfolio and single assets.
- Main buyers private equity, hotel operators and HNWI (or syndicates of HNWI).
- Hotel operators were still active in acquisition of single assets.
- Major shift in investor profile with greater number of HNWI eg. Quinn Group, Barclay Brothers, Quinlan Private.
- Private equity also showed interest in single asset deals as opposed to portfolio – started to acquire assets in high yielding emerging markets.
- Institutional investor activity far less than in previous years, however DIFA acquired several assets.
- Private equity active in portfolio market, but fewer acquisitions made by US-based funds.

2005

- Main buyers were real estate investors, hotel investment companies and private equity.
- Private equity remained major source of hotel acquisitions, eg. sale of IHG-owned assets in UK and purchase of B&B Hotels in France.
- Hotel operators that did acquire assets were mainly smaller hotel companies in the UK and Spain, trying to increase their market share.
- Greater number of real estate investors interested in single assets, for example London & Regional, the Statuto Group, Thon Gruppen and Wenaas Gruppen.
- Main buyers of portfolio transactions were Hotel Investment Companies, eg. Le Meridien by Starman, 11 Hiltons by Stardon UK Ltd; 13 UK Accor hotels by Tritax.
- Private Equity represented quarter of portfolio transactions, such as LGR Acquisitions' purchase of 73 UK InterContinental Hotels; Eurazeo's acquisition of B&B Group.
- Real Estate Investors continued to invest, eg. Condor Overseas Holdings acquisition of 46 Whitbread Hotels.

2006

- Hilton International/Hilton Hotels Corporation acquisition, proving hotel operators were still capable of acquisitions.
- Private equity active with, for example, the Alternative Hotel Group's takeover of De Vere.
- Single asset transactions, main buyers were real estate investors. Major investments were Hilton London Metropole and Hilton Birmingham to Tonstate, and Four Seasons Milan to Statuto Group.
- Hotel operators continue to buy single assets, eg Hyatt Corporation and JER Partners' acquisition of Great Eastern Hotel, London.

2007

- Hotel owners continue to divest of their assets and undertake sale and leaseback and sale and manageback transactions eg. Accor sold 57 hotels to real estate consortium of Caisse des Depots et Consignations and two funds managed by AXA Real Estate; Travelodge sold 17 hotels in S&L deal with Prestbury Hotels Ltd.
- Hilton and Four Seasons were taken private.
- Real estate investors continued to be active eg. 30 Accor hotels in UK were bought by Land Securities Trillium; Crowne Plaza London City acquired by Statuto Group.
- Private equity, hotel investment companies and institutional investors accounted for over 75% of hotel acquisitions.
- Increase in large-scale investments by private equity eg. Acquisition of Hilton by the Blackstone Group; Four Seasons Hotels & Resorts by Cascade Investments; Scandic Hotels by EQT; and sale of 28 Thistles to CIT.
- Hotel investment companies continue to acquire single assets and portfolios eg. Dawnay Shore hotels, Prem Group and MBI International.
- Institutional investors still active such as Morgan Stanley Real Estate's purchase of 10 Hilton Hotels and AXA REIM and CDC's acquisition of 57 Accor properties.

Chapter five: Brands

Definition

Wikipedia defines a brand as "…a collection of images and ideas representing an economic producer; more specifically, it refers to the descriptive verbal attributes and concrete symbols such as a name, logo, slogan, and design scheme that convey the essence of a company, product or service. The brand, "branding" and brand equity have become increasingly important components of culture and the economy, now being described as 'cultural accessories and personal philosophies' ".

Brands in the hotel industry today are more than the actual hotel itself; they represent a lifestyle choice and create a 'whole new meaning' system. Hotel brand experts now aim for 'loyalty beyond reason' which is associated with international brands like Coke, Nike, Apple and Starbucks.

In order to increase profitability, hotel companies need to expand and in order to do this they either stick to one brand or they develop a portfolio of brands in order to capture a wider market. A one-brand strategy has the advantage of coherence and economies of scale, while multi-brand companies can target specific market segments with products tailored to the needs of that particular niche. Also, there are often potential synergies between the brands of one hotel group. For example, one individual may belong to different market segments, depending on whether they are travelling for business or leisure.

The level of adherence to brand standards is another important strategic variable. There is an inherent trade-off between maintaining very demanding requirements and promoting a looser concept of brand affiliation. Strict standards which require that all hotels in the chain have a consistently recognisable appearance and that they be managed according to detailed operating procedures have the advantage of ensuring a brand's integrity. The downside is that such rigidity can hinder a brand's expansion, especially when it is a question of converting existing hotels under franchise or management contracts. One example is the introduction of loosely-affiliated brands such as Marriott's Autograph Collection. Also, increasingly, hotel consumers are rejecting standardisation and are seeking out properties that have individual character or reflect local culture[33].

Factors that have brought about increasing importance of brand:

- Many hotel groups are divesting their real estate interests and pursuing an 'asset-light' strategy in order to free up capital for expansion. Therefore ownership of bricks and mortar is giving way to ownership of the brand itself, in both its physical and intangible aspects: a major cultural shift in the industry.
- Hotel expansion is intensifying competition; most gateway cities are reaching market saturation with leading brands sited close to one another, and travellers frequently spoilt for choice. There are now clear signs that hotel groups are beginning to recognise the importance of brand management within their organisational structure.
- Loyalty schemes, traditionally the preferred tool for winning and retaining hotel customers, are having a declining impact. Many hotel guests now own loyalty cards for all of the major chains, therefore such schemes are no longer a dominant factor in their choice of where to stay.
- Brand relationships – as owners continue to expect more from brands, they will not sit by idly while a property they believe should be performing better is struggling. High profile cases such as the Waikiki Marriott and the Summit Hotel Properties-Cambria Suites are going to become more the norm as owners demand better performance from brands and management companies with which they align themselves[34].

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[33] Mintel International Group, International Hotel Industry, December 2007

[34] www.hotelnewsnow.com; 11 issues hotels will face in 2012 – a Blog by Jeff Higley, January 2012

The power of the brand

Brand awareness remains a key influence on the hotel sector and whilst there are numerous challenges facing global hotel operators, these operators remain best placed to face those challenges. This said, as in so many walks of life, some of the best ideas come at a micro level but are then translated to businesses operating at the macro level. This can be seen in the context of the global hotel operators currently striving to promote brands with their own, unique independent identities. Established brands will always have a place, but in today's fast-paced world staying "current" is vital. A well-defined brand, satisfying customer expectations in terms of their experience is the cornerstone of the franchise system, therefore hotel franchising remains critical to growth and geographical expansion in the hotel sector.

As we are all becoming increasingly aware, the volume and richness of data and information now available to consumers (and to the operators themselves) is huge. Traditional media (such as print) is no longer as important as digital platforms like Expedia, TripAdvisor, Google Hotel finder and a plethora of alternative sites are where consumers obtain information. Add to this consumers' requirement for mobile bookings (according to statistics, just over 27% of mobile web browsing is related to travel websites) and the rise and rise of social media platforms disseminating information ("likes", "dislikes" and twitterati followers), it is easy to come to the conclusion that innovation will be the focus for the hotel industry in the coming years[35].

Brand strategies

Rebrands

Orient Express rebrands as Belmond

In February 2014, Orient-Express Hotels announced plans to operate all of its hotels and travel experiences under a new brand name, Belmond, effective March 10.

Behind an initial USD5m branding investment, which will be supplemented by another USD10m over subsequent years, is the goal to help consumers better connect the dots between the individual properties, stimulate increased stays across the portfolio and, therefore, grow revenue. At the same time, a cohesive brand strategy is expected to help drive development and third-party management opportunities, according to President and CEO John Scott.

In an interview, Scott told HOTELS Magazine that research over the past year has revealed repeat business to individual OEH property has been strong, and as high as 23% to 28%. However, crossover visits to other OEH properties was only in the 3% range, and by wrapping an umbrella brand around the collection of 45 travel experiences he thinks the company can double crossover business that alone could result in two additional occupancy points. "One occupancy point is worth as much as USD8 mn in gross revenues," Scott said.

Scott added that he expects to see some tangible benefit of the rebranding this year, and much more next year and through 2018. "It is probably three years to get deep penetration on a new brand," he said. The initial investment will include new website platforms, re-engineered customer relationship management tools and the company's first ever large-scale print and online media advertising campaign.

As part of the branding execution process, the Belmond name will physically appear above each individual hotel name. At the same time, Scott said the Belmond brand will not be "flashing on the building," adding that while it will be subtle, it is not a sub-brand.

Scott said this move also will help with the company's growth prospects. "We have been approached by owners who want to see a more brand-forward approach and the ability to become a part of something bigger, and the Belmond

[35] Hotel Analyst newsletter, Volume 8, issue 6

brand will enhance that story," he said. "Where we will differentiate again from chain-like luxury competitors is in the fact that many owners have existing names they don't want to lose. They have the advantage of having both with us."

While Scott, would not commit to any pending deals, he said there is "more to come and I expect to announce some positive momentum on this front this year." As part of this deal, the company will retain its long-term license agreement with SNCF, the French transportation company that owns the Orient-Express trademark, for the Venice Simplon-Orient-Express train. At the corporate level, the company will migrate away from the Orient-Express Hotels Ltd. name and ticker symbol over the course of time, according to Scott, with the initial focus on consumer facing initiatives[36].

Introduction of new brands

Carlson Rezidor Hotel Group – Radisson Red and Quorvus Collection

The **Radisson Red** brand is expected to create a new industry category, 'lifestyle select', an upscale, select service concept with an increased focus on design and detail, the customer experience, personal interaction, personal choice and recognition of the role that technology plays in everyday life.

Carlson president and CEO Trudy Rautio said that Radisson Red and Quorvus Collection are inspired by Vision 20/20, an evolution of the group's Ambition 2015 growth strategy.

Radisson Red will be introduced simultaneously across Americas, Europe, the Middle East, Africa and Asia Pacific in 2015.

The Quorvus Collection brand will include luxury, five-star hotels, each with individual design, heritage, history and architecture. All hotels under the new brand will offer a suite of hallmark services designed to meet guests' requirements and include six core lifestyle elements: wellness, replenishment, style, inspiration, entertainment and connectivity.

The Quorvus Collection, which will include historic landmark properties, contemporary residences, classic boutiques and urban retreats, will likely announce its first members in the second quarter of 2014.

Hilton – Tru by Hilton, Curio and Canopy

Tru by Hilton – launched in January 2016 Tru by Hilton is a new midscale offering. The company says the new brand is simplified, spirited and grounded in Value. Over 100 hotels in the US have signed up. Tru is designed to fill a gap in the US midscale and economy sectors. The first Tru branded property broke ground in the US in March 2016.

The company has so far offered it only to existing owners, the majority of which, Nassetta said, were Hampton owners. He added: "We have not spent one penny in key money or provided one penny of guarantees or one penny of mezz debt, one penny of anything."

Hilton is considering adding a **"hostel-like" brand** featuring small city hotels. The brand would be designed to appeal to economy minded, millennial travellers. The concept was revealed by CEO Chris Nassetta in an interview alongside the Berlin hotel conference. He said if it went ahead, Hilton would develop a brand itself, rather than acquire one.

Curio - A Collection by Hilton– aims to draw together independent hotels in the four and five star segments, under a brand umbrella that aims to celebrate difference, while providing the assurance that Hilton has given each property its seal of approval. The Curio name was chosen, said Hilton, as a way of suggesting "something of interest, unique or even rare".

[36] http://www.hotelsmag.com/Industry/News/Details/48340#sthash.JEfQE6eT.dpuf

Chapter seven: People

Consumers

New middle classes from emerging markets[133]

Emerging markets with populations with growing disposable incomes are taking to travel as never before, providing hotel companies with not only potential markets for their products across the globe, but also in their home markets.

These domestic travellers are the most important factor in the expansion of the emerging hotel market. The increase in their numbers is being driven by the strength of underlying economic development and prosperity which results in a growing 'middle class'. However, this rising income is relative and far from the equivalent to Western perception of a middle class income.

Factors which have helped to fuel this growth in domestic and international travel are:

Stronger economic growth: Another of the significant characteristics of emerging markets is their GDP growth forecasts compared to developed economies such as US, UK and Japan. They are expected to record much stronger growth, even given the economic slowdown of recent years.

In its latest World Economic Outlook (WEO) (January 2015), the IMF said global growth will receive a boost from lower oil prices, which reflect to an important extent higher supply. But this boost is projected to be more than offset by negative factors, including investment weakness as adjustment to diminished expectations about medium-term growth continues in many advanced and emerging market economies.

Global growth in 2015–16 is projected at 3.5 and 3.7%, downward revisions of 0.3% relative to the October 2014 WEO. The revisions reflect a reassessment of prospects in China, Russia, the euro area, and Japan as well as weaker activity in some major oil exporters because of the sharp drop in oil prices. The United States is the only major economy for which growth projections have been raised.

The distribution of risks to global growth is more balanced than in October. The main upside risk is a greater boost from lower oil prices, although there is uncertainty about the persistence of the oil supply shock. Downside risks relate to shifts in sentiment and volatility in global financial markets, especially in emerging market economies, where lower oil prices have introduced external and balance sheet vulnerabilities in oil exporters. Stagnation and low inflation are still concerns in the euro area and in Japan[134].

In the next 20 or 30 years or so, the list of leading countries ranked by GDP is expected to change, with US and developed countries moving down the rankings and more of the emerging countries entering the ranks.

Growth in hotel demand: Hotel Analyst Emerging Markets discusses the fact that there is a real risk in viewing hotel demand growth in emerging markets in the same way it is viewed in the developed world. While hugely flawed when taken in isolation, there is a correlation between GDP growth in the developed world and hotel demand.

But in emerging markets, there remains massive potential for hotel demand growth even during a comparative slow patch in overall economic growth. China is the best example of where there are real opportunities. The consensus view on GDP outlook is that growth is going to continue but, as Goldman Sachs says, "not like the old days". Double digit growth is done, but what remains is likely to be 8% or so. Pretty healthy by most standards.

[133] Emerging Markets and their impact on the global hotel industry, 2013 published by Hotel Analyst

[134] https://www.imf.org/external/pubs/ft/weo/2015/update/01/pdf/0115.pdf

Exceptional, by any standards, is where the growth in hotel demand is heading provided economic development continues at this 'subdued' level. There are likely to be some significant bumps along the road get there, not least politically, but the potential for bringing so much of the world's population 'online' as hotel consumers in countries like China, India, Russia and Brazil remains huge[135].

Changes in demographics: Across the world populations are growing and ageing, but many of the emerging economies have a better demographic outlook than the developed world and their median age is considerably lower. Individuals tend to consume most in their lifetime between the age of 16 and 40 – the period when income levels rise, homes and families are being built, and before consumers really begin saving for retirement. Countries such as Philippines, India, Egypt and Saudi Arabia all have populations with a median age of 25 or under. These young people with growing incomes are getting ready to shop, in stark contrast to the ageing populations in countries such as Italy, Germany and Japan[136].

Consumers in Emerging Markets

By 2025, McKinsey Global Institute estimates that annual consumption in emerging markets will rise to USD 30 trillion, up from USD 12 trillion in 2010, and account for nearly 50% of the world's total, up from 32% in 2010. As a result, emerging market consumers will become the dominant force in the global economy. Even under the most pessimistic scenarios for global growth, emerging markets are likely to outperform developed economies significantly for decades.

Leading the way is a generation of consumers, in their 20s and early 30s, who are confident their incomes will rise, have high aspirations and are willing to spend to realise them: travel is a key aspiration on which they want to spend. These new consumers have come of age in the digital era. Already more than half of all global internet users are in the emerging markets. Brazilian social networking, as early as 2010, was the second highest in the world.

The preferences of emerging market consumers will drive global innovation in product design, distribution channels and supply chain management, all areas that hotel companies are trying to address. Companies failing to pursue consumers in these new markets may squander crucial opportunities to build positions of strength that could well be long-lasting.

Rising Middle Class

The growth forecasts in GDP coupled with population growth will lead to a growing number of people entering the middle classes in the emerging markets. There will be a significant rise in the middle classes in both China and India, driven by the strength of underlying economic development and prosperity. However one might note that greater disposable income is relative – in China this may have an impact on the domestic hotel market but will it really generate vast numbers travelling outside China?

China

- 300 million people have moved to the cities in the last 20 years and by 2025, more than 350 million additional people will migrate to urban centres.
- It is forecast that by 2025, more than 220 cities will have a population of more than one million.
- Fast infrastructure growth will help to create new markets and better link existing ones; the length of railways is expected to increase by a third, length of expressways is expected to double and the number of airports is expected to rise by approximately another third.
- In less than 15 years, China's urban wealthy and upper-middle class together will be more than twice the size of those in the US. China has much younger wealthy consumers: 80% are less than 45 years old.
- Tourism industry is being developed so that it becomes a strategic pillar of the economy in China, meaning that it will be supported by the government, and will have focussed investment to drive growth.

[135] Hotel Analyst Emerging Markets; issue 34, December 2012

[136] HSBC Global Research; Consumer in 2050: the rise of the EM middle class, October 2012

Chapter eight: Technology – What's new

Introduction

Few would disagree that the technological revolution has become embedded in the travel industry, but is the industry really taking the bull by the horns? The majority of global hotel operators are engaged in programmes to decipher real time information and experiences and to define their particular brands with consumers.

"Crowdsourcing" – the use of a defined crowd to provide input into a particular problem – is a methodology which the likes of IHG and Starwood Hotels have already utilised and, in the case of the latter, was instrumental in helping them develop what has become their successful Aloft brand. However, the speed and scope of technological change is a difficult quandary for the hotel industry.

There was a time when technology in a hotel was better than that at home. This trend has somewhat reversed lately due to the domestic spread of technology, such as smartphones and tablets, tied with the significant infrastructure costs for hotels to "get connected" and offer guests the experience they now take for granted. The prospect of seeing guest tablets in rooms now seems possible, and research suggests there are potential benefits for operators, where data suggests guests are more likely to use services such as room service or treatments if the services are made available electronically via tablet app or similar. Other services, such as F&B or more retail related experiences (click & collect stores already exist in city centres) could equally be offered through partnerships with other brands that resonate with the hotel. In the context of brands and customer loyalty, these additional services offer themselves as potential "micro brands" that could be a differentiator for the operator. The possibilities for operators seem vast and it will be interesting to see how operators seize the initiative.

Whilst adoption of technological change is seen as "a must", the legal implications of doing so are numerous. The bigger players have the resources to invest in new media platforms, mobile booking systems, data harvesting and wifi access, but they will have to be cognizant of the e-commerce, privacy and data protection, licensing, security, cookies and numerous advertising issues associated with it.

Cyber security and cyber crime are topical issues, which the hotel industry must deal with, given guests' demand for constant uninterrupted internet access. Equally, mobile booking systems create a conundrum in the context that the virtual world is a multi-jurisdictional world and thus it can be difficult to establish what e-commerce rules and regulations should be complied with as multi-jurisdictional terms and conditions are feasible, but can be complicated. The use of social media is fraught with risks and liabilities and can operate both for and against the interests of the operator, but generally the rewards outweigh the risks if utilised appropriately[146].

Internet of Things

The Internet of Things (IoT) is defined as "the interconnection of uniquely identifiable embedded computing devices within the existing Internet infrastructure. Typically, IoT is expected to offer advanced connectivity of devices, systems, and services that goes beyond machine-to-machine communications (M2M) and covers a variety of protocols, domains, and applications. The interconnection of these embedded devices is expected to usher in automation in nearly all fields.[147]"

Gartner predicts that there will be 26 billion IoT connected devices by 2020. Hence, the adoption of IoT technologies is going to be very quick in the coming years - so many of devices that are put into hotels will be enabled with IoT

[146] Hotel Analyst newsletter, Volume 8, issue 6

[147] www.wikipedia.com

capabilities. Key hotel mechanical systems like air conditioning, elevators, heaters, thermostats, water chillers, sprinkler systems and more will eventually offer IoT enabled models. However, even simple systems like light bulbs, electrical switches and electrical plugs will eventually be IoT enabled.

Some examples of where IoT can used within the hotel includes[148]:

Energy Management: Despite efforts to make hotels green with compact florescent bulbs, LED lights, and low flow toilets, hotels still use a considerable amount of energy. Especially given that guests can do nearly anything and the hotel is unaware. IoT could help improve energy management by:

- An IoT enabled power socket could report power usage to the front desk / housekeeping when a power outlet has exceeded a set limit for power consumption over a period of time. This would enable maintenance or housekeeping to go investigate whether there is a problem with something that is plugged in to that outlet.
- An IoT enabled light bulb with a motion sensor and ambient light sensor could be programmed to go into a low power setting when light conditions are bright enough that light is not required. Furthermore, this could be adapted for a night time setting that would dim the light until motion is detected and then turn on to the higher power setting to provide additional light.

Environmental Monitoring: in the context of hotels this tends to focus on heating and cooling. IoT enabled devices will certainly help with these important tasks, but, there are new applications they could enable.

- An IoT enabled device with decibel monitoring capabilities could listen for and proactively report the location of loud noises that might be disturbing guests.
- A more sophisticated sound monitoring IoT device could analyse a noise pattern and identify the sound consistent with that of an overflowing sink/bathtub/toilet, or, an unauthorized pet in a room.

Building Automation & Monitoring: As new heating, ventilation and air conditioning (HVAC) models and elevator controls come on the market, many of the more advanced ones are likely to have IoT capabilities that will benefit hotel operations.

- An IoT enabled elevator could send out an error code to the local OTIS, ThyssenKrup or Schindler service centre and a technician could be despatched before anyone at the hotel notices a problem.
- Similarly, a HVAC system that is IoT enabled could report a motor that is showing signs of failing and report it to the maintenance department[149].

There is no question that the IoT can make a hotel more efficient. The harmonising of sensors, devices and data all brought together in one system, enables the system to respond quickly to improve efficiency. It can also respond quickly to change temperatures, switch lights on or off etc, which in turn bring cost savings to the business.

IoT can also enhance the personal experience of customers. The hotels industry is well placed to benefit from the coming together of IoT and digital transformation. IoT deployments can serve as an essential competitive differentiator as it has a broad and easily recognised impact on hotels, spanning services including entertainment, food and beverage, guest security and many others.

For example a guest could use his/her smartphone as the door key, or a tablet to order food or book hotel services. It could also be used to set the temperature to the right level for when you arrive at your rooms and the lights come on seconds before the door is unlocked

[148] http://hotelexecutive.com/business_review/4299/how-26-billion-internet-of-things-devices-will-impact-the-hotel-industry
[149] http://hotelexecutive.com/business_review/4299/how-26-billion-internet-of-things-devices-will-impact-the-hotel-industry

Chapter nine: Corporate social responsibility

Introduction

Today's consumers are increasingly environmentally aware and expect the brands they affiliate with to be likewise engaged. The combination of regulatory pressures and guest requirements for sustainable and value for money options make the hotel industry extremely challenging.

Whilst not specifically targeted at the hospitality industry, governments around the world are using both a carrot and stick approach on sustainability, with incentives such as tax credits and deductions for sustainable development on the one hand and schemes like the UK's Carbon Reduction Commitment (CRC) energy efficiency scheme (which commits operators of both managed and franchised hotels to be responsible for the carbon emissions of those hotels) on the other.

Implementing sustainability policies across a portfolio of hotels is particularly demanding for hotel operators and achieving the right blend of eco-friendly brand with commercial realities and local regulatory compliance is no mean feat.

In a recent Harvard Business Review, Simon Zadek discussed 'the path to corporate responsibility and how companies go through certain stages on the path to being socially responsible'.

Sustainability began to gather momentum as an issue in 2006, with the launch of the environmentally conscious luxury brand '1' by Barry Sternlicht, CEO and Chairman of Starwood Capital Group. Since then, almost all major hotel chains have launched some form of environmental sustainability programme.

It can be seen from the table below that most of the leading hotel companies profiled address the issue of corporate social responsibility. All of those profiled, with the exception of the emerging markets, provide extensive information on their policies in either printed company information or on their website.

There is an argument that trying to introduce sustainable development in 'non-green' countries such as China is a waste of time, but industry observers note that as China becomes increasingly Westernised and developed it will note the benefits of hotels providing local employment and using local suppliers. Also international hotel companies developing in the country have sustainable / CSR policies in place, so will slowly bring these practices to China.

Table 7: The path to corporate responsibility

Stage	What companies do	Why they do it
Defensive "It's not our job to fix that"	Deny existence of problematic practices, or responsibility for addressing them	To defend against attacks that could affect short-term sales, recruitment, productivity and brand
Compliant "We'll do just as much as we have to"	Adopt a policy-based compliance approach as a cost of doing business	To mitigate the erosion of economic value in the medium term because of ongoing reputation and litigation risks
Managerial "It's the business, stupid"	Give managers responsibility for the social issue and its solution and integrate responsible business practices into daily operations	To mitigate medium-term erosion of economic value and achieve longer-term gains
Strategic "It gives us a competitive edge"	Integrate societal issues into their core business strategies	To enhance economic value in the long run and gain first mover advantage over rivals
Civil "We need to make sure everyone does it"	Promote broad industry participation in corporate responsibility	To enhance long-term economic value and realise gains through collective action

Source: Harvard Business Review, The Path to Corporate Responsibility, Simon Zadek

Hilton Worldwide

Background

Hilton Worldwide is a leading global hospitality company with more than 4,661 hotels and 764,748 rooms (including timeshare properties) in 102 countries[165]. It owns, manages and franchises hotels under 13 brands and also has timeshare operation; Hilton Grand Vacations. It has a pipeline of 266,000 rooms. It is listed on the New York Stock Exchange and at mid-May 2016 it had a market capitalisation of USD22.61bn[166].

Timeline

1910s-1970s	Conrad Hilton bought The Mobley Hotel (1919); Opened Dallas Hilton, first hotel to have the Hilton name (1925); Hilton Hotels Corporation (HHC) was formed and became the first hotel company to be listed on New York Stock Exchange (1946); Hilton International started (1949); Acquired the Waldorf Astoria in New York (1949); Created first central reservation office, HILCRON (1955); Hilton pioneered first airport hotel concept at San Francisco airport (1959); Hilton International formed separate company, and Barron Hilton succeeded Conrad as President of HHC (1964); Trans World Airline acquired Hilton International (1967).
1980s	Conrad Hotels was launched (1982); Hilton International was sold to UAL Corp (1986); Introduced Hilton HHonors, guest loyalty programme (1987); Hilton International sold to Ladbroke Group (1987).
1990s	HHC and Hilton International had joint marketing agreement, shared logos, promoted brands and maintained a joint reservations system (1990s); Hilton Garden Inn launched (1990); First Hilton website launched (1995); Spun off gaming business into separate, publicly-owned operation, Caesars Entertainment (1998); Acquired Promus Hotel Corporation and added Doubletree, Embassy, Red Lion, Homewood Suites and Hampton Inn brands (1999); Hilton International was renamed Hilton Group plc (1999).
2000s	Sold Red Lion brand to WestCoast Hospitality (2001); Launched Hilton Worldwide Resorts (2002); HHC reacquired Hilton International (2006); The Blackstone Group acquired HHC for USD 26bn (2007); Scandic Hotels (part of Hilton Group) was sold to EQT V Group (2007); HHC changed its corporate name to Hilton Worldwide and moved headquarters to Virginia (2009); Introduced LightStay, a sustainability performance tool (2009).
2010s	Hilton Blackstone restructured debt, Blackstone invested further USD 800m of equity and debt reduced to USD 16bn (2010); Launched Home2 Suites, an extended stay product (2011). Launched IPO (December 2013); Launched two new brands Canopy and Curio (2014); Launched Tru by Hilton (2016); Announced spin off of timeshare business and formation of a REIT (2016)

165 Hilton Worldwide Investor Presentation, March 2016

166 http://uk.finance.yahoo.com/q?s=HLT&ql=0

Strategy

The company's strategy is as follows[167]:

Align Culture and Organization

- Continue fostering an aligned, performance-driven culture based on common vision, mission, values and key strategic priorities

Maximize Performance

- Build on leading commercial capabilities to maximise revenues
- Drive corporate and on-property cost efficiencies to grow margins
- Accelerate new unit growth in the Management & Franchise segment
- Maximize value of Ownership segment via EBITDA growth and execution of value-enhancement opportunities
- Continue emphasizing capital light growth of the timeshare business
- Maintain disciplined capital allocation strategy; maximise capital returns to stockholders

Strengthen and Expand Brand Platform

- Optimize brand management to continue increasing RevPAR premiums
- Continue building customer loyalty through HHonors enhancements
- Explore expansion of brand portfolio to serve new customer segments

Expand Global Footprint

- Maintain industry-leading pipeline and organic net unit growth
- Enhance loyalty effect by introducing the right brands with the right product positioning in targeted markets

Approach to Assets

In early 2016, Hilton Worldwide confirmed that it will spin off its timeshare business, as well as moving 70 of its owned hotels into a REIT. The move is expected to simplify the business.

Company president and CEO, Nassetta said that the REIT would "probably" be the second-largest lodging REIT and one of the most geographically diverse, with "a high quality portfolio of luxury and upper upscale hotels located across high barrier-to-entry urban and convention markets, top resort destinations, select international markets, and strategic airport locations". It will be made up of predominantly US-based hotels, which, the CEO said, would "be appealing to the REIT investor base". The REIT will have "very long tenure agreements" with the OpCo.

The timeshare company will manage nearly 50 club resorts in the US and Europe, under exclusive licence with Hilton Worldwide, which will include access to the group's loyalty programme. The CEO will be current Hilton Grand Vacations president Mark Wang[168]. Thomas J Baltimore has been named president and CEO of the REIT.

Some 70% of its rooms are franchised, with 22% managed and just 8% owned/leased as at end 2015[169].

Hilton are one of the largest hotel owners in the world based upon the number of rooms at its owned, leased and joint venture hotels. Its global portfolio of owned and leased properties includes a number of leading hotels in major gateway cities such as New York City, London, San Francisco, Chicago, São Paolo, Sydney and Tokyo. The portfolio includes iconic

[167] Hilton Worldwide Investor Presentation, March 2016

[168] Hotel Analyst Perspective, issue 9, March 2016

[169] Hilton Worldwide Holdings Inc. Form 10-K 2015

Marriott International

Background

Marriott International is a leading hospitality company with 4,480 hotels, residences, serviced apartments and resorts with 767,570 rooms including 12,889 timeshare and fractional villas, as well as residences in 74 countries and territories[199]. It manages and franchises a wide range of hotel brands and also operates a separate timeshare business, Marriott Vacation Club International. The company is listed on the NASDAQ and Chicago Stock Exchange. At May 2016, its market capitalisation was USD 17.28bn[200].

Timeline

1920s-1960s	J. Willard Marriott opened root beer stand in Washington DC, named The Hot Shoppe (1927); Marriott entered airline catering (1937); Company stock first offered to public (1953); Marriott opened first hotel in Arlington, Virginia (1957); Company name changed to Marriott-Hot Shoppes (1964); Corporate name changed to Marriott Corporation (1967); Stock listed on New York Stock Exchange (1968).
1970s	Company moved to new international headquarters at Bethesda, Maryland (1979).
1980s	Marriott acquired Host International (1982); First Courtyard by Marriott opened (1983); Marriott entered timeshare business with acquisition of American Resorts Group (1984); Acquired The Residence Inn Company, an all-suite hotel chain (1987); Listed on Tokyo Stock Exchange (1987); Marriott entered economy segment with launch of Fairfield Inns (1987). Announced corporate restructuring – sale of fast food and family restaurants. Company focused on lodging and contract services (1989).
1990s	Marriott split its operations into two companies – Marriott International and Host Marriott Corporation (1993); Marriott acquired 49% of Ritz Carlton Hotel Company (1995); Host Marriott Corporation divided into two separate companies – Host Marriott owned hotels and real estate, and Host Marriott Services Corporation (1996); Marriott introduced all-suite economy brand, Fairfield Suites by Marriott (1996);
	Introduced new brand, Marriott Executive Residences and opened first TownePlace Suites (1997); Acquired Renaissance Hotel Group, which included Renaissance, Ramada International and New World brands (1997); Launched Marriott Rewards, frequent guest programme (1997); Increased ownership in Ritz Carlton to 98% (1998); Converted Fairfield Suites to SpringHill Suites by Marriott (1998); Acquired ExecuStay, corporate housing business (1999).
2000s	Marriott announced formation of joint venture with Hyatt and Club Corporation to create largest e-procurement network (2000); Marriott exited Distribution Services and senior assisted living services (2002); Formed travelweb.com with other hotel companies (2002). Sold Ramada International to Cendant (2004); Announced Courtyard joint venture restructure, where Marriott reduced its share to 21% (2004); Marriott formed joint venture with Whitbread to acquire its portfolio of 46 hotels (2005), then sold to RBS (2006); Introduced m-commerce site offering basic hotel directory (2005); Announced partnership with Nickelodeon and Miller Global Properties to co-develop a lodging resort brand, Nickelodeon by Marriott (2007); Also announced partnership with Ian Schrager to create Edition, a boutique lifestyle brand (2007).
2010s	Launched the Autograph Collection (2010); Ritz Carlton introduced its frequent guest stay programme, The Ritz Carlton Rewards (2010); the timeshare business was spun off (2011). AC Hotels by Marriott brand formally launched. The spinoff of Marriott Vacation Club International was completed (2011). Acquired the Gaylord brand and hotel management company from Gaylord Entertainment Company for USD 210m (2012). Launched a new three star brand, Moxy (2013); Acquired the African hotel group Protea Hospitality Holdings (2014). Acquired Canadian hotel company, Delta Hotels & Resorts (2015) Acquired Starwood Hotels & Resorts (2016)

NOTE: *As the acquisition has only just at the time of writing been agreed by both sets of shareholders, both Marriott and Starwood will be profiled separately.*

[199] Marriott International Investor Fact Book, March 2016
[200] http://uk.finance.yahoo.com/q?s=MAR

Strategy

In Marriott's Now and Next Presentation (March 2015), it states its strategy as:

- Accelerate Unit Growth by adding new platforms and expanding internationally
- Appeal to Next Generation Travellers by reinventing brands, enhancing above-property systems and embracing social media
- Provide Operational Excellence
- Execute Capital Allocation Strategy

Approach to Assets

Franchised properties account for over half of Marriott's portfolio, some 39% of hotels operate on long-term management agreements and only 1% under long-term lease agreements, less than 1% owned[201].

Marriott, along with many of its competitors, operates an asset-light strategy. This primarily came about in 1993 when Marriott International split from Host Marriott. Host, now known as Host Hotels & Resorts, took the hotel assets and Marriott International was left to concentrate on the management contracts. It later spun off its Services division, followed in 2011 by the timeshare business, enabling it to concentrate solely on hotel operations.

Marriott's emphasis on long-term management contracts and franchising provides more stable earnings in periods of economic downturn, while the addition of new hotels to its system generates growth. The strategy has allowed substantial growth while reducing financial leverage and risk in a cyclical industry. Marriott also increases its financial flexibility by reducing capital investments and recycling the investment it makes[202]. Marriott's decision to spin off its timeshare business in 2011 was in line with the trend towards asset-light operations in the sector and within the company itself. The transaction allowed Marriott to further advance the strategy of separating real estate from management and franchise operations.

Marriott operates a number of hotels under long-term management agreements that are owned or leased by Host Hotels & Resorts. In addition, Host is a partner in several partnerships that own properties operated by Marriott[203]. Marriott had a joined history with Host Hotels, as they were both originally part of Marriott Corporation, which split the two in 1993.

Marriott is not afraid of investing its own capital where necessary to promote growth. In 2012, Marriott acquired the Gaylord brand and hotel management company from Gaylord Entertainment Company (now called Ryman Hospitality Properties, Inc. ("Ryman Hospitality") for USD 210m. Ryman Hospitality continues to own the Gaylord hotels, which Marriott manages under the Gaylord brand under long-term management agreements. The transaction added four hotels and approximately 7,800 rooms to its North American Full-Service segment,

In 2014, Marriott acquired the brands and hotel management business of African hotel group, Protea Hospitality Holdings for circa USD 200m[204]. Then in 2015, it acquired Canadian hotel group, Delta Hotels & Resorts. Still on the acquisitions route, Marriott then went on to acquire Starwood Hotels & Resorts in 2016, although the deal may take some time to finalise and then still more time to merge the two businesses together.

Acquisition of Starwood Hotels & Resorts 2016

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201 Marriott International Investor Factbook March 2016

202 Marriott Form 10-K, 2010

203 Marriott Form 10-K, 2010

204 http://online.wsj.com/news/articles/SB10001424052702304672404579184091755989088

InterContinental Hotels Group

Background

InterContinental Hotels Group (IHG) is an owner, operator and franchisor of hotels and resorts. The company owns, leases, manages and franchises 5,028 hotels with 741,807 rooms in nearly 100 countries worldwide[257]. Its total development pipeline is 1,378 hotels globally. The company is listed on London and New York Stock Exchanges. At May 2016, its market capitalisation was GBP5.4bn[258].

Timeline

1940s	InterContinental brand was created by Pan Am.
1950s	Holiday Inn brand created.
1980s	IHG is the first international operator to enter China (1984); Bass acquired Holiday Inn International (1988).
1990s	Bass acquired North American Holiday Inn business (1990); Holiday Inn Express launched (1991); Crowne Plaza launched (1994); First hotel company to introduce online booking on the internet (1995); Staybridge Suites launched (1997); Acquired the InterContinental brand (1998).
2000s	The company changed name to Six Continents in 2000 as the Bass name was sold along with its brewing interests; Acquired Southern Pacific Hotel Corp; Acquired Bristol Hotels & Resorts (2000); Six Continents separated into two distinct listed companies: IHG, comprising the Hotels and Soft Drinks, and Mitchells & Butlers, comprising the Retail and Standard Commercial. Acquired Candlewood Suites (2003); Launched Hotel Indigo brand (2004); Britvic, soft drinks business was disposed of by IPO (2005); Formed a joint venture with the Japanese airline, ANA, which owns the ANA hotel group, making it largest international operator in Japan (2006); Global re-launch of the Holiday Inn brand (2007). This was completed in 2011.
2010s	Announced plans to refurbish the Crowne Plaza portfolio (2011). IHG launched Even Hotels, and Hualuxe Hotels and Resorts (2012). Acquired Kimpton Hotels & Restaurants (2014)

Strategy

IHG's stated strategy is, "to be first choice for hotel guests and owners, by building the best operating system in the industry, focused on the biggest markets and segments[259]."

IHG's strategy is based around the following:

The Winning model

Preferred brands delivered through its people: IHG's portfolio of brands comprises complementary, differentiated brands that clearly and consistently deliver on guests' needs. Building a portfolio of preferred brands that resonate with its guests, and its owners, is crucial. The value is seen through guests wanting to stay at IHG hotels and pay more to do so thereby driving RevPAR and delivering better returns on investment for its owners.

For IHG, a hotel brand is a promise of a consistent, relevant and differentiated hospitality experience:

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[257]www.ihgplc.com; Overveiw of IHG at March 2016

[258] http://www.bloomberg.com/quote/IHG:LN

[259] http://www.ihgplc.com/index.asp?pageid=3

Wyndham Hotel Group

Background

Wyndham Hotel Group (WHG) is part of Wyndham Worldwide, which also operates Wyndham Destination Network and Wyndham Vacation Ownership. Wyndham Worldwide is listed on the New York Stock Exchange and at May 2016 had a market capitalisation USD7.86bn[304].

It franchises in the upscale, midscale, economy and extended stay segments and provides management services for full-service hotels. It operates 15 brands with 7,812 hotels with 678,000 rooms in 72 countries and has 890 hotels with 119,000 rooms in the development pipeline[305].

Timeline

1970s-1990s	Walter Forbes created Comp-U-card, an electronic shopping company (1973); Comp-U-Card adopted the name CUC International (1987); Hospitality Franchise Systems (HFS) was created by The Blackstone Group and acquired Howard Johnson franchise system and US-based Ramada franchise system (1990); HFS acquired Days Inn of America and went public (1992); HFS acquired rights to Super 8 Motels Inc (1993); HFS acquired Century 21, Knights Inn, Travelodge, Coldwell Banker, Avis Inc and RCI (1996); HFS bought CUC for USD 14bn, the two companies merged and formed Cendant Corp (1997); Shareholders file suit against Cendant for accounting irregularities and fraud (1998); Cendant reached USD 2.8bn settlement in shareholder class action lawsuit (1999).
2000s	Ernst & Young agreed to pay Cendant shareholders USD 335mn to settle accounting fraud suit; Cendant acquired the AmeriHost Inn & Suites brand names and franchising rights (2000); Introduced Wyndham Rewards loyalty programme (2003); Cendant acquired trademark rights to Ramada brand in the US and Canada; it also purchased Ramada International unit from Marriott International (2004); Acquired Orbitz (2004); Acquired ebookers (2005); Announced decision to split into four separate companies – real estate, travel distribution, hospitality and vehicle rental companies (2005); Cendant Hospitality was spun off and became Wyndham Worldwide (2006); Acquired Baymont brand (2006); announced plans for new headquarters in Parsippany, NJ (2007); WHG announced first Wyndham hotel to open in China (2007); Acquired Microtel Inn & Suites and Hawthorn Suites (2008).
2010s	Acquired Tryp hotel brand from Sol Meliá (2010); Announced a license agreement with Planet Hollywood International to franchise Planet Hollywood Hotels brand (2010); WHG entered into agreement with Chatwal Hotel & Resorts gaining exclusive franchise rights to Dream and Night boutique hotel brands globally (2011). Acquired Dolce Hotels & Resorts (2015)

Strategy

The company's mission is "to increase shareholder value by being the leader in travel accommodations and welcoming its guests to iconic brands and vacation destinations through its signature 'Count On Me!' service".

Wyndham Worldwide's strategies are to[306]:

- Strategically allocate capital to expand its fee-for-service business models;
- Increase cash flow and profit through superior execution;
- Develop innovative services and products to meet the evolving needs of customers;

[304] http://uk.finance.yahoo.com/q?s=WYN

[305] Wyndham Worldwide Corporation SEC filings 10-K 2015

[306] Wyndham Worldwide Corporation SEC filings 10-K, 2015

Choice Hotels International

Background

Choice Hotels International (CHI) currently franchises around 6,423 hotels representing 507,483 rooms in more than 35 countries and territories[344]. It has 11 brands ranging from limited service to full service hotels in the economy, midscale and upscale segments. Choice branded properties operate throughout the US and internationally. The company is listed on New York Stock Exchange and at May 2016, its market capitalisation was USD 2.64bn[345].

Timeline

1930s-1990s	Started as Quality Courts United, a referral chain of seven motel owners (1939); Later, brand changed to Quality Motels (1969-71) and Quality Inns (since 1972); Company became Quality International when it switched to franchising (1972); Quality Inns pioneered segmentation in lodging industry by introducing Comfort Inns and Quality Royale (1982); Quality Royale was rebranded Clarion (1987); Launched Comfort Suites and Quality Suites; Introduced Sleep Inn brand (1989); Acquired Friendship Inns, Rodeway Inn and Econo Lodge (early 1990s); Changed corporate name to Choice Hotels International (1990s); Listed on New York Stock Exchange (1996); Introduced extended-stay Mainstay Suites brand and the Choice Privileges frequent guest loyalty programme (1997).
2000s	Introduced upscale, all suite contemporary brand, Cambria Suites (2005); Acquired Suburban Extended Stay hotel chain (2005); Introduced the Ascend Collection (formerly Clarion Collection) (2008); Launched a global iPhone app (2009).
2010s	The company moved to its new global headquarters at One Choice Hotels Circle in Rockville, Maryland (2013).

Strategy

The company's strategy for its brands, growth and shareholders is as follows[346]:

To improve and grow brands

- Increase portfolio profitability of the Comfort brand family
- Refresh Sleep Inn to improve long-term brand growth potential
- Invest in and expand emerging brands/segments – Cambria, Ascend, International

To capture a greater share of reservations via central channels

- Grow Choice Privileges loyalty programme – target over 3.6 million members in 2016, worldwide
- Continue to enhance ChoiceHotels.com to increase traffic and conversion
- Improve property-level performance by driving greater mid-week travel

To allocate free cash flows to 'best and highest' use

- Continue effective long-term capital allocation practices by optimising balance sheet leverage, share repurchase and dividend policy

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[344] Choice Hotels International Investor Presentation, March 2016

[345] http://uk.finance.yahoo.com/q?s=CHH

[346] Choice Hotels International Investor Presentation, March 2016

AccorHotels

Background

Accor is an owner, operator and franchisor of 3,873 hotels and 511,517 rooms in more than 92 countries[380]. It has a comprehensive range of 17 brands, which cover economy to luxury sectors. These figures do not include its recent acquisition of FRHI. It has a pipeline of 879 hotels (159,426 rooms). Its major shareholders are Colony and Eurazeo with 11% share, Founders and Directors own 1.9% and the remaining 86% is floated on the Paris Bourse[381]. At May 2016, its market cap was EUR 9.29bn[382].

Timeline

1960s	Novotel created by Paul Dubrule and Gerard Pélisson, the first Novotel hotel opened (1967).
1970s	First ibis opened (1974); acquired the Mercure group (1975); launched operations in Brazil (1976).
1980s	Acquisition of Sofitel (1980); IPO of SIEH shares on Paris Bourse (1981); Acquisition of Jacques Borel International and The Ticket Restaurant (1982); Creation of Accor following merger of Novotel SIEH Group and Jacques Borel International (1983); Created Accor Academy and launched Formule 1, budget chain (1985); Alliance formed with Groupe Lucien Barrière to develop hotel-casino complexes (1989).
1990s	Acquired the Motel 6 (1990); Compagnie Internationale des Wagon-Lits de Tourisme (CWL) joined Accor, the Etap brand was launched (1991); Acquired an interest in Pannonia as part of Hungary's privatisation programme; Carlson and Wagonlit merge to form Carlson
	Wagonlit Travel, owned equally by Accor and Carlson (1997); Acquired Red Roof Inns in US (1999); Suitehotel concept launched (1999).
2000s	Launched online reservation website, accorhotels.com (2000); Acquisition of 30% interest in German hotel group, Dorint (2002); Stake in Orbis raised to 36% (2003); First ibis hotel opened in China (2003); Created Groupe Lucien Barrière, which was 34% owned by
	Accor (2004); Acquisition of 29% stake in Club Med (2004); Colony Capital invests EUR 1bn in Accor (2005); Accor implements its new asset management strategy (2005); Major expansion programme was rolled out in India (2006). Launched All Seasons, a chain of non-standardised economy hotels and Pullman, an upscale business travel brand (2007); Red Roof Inn is sold (2007); Created MGallery, a collection of upscale hotels and launched its loyalty programme, Le Club (2008); Sold stake in Club Med and increased its stake in Groupe Lucien Barrière to 49% (2009).
2010s	Demerger of Group's two core businesses, Hotels and Services. Services renamed Edenred. (2010); Suitehotel was renamed Suite Novotel (2010); Withdrawal of Groupe Lucien Barrière's IPO (2010); Accor has new Executive Committee (2011); Sold its stake in Groupe Lucien Barrière for EUR 268m. Sold Lenôtre restaurant brand (2011); Acquired Mirvac Hotels & Resorts for EUR 195m (2011). Acquired Grupo Posadas (2012); Sold Motel 6 and Studio 6 brands in the US (2012); Unveiled new corporate structure (2013). Acquired 35% share in MamaShelter (2014); Acquired FRHI Holdings giving it the Fairmont, Raffles and Swissotel brands (2015); Chinese hotel operator Jin Jiang has acquired a 14.98% stake in AccorHotels; Acquired onefinestay, 49% stake in Squarebreak and 30% stake in Oasis Collections (2016)

380 AccorHotels at a glance, December 2015

381 http://www.accorhotels-group.com/en/finance/accor-share/shareholding-structure.html - December 2015

382 http://uk.finance.yahoo.com/q?s=AC.PA

Plateno Hotels Group

Background

Plateno Hotels Group (formerly known as 7 Days Inn) is a leading economy/midscale hotel chain operator in China. It was a joint venture between the Carlyle Investment Group, Sequoia Capital and Actis Capital LLP, and the founders of 7 Days Group Holdings Ltd, until 2015 when an 81% stake was acquired by Jin Jiang International. The company operates a range of brands and has 3,000 hotels and over 442,500 rooms.

Together Plateno and Jin Jiang will have a combined portfolio of over 6,000 hotels with more than 640,000 rooms in 55 countries, and make its one of the five largest global hotel groups in terms of rooms.

Timeline

2000s Founded by Boquan He and Nanyan Zheng and was incorporated as 7 Days Inn in Cayman Islands (2004); Warburg Pincus invested USD 10m (2006); Merrill Lynch, Deutsche Bank and Warburg Pincus further invested a combined total of USD 95m (2007); Actis Capital led USD 65m investment in 7 Days Inn, which Warburg Pincus again took part in (2008); Listed on New York Stock Exchange, CEO retained 13% stake (2009).

2010s Acquired Hunan Huatian Star Hotel Management (2011); Was delisted (2013); The founding shareholders, He Boquan and Alex Zheng, jointly with Carlyle Group and Sequoia Capital, established a new company Plateno Hotels Group (2013)[403]. Launched 7 Days Premium brand (2014) Launched Maison Albar, Mora Coffee and Manjusaka Art Platform (2015) Joint venture with Hilton Worldwide (2015) Jin Jiang International acquired an 81% stake in Keystone, owner of Plateno Hotels Group (2015)

Strategy

Plateno Group's primary goal is to be a leader in the lodging industry both in the Asian region and globally. Within the next five years the company's goal is to own or operate over 6000 properties globally with the bulk of those in the Asian region. It plans to open hotels and resorts in all major regional gateway cities and resort destinations and in meeting and convention destinations.

Its strategy is to develop domestic, regional and global networks of hotels and resorts, providing economies of scale that can be passed onto its owners and guests.

Plateno Group looks for hotels that fall into a specific market niches[404]:

- Upscale and midscale hotels and resorts
- Value and economy hotels and resorts
- Optimal room count
- A comfortable and safe contemporary life style experience
- A property that reflects its core Asian hospitality in every way

[403] China.org.cn, 18.07.2013

[404] http://www.plateno-hotels.cc/en/about-us

Starwood Hotels & Resorts Worldwide

Background

Starwood Hotels & Resorts Worldwide owns, manages, franchises and leases 1,222 hotels with 354,200 rooms in 100 countries[410]. It has nine hotels brands which operate in the luxury, upper-upscale and upscale market segments. It is listed on New York Stock Exchange and at May 2016, its market capitalisation was USD 12.65bn[411].

Timeline

1990s	Starwood Lodging was formed by the real estate investment company Starwood Capital to take advantage of a tax break. Sternlicht spearheaded the recapitalisation and operational restructuring of Hotel Investors Trust and Hotel Investors Corporation, renaming them Starwood Lodging Trust and Starwood Lodging Corporation (1995); Acquired the Westin Hotel Company from Aoki Corporation of Japan (1994); Renamed Starwood Hotels & Resorts and Starwood Hotels & Resorts Worldwide (1997); Acquired the Sheraton, Four Points by Sheraton, and the Luxury Collection brands from ITT Sheraton (1998); Launched 'W' hotels brand (1999).
2000s	Starwood's founder and CEO, Barry Sternlicht, stepped down as CEO to focus attention on Starwood Capital (2004); Launched the Aloft brand (2005); Acquired Le Meridien brand (2005).
2010s	Acquired 49.8% stake in Design Hotels AG from Arabella Hospitality. (2012). Plans announced to spin off timeshare business (2015); Shareholders formally accept Marriott's offer to acquire the business (2016)

Strategy

- Reduced investment in owned real estate and increased focus on management and franchise contracts.
- Aiming to be 80% fee-driven.

Starwood's strategy is known as 'The Journey'. The strategy is about "bringing the best talent into our hotels to deliver great guest experiences; it continues with a sharp focus on the top and bottom line, which in turn attracts developers and creates pipeline growth, delivering outstanding returns for the stakeholders in the process"[412].

Since 2006, Starwood has sold 91 hotels realizing cash proceeds of approximately USD7.8bn in numerous transactions.

The description of the strategy as '80-20' was also used to discuss the global sources of the company's profits. Whereas in 2000 63% of its profits came from the US, today it is over half from outside the domestic market, with a goal of 80%. The pipeline is already 80% outside the US, although the group would not give a timeline for 80% of profits to come from overseas[413].

Starwood's primary long-term business objective is to provide superior total returns to their equity holders through a combination of appreciation in asset values, growth in earnings and dividend distributions[414]. Objectives include:

- Driving operating results at its properties through aggressive asset management;

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[410] Distribution as of 30.09.2013 http://development.starwoodhotels.com/about/

[411] http://uk.finance.yahoo.com/q?s=HOT

[412] Global Hotel Perspectives 2012

[413] Hotel Analyst Perspective, Issue 10, April 2013

[414] Starwood Hotels & Resorts Worldwide, 10-K, 2012 p.4

Jin Jiang Hotels Group

Background

Jin Jiang International Hotels Holdings Company Limited (Jin Jiang Hotels Group in short form) is the largest hotel group in China. It has 3,009 hotels with approximately 367,434 rooms in 55 countries, Interstate Hotels & Resorts (IHR) in which Jin Jiang holds 50% share, manages a total of 448 of these hotels with more than 79,445 rooms[446]. (At the time of going to press, Interstate announced it had been acquired by Kohlberg & Co). When including its recent acquisition of Plateno Group, the combined portfolio has over 6,000 hotels with more than 640,000 rooms in 55 countries, and make its one of the five largest global hotel groups in terms of rooms.

Jin Jiang owns, manages and franchises a range of brands in the Chinese hotel sector, and with its acquisition of Louvre Hotels Group (LHG) has added eight more European brands.

The company is headquartered in Shanghai. The group's subsidiary Shanghai Jin Jiang International Hotel Development Company was listed on Shanghai Stock Exchange in 1996 and its holding company Shanghai Jin Jiang International Hotels Group was listed on the Hong Kong Stock Exchange in 2006. It also has operations in food & restaurants, vehicles & logistics and travel agencies.

Timeline

1990s Founded in 1995; the group's subsidiary Shanghai Jin Jiang International Hotel Development Company was listed on Shanghai Stock Exchange (1996).

2000s Two Shanghai-based state-owned tourism companies, Shanghai Jin Jiang Holdings and Shanghai New Asia, joined to form Jin Jiang International Holdings (2003); The holding company Shanghai Jin Jiang International Hotels Group was listed on the Hong Kong Stock Exchange (2006); Jin Jiang acquired US hotel management company Interstate Hotels & Resorts via a joint venture with Thayer Lodging Group (2009); launched Bestay Hotel Express (2009).

2010s Signed joint venture agreement with Interstate Hotels & Resorts to pioneer third party hotel management in China, the joint venture was called Interstate China Hotels & Resorts (2010); Completed strategic asset swap of star rated hotels and budget hotels with Jin

Jiang Hotels Development (2010); Introduced Marvel brand (2010); Acquired Jinguang Inn (2010); Took majority stake in budget hotel chain Shanxi Goldmet Inn (2010); Acquired Jin Jiang Investment and Jin Jiang Travel (2011); Established an executive committee of the Board (2011). Acquired Smart Hotels (2013). Acquired Groupe du Louvre for c. EUR1.21bn (2014). Hony Capital bought a stake in Shanghai Jin Jiang International Hotels (2014) Acquired 81% stake in 7 Days (Plateno Hotels) (2015); Acquired 80% share in China-based Vienna Hotels (2015) Magnusson Hotels signed a partnership agreement with Louvre Hotels Group and its parent company, Jin Jiang Hotels (2015) Acquired shares in AccorHotels (2016). Sold its share in Interstate Hotels & Resorts to Kohlberg & Co (2016)

[446] Company Interim Report 2015

Best Western Hotels & Resorts

Background

Best Western Hotels & Resorts is an affiliation of individual hotels. At the end of 2015, it had 4,100 independently owned and operated hotels with just over 303,500 rooms in over 100 countries[475].

Timeline

1940s–1990s	Founded by MK Guertin in the US as an informal referral system (1946); Canadian hotel owners joined the system (1964); Best Western entered Mexico, Australia and New Zealand (1976); Interchange Hotels joined with Consort Hotels to start UK arm of Best Western (1999).
2000s	Created upscale brand, Best Western Premier (2002).
2010s	Launched new product descriptor programme (2011). Launched lifestyle brand Vib and BW Premier Collection and extended stay brand Best Western Plus Executive Residency (2014) Company was renamed Best Western Hotels & Resorts and launched a new midscale brand, GLo (2015).

Strategy

Taking business from the competition is a key strategic goal for Best Western International. "A lot of new rooms are coming into the market, but room demand hasn't kept pace," said President and CEO, David Kong. "The pie isn't growing, so our strategy is about market share. We want a bigger slice of the pie.[476]"

In 2015, the company unveiled a comprehensive brand refresh, a new midscale brand and plans for a new website, mobile site and app.

Best Western International was renamed Best Western Hotels & Resorts. To support the new master brand name, Best Western has launched a new master logo and new logos for Best Western, Best Western Plus and Best Western Premier.

Approach to Assets

As Best Western is an affiliation, it does not own any property. All member hotels are individually owned and operated. These members in turn own Best Western, which is non-profit making. The company has its own reservation system and reservation centres to support its members.

Best Western is clearly a very different company from others profiled for this report. Nonetheless, it has over 314,000 Best Western branded rooms and ranks above companies such as Carlson Rezidor Hotel Group, Hyatt and Meliá Hotels International.

Brands

In 2015, Best Western International was renamed Best Western Hotels & Resorts. To support the new master brand name, Best Western has launched a new master logo and new logos for Best Western, Best Western Plus and Best Western Premier.

[475] Best Western website

[476] http://www.hotelnewsnow.com/Article/12499/Best-Western-fights-for-market-share

Homeinns Hotel Group

Background

Homeinns is a leading economy hotel group in China. The company had 2,787 hotels in 346 cities under five brands as of September 2015[493]. It is a market leader with nearly a quarter of the economy hotel market in China. The company was taken private by BTG Hotels Group in early 2016.

Timeline

2000s	Home Inns & Hotel Management (Hong Kong) Ltd. or Home Inns Hong Kong was incorporated in Hong Kong by its individual founders and Ctrip, a leading China-based travel consolidator (2001); Home Inns and Beijing Capital Travel entered into a joint venture to form Home Inns Beijing to operate branded economy hotels in China (2002); Ctrip disposed of all of its ownership interests (2003); Home Inns incorporated in Cayman Islands for its IPO (2006); When Home Inns Beijing commenced operations it was owned 55% by Home Inns Hong Kong and 45% BTG (of which Beijing Capital Travel is a subsidiary), Home Inns Hong Kong gradually increased ownership until it became a wholly owned subsidiary (2007) Acquired Top Star hotel chain (2007).
2010s	Launched Yitel; Acquired Motel 168 from Shanghai Motel Chain (2011). Acquired eJia Express (2012). Acquired Yunshang Siji Hotel Management Company (Fairyland brand) (2014); Acquired by BTG Hotels Group (2016).

Strategy

The company's development strategy is as follows: [494]

- Expand footprint, deepen penetration and capitalise on early-mover advantage
- Transition to majority of franchised and managed business model
- Implement multi-brand strategy and strengthen customer loyalty
- Attract, train, retain and continuously develop all levels of people in the organisation
- Enhance information infrastructure to enable operational excellence

Approach to Assets

- Home Inns either leases real estate on which it develops and operates hotels, or manages or franchises its brands.
- The company is currently shifting towards a predominantly franchised-and-managed hotels business, with 67% of hotels in operation now under the structures.
- David Sun, CEO, said: "Our focussing on managing its pace of growth and pace of heavy emphasis on franchised-and-managed hotels will benefit from increasing margin contribution from franchised operations while maintaining our leadership scale in the industry.[495]"
- Despite acquiring Top Star, Motel 168, eJia Express and Yunshang Siji hotel companies, organic growth is still the company's main growth strategy. It only does acquisitions when the opportunity arises and the valuation is attractive.
- In 2014, the company acquired Yunshang Siji Hotel Management Companyfrom Kunming Department Store (Group) Co., Ltd for cash purchase price of RMB 230m. Yunshang Siji operates an economy hotel chain consisting of 27

[493] Homeinns & Hotels Management Inc, Investor Presentation November 2015

[494] Homeinns & Hotels Management Investor Presentation November 2015

[495] Hotel Analyst Perspective, Issue 19, October 2013

China Lodging Group (Huazhu Hotels Group)

Background

Launched in 2005, the Chinese budget hotel chain, China Lodging Group operates seven brands. At April 2016, the company had 2,763 hotels and 278,843 hotel rooms in operation under 12 brands in 352 Chinese cities[505].

AccorHotels holds a 10.8% stake in Huazhu. The company's free float currently stands at approximately 32%. It is listed on the NASDAQ Global Market and at May 2016 had a market capitalisation of USD 2.416bn[506].

Timeline

2000s Powerhill Holdings Limited was incorporated in British Virgin Islands and started operations with midscale limited service hotels and commercial property development and management (2003); Powerhill conducted its operations through three wholly owned subsidiaries in China – Shanghai HanTing Hotel Management Group (Shanghai HanTing); HanTing Xingkong and Suzhou Property. Suzhou Property transferred its equity interests in three leased/operated hotels to Shanghai HanTing in exchange for Shanghai HanTing's equity interests in Shanghai Shuyu Co. Ltd. (2006); China Lodging Group Limited was incorporated in Cayman Islands (2007); Powerhill transferred all of its ownership interests in HanTing Xingkong and Shanghai HanTing to China Lodging in exchange for preferred shares in China Lodging (2007); HanTing Xingkong and Shanghai HanTing became wholly owned subsidiaries of China Lodging, and Powerhill and Suzhou Property were spun off in form of dividend distribution to the shareholders (2007); China Lodging began operating economy hotels, it launched HanTing Express and HanTing Hotel, which was subsequently rebranded as HanTing Seasons Hotel (2007); Launched HanTing Hi Inn (2008).

2010s Completed IPO and company shares are listed on the NASDAQ Global Market (2010); acquired a 51% equity interest in Starway HK, a midscale hotel chain and increased its hotel brands to four brands. (2012); In November 2012, changed the Chinese trade name of the Company from "HanTing Hotel Group" to "HuaZhu Hotel Group[507]."China Lodging Group **bought a stake** in China Quanjude Group, an operator of 102 restaurants under four brands throughout the country (2013); Launched Manxin & Joya hotel brands (2013). Launched Elan brand (2014); Signed strategic alliance with Accor (2015).

Strategy

- Strengthen and differentiate HanTing
- To expand fast
- Further boost direct sales[508]

China Lodging Group said it expected to see consolidation in China continuing, with the company playing a key role. The company sees itself as a consolidator because the majority of its hotels are conversions from existing hotels, instead of adding new capacity to the market. In 2015, about 63% of its newly opened hotels were converted from other hotels[509].

[505] China Lodging Group Investor Presentation, April 2016
[506] http://www.bloomberg.com/quote/HTHT:US
[507] China Lodging Group Form 20-F, 2012 p.25
[508] China Lodging Group Investor Presentation, April 2016
[509] Hotel Analyst Perspective, issue 11 March 2016

Carlson Rezidor Hotel Group

Background

The **Carlson Rezidor Hotel Group** (CRHG) was formed in 2012 when Carlson Hotels, a division of Carlson, and the Rezidor Hotel Group decided to leverage their similarities and go to market together. They have a joint portfolio of 1,389 hotels and 223,151 rooms in 115 countries, in operation and under development[524].

Carlson Hotels manages and franchises four brands in the midscale to upper-upscale segments, primarily in the US.

The Rezidor Hotel Group is the master franchise holder for Radisson Blu, Park Inn and Carlson Inn brands, EMEA. It also holds the worldwide licence for Hotel Missoni. The company primarily operates via management contracts in the midscale and upscale sectors. Carlson has a 50.1% stake in the company and it is listed on the Stockholm Stock Exchange.

The launch of the Carlson Rezidor Hotel Group (CRHG) in January 2012 was compared to that of the joining together of Hilton. The legal status and ownership structures remain the same in this non-transactional move; the CRHG will pursue the global alignment and management of its brands, the development of its revenue generation engines and the development of its people, on a global basis.

Timeline

Carlson

1930s-1990s Curtis Carlson founded the Gold Bond Stamp Company (1938); Carlson acquired the first Radisson hotel (1962); Company name changed to Carlson Companies Inc to reflect its diversification (1973); Carlson acquired TGI Fridays restaurants (1975); Founded Country Inns & Suites (1987); Radisson and SAS hotels formed a partnership for international growth (1994); Acquired the Regent brand (1997); Marilyn Carlson Nelson, Curtis's daughter, became president and CEO (1999).

2000s Carlson Hotels acquired Park Plaza and Park Inn brands from Olympus Hospitality Group (2000); Rezidor Hotel Group acquired the franchise rights to additional Carlson Hotel brands in Europe, Middle East and Africa – Regent Hotels & Resorts, Park Inn and Country Inns and Suites by Carlson (2002); Created Carlson Hotels Asia Pacific and a new global structure (2002); Carlson Hotels acquired 25% ownership in Rezidor Hotel Group (2005); Rezidor Hotel Group completed an IPO on Stockholm Stock Exchange, Carlson purchased additional shares increasing its ownership to 35% (2006); Company shortened its name to Carlson (2006); Increased ownership in Rezidor Hotel Group to 41.7% (2007), then acquired further shares to give it 44.4% (2008); Hubert Joly named president and CEO of Carlson; Marilyn Carlson Nelson remained chairman of the board (2008); Created strategy to reposition the Radisson brand in the Americas aligning it with the global Radisson portfolio in the upscale category (2009).

2010s Carlson Hotels acquired a majority stake in RHW Hotel Management Services, a key Indian partner (2010); Announced Ambition 2015, its global growth strategy (2010); Sold Regent brand to Formosa International Hotels Corp (2010); Launched the Radisson Blu brand (2010); Became the majority shareholder in Rezidor Hotel Group with 50.1% (2010); Launched Club Carlson, guest loyalty programme, that has replaced Goldpoints Plus (2011).

Rezidor

1950s-1990s SAS Catering & Hotels opened the SAS Royal Hotel Copenhagen, a designer hotel created by renowned Danish architect, Arne Jacobsen (1960); Opened its first hotel outside Scandinavia – Radisson SAS Kuwait

[524] Carlson Company Overview 2016

Hyatt Hotels Corporation

Background

Hyatt Hotels Corporation (HHC) is a global hospitality company which owns, manages and franchises hotels. At December 2015, the company had 638 properties and 164,925 rooms, across eleven brands in 52 countries[562]. The company operates in the full service and select service segments with eight hotel brands, two all-inclusive resort brands and Hyatt Residence Club, its timeshare brand. In 2009, the company completed an IPO on the New York Stock Exchange. Its market capitalisation as at May 2016 was USD 6.53bn[563].

Timeline

1950s-1990s	Hyatt was founded by Jay Pritzker when he acquired the Hyatt House motel near Los Angeles International Airport (1957); Hyatt Corporation went public (1962); Hyatt International was formed by Pritzker family business interests and became a separate public company (1968); Hyatt Corporation was taken private (1979); Hyatt International taken private (1982); Launched Hyatt Gold Passport (1987).
2000s	'June 2004 transaction' took place – Hyatt Corporation which primarily consisted of North American hotel management and franchise companies was owned by HG Inc, which in turn was owned by H Group Holding, which was owned by Pritzker family business interests. In addition to owning Hyatt Corp, HG owned various other North American hospitality businesses. In June 2004, these were contributed to Hyatt Corporation (2004); All hospitality assets owned by Pritzker family, including Hyatt Corporation and Hyatt International were consolidated under a single entity, Global Hyatt Inc, which then changed its name to Global Hyatt Corporation (2004); Acquired AmeriSuites from Blackstone Group (2004); Acquired Summerfield Suites from Blackstone Group, AmeriSuites were renamed under Hyatt Place brand (2006); sold its stake in Hyatt Regency, the listed Greek casino resort (2006); Andaz brand launched (2007); USD 1bn stake in Hyatt was sold to Madrone Capital, private equity fund (2007); Sold Microtel and Hawthorn Suites chains to Wyndham for USD 150m (2008); Global Hyatt Corporation changed its name to Hyatt Hotels Corporation (2009) IPO raised USD 950m, listed on New York Stock Exchange (2009).
2010s	Acquired LodgeWorks (included Hotel Sierra brand) (2010). Hyatt rebrands its extended-stay brand– Hyatt House (2012). Hyatt closes its USD 325m investment in Playa Hotels & Resorts, to enter the all-inclusive resort segment (2013). Launched Hyatt Ziva and Hyatt Zilara brands (2013). Launched Hyatt Centric brand (2015). Launched soft brand The Unbound Collection by Hyatt (2016)

Strategy

- Focus on improving the performance of its existing hotels.
- Expand presence in attractive markets – increasing market presence; expanding the select service brands and increasing focus on franchising, primarily in North America.

Hyatt's stated goal is to be the most preferred brand in each customer segment that it serves for its associates, guests and owners. In order to achieve this goal, Hyatt enhances brand preference by understanding who its customers are, focussing on what they need and want and how Hyatt can deliver value to them.

In mid-2014, the company announced organizational changes designed to support Hyatt's strategy of driving preference by providing distinctive brand experiences. The changes include the integration of the global operations structure, the

562 Investor Presentation, Hyatt Hotels Corporation, November 2013

563 http://uk.finance.yahoo.com/q?s=H

Melia Hotels International

Background

Meliá Hotels International (MHI), formerly known as Sol Meliá, owns, leases, manages and franchises city and resort hotels across its range of six brands from midscale to luxury. It has 377 hotels with 98,829 rooms in 41 countries[599]. It is listed on the Madrid Stock market, however the Escarrer family own a controlling share of 60% and at May 2016 had a market capitalisation of EUR 2.4bn[600].

Timeline

1950s-1990s	Founded by Gabriel Escarrer Juliá (1956) Developed hotels in Balearics, Canary Islands, and on the Spanish mainland (1956-80); Acquired Hotasa (1984); Opened its first international hotel – the Bali Sol (1985); Acquired CHM (1986) and Meliá (1987); Listed on Madrid Stock Exchange, prior to listing, the group had been split in two – Inmotel, the hotel owning company, and the new Sol Meliá, the hotel management company (1996); Decided to integrate the management and ownership parts of the business (1988-89).
2000s	Acquired Tryp (2000); Created Flintstone themed hotels and the new Hard Rock brand (2003); Created ME by Meliá brand (2006); Acquired German hotel chain, Innside (2007).
2010s	Sold Tryp brand to Wyndham (2010); Company changed its name from Sol Meliá to Meliá Hotels International (2011); announced alliance with Chinese hotel group, Jin Jiang (2011). Alliance with Greenland (2013)

Strategy

The company's stated objectives are:

- Focussing its growth strategy in the geographical diversification of its product and the brand equity.
- Aiming to grow especially through management, lease and franchise agreements.
- Aim to expand within the asset-light framework.

In 2011 Melia began to implement its Strategic Plan 2012-14, the first step of which was to develop and implement a new organisational and business model to facilitate alignment with company strategy. The model was based on four business areas:

- Hotels – responsible for operations of the company's hotels.
- Asia-Pacific – was created with the aim of increasing the presence of Meliá Hotels International in Asia-Pacific while at the same time promoting the role of Asia as a feeder market for company hotels.
- Real Estate – has dual objective of maximising the profitability of company's real estate assets and also using those assets to widen the range of services available.
- Club Meliá – former Sol Meliá Vacation Club, founded in 2004, represents the group's efforts to offer a wider range of products. It has 27,000 members globally.

In order for Meliá to become more management focussed it has the following targets:

- Increasing exposure to management
- Strengthening its position in the upscale segment

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599 Meliá Hotels International Investor Presentation 2014
600 http://www.bloomberg.com/quote/MEL:SM

Magnuson Hotels

Background

In only eight years, Magnuson Hotels has become one of the largest independent hotel groups. Privately owned, it has grown rapidly to represent nearly 1,176 hotels (96,000 rooms) in the UK and North America. With the company's new alliance with Jin Jiang, it will form a consortium of over 6,000 hotels worldwide. Magnuson Worldwide's holdings include Global Hotel Exchange, GDS1, Magnuson Hotels, and Magnuson Marketplace[619].

Timeline[620]

2000s

Co-founded as a home-based business by Melissa and Thomas Magnuson (2003); Magnuson Hotels' affiliate base is 210 hotels with over 14,000 rooms and 4,000 employees in 40 US states and Canadian provinces (2005); Magnuson Hotels represented over 400 hotels across the US (2007);

Magnuson Hotels signed 250 new hotels despite US recession (2008). Magnuson Hotels announced the expansion of its worldwide reservation distribution with the registration of its new MS GDS chain code. Similar to a NYSE stock ticker, the MS chain code will identify Magnuson Hotels as a globally-recognised hotel chain to over 650,000 worldwide travel agents through Amadeus, Sabre, Worldspan, Apollo, Galileo. (2009)

2010s

Magnuson Hotels announced the expansion of its low-cost global reservation services to the UK, the Bahamas and Puerto Rico. Established an international headquarters in London (2010); Launched Magnuson Hotels' new Premier Collection brand group (2012). Signed a partnership agreement with Louvre Hotels Group and its parent company, Jin Jiang Hotels (2015)

An Explanation

Magnuson is different to the other hotel chains profiled in this report in that it is a grouping of independently owned hotels. However, in a relatively short period of time it has grown into one of the leading hotel companies by number of rooms, as listed in the *Hotel's* 2014 325 Ranking survey. Originally, Magnuson Hotels was listed in the consortium list for the survey. In 2012, however, the list's publishers took the decision to move it into the corporate's listing as its distinct branding and corporate structure more closely resembles a franchisor than a consortium.

The business was started as "an independent alternative to hotel franchising," with a commitment to offer a service for hotel owners with financial problems. Magnuson Hotels provides a complete low-cost service package to increase occupancy and rates without a big name hotel chain. Hotels maintain their own identity.

Magnuson Hotels' online marketing specialists act as the hotels one-stop connection to complete worldwide reservation distribution, including access to 650,000 worldwide travel agents and more than 2,000 internet booking channels, such as Travelocity, Expedia, Orbitz, Lodging.com, Hotwire, Priceline, and many airline websites. Fees are performance-based, depending upon a percentage of net reservations delivered rather than a percentage of gross sales. There are no long-term agreements, and a hotel is able to get online for under USD 400.

Strategy

The company's stated mission is: "Making hotels profitable again."

[619] http://magnusonworldwide.com/about.php
[620] www.magnusonhotels.com

Westmont Hospitality

Background

Founded in 1975 and privately owned by the Mangali family, Westmont Hospitality Group, acquires, owns, and/or manages more than 500 hotels in North America, Japan, and Europe. The company has strategic alliances with Fairmont, InterContinental Hotels, Choice Hotels, Hilton, Accor, Radisson, Wyndham, and Starwood.

Strategy

Westmont's adopted a strategy based primarily on selecting underperforming markets so that it could acquire hotels at reasonable prices and then reposition them and improve their profitability. The company also looks to continue to grow through acquisitions.

Approach to Assets

The company owns and operates its hotels under franchise agreements with many of the leading hotel groups. It is one of the largest franchisees and co-owners of IHG and Hilton Hotels Worldwide.

Westmont differentiates itself from conventional hotel management companies by taking an equity share in the majority of its investments.

In general the company has both an ownership interest and operates its assets and is therefore fully aligned with its investment partners. Westmont also has ownership interests in a number of hotels that are managed by global brands. Westmont has partnerships with many major financial institutions and real estate investors including the following: Citigroup Financial Products, Goldman Sachs' Whitehall Fund, Grove International Partners, InnVest REIT, Kimco Realty, Regime de Rentes du Mouvement Desjardins, SITQ, The Baupost Group and WestRiver Capital Management.

Westmont has established itself in North America, Europe and Asia. Westmont has developed a Japanese operating platform called Ishin Hotels. Through this joint venture, Westmont has ownership interests in over 20 hotels in Japan, with almost 6,000 rooms. In North America, Westmont has ownership interests in excess of 400 hotels and 85,000 rooms across North America. The vast majority of the hotels are operated under franchise agreements with international hotel companies.

In Europe, Westmont currently has ownership interests in more than 80 hotels with 14,000 rooms. The hotels are operated under franchise agreements with international hotel companies such as IHG, Rezidor and Accor. The portfolio primarily consists of Radisson Blu, Crowne Plaza, Holiday Inn, Mercure and Holiday Inn Express hotels. The locations vary from key city centre locations in Paris, Hamburg and Munich, to regional locations throughout the UK and Netherlands.

Through its subsidiaries, Westmont also owns and operates boutique hotels in Paris and a luxury resort on the Cote d'Azur.

Kingsley Seevaratnam, executive VP, Europe, Westmont Hospitality, added: "The brands have come a long way. Twenty years ago if you'd broached the subject of asset management you'd have been shown the door. Whenever we buy an asset which was run by the brands, there is much more low-hanging fruit. They always manage the third-party sites better."[635]

[635] Hotel Analyst Perspective, Issue 7, March 2013

NH Hotel Group

Background

NH Hotel Group, a leading Spanish and European hotel group, with 378 hotels (owned, leased and managed) with 58,655 rooms in 29 countries across Europe, America and Africa. Its major shareholders are HNA Group (29.5%), Grupo Hesperia (9.3%), Oceanwood (7.6%) and the remaining 53.6% is free floated. The company is listed on the Madrid Stock Exchange and has a market capitalisation as of May 2016 of EUR1.4bn[641].

Timeline

1970s	Opened its first hotel, the Cuidad de Pamplona (1978).
1980s	Corporacion Financiera Reunida SA (COFIR) joined the company as a reference shareholder (1988)
1990s	COFIR continued to gradually increase its participation and adapt its investment strategy. (1990s); Became one of the leading Spanish city hotel chains (1995); COFIR radically changed its strategy and began to focus on NH Hoteles SA. COFIR acquired 100% capital in the company (1996); COFIR and NH Hoteles merged and the new company was listed on Madrid Stock Exchange as NH Hoteles (1997); Launched its own website (1998); Expanded into Latin America (1998); Expanded into Europe with acquisition of 19.1% share in Jolly Hotels (1999); Also acquired 91.5% of Sotogrande. (1999)
2000s	Acquired Dutch hotel chain Krasnapolsky (2000); Acquired Mexican hotel company, Chartwell (2001); Created Corporate Responsibility department (2002); Acquired Astron Hotels (2002); Launched loyalty programme, NH World (2004); NH and Spanish chain Hesperia merged (2008); NH and HUSA created Cooperama, a co-operation platform for acquisitions (2009)
2010s	Launched Ecomeeting (2010); Launched Five year plan strategy (2013). Chinese hotel company HNA invested in NH (2013); Sold Sotogrande (2014); Acquired Colombian hotel group Hoteles Royal (2015).

Strategy

In 2013, NH Hotels launched its Five year plan[642]:

After studying and analysing the Company's key strategic areas, four value creation levers were defined, focused on building the five-year Strategic Plan to transform the business model.

In this sense, the Group defined and grouped together the initiatives that will allow it to improve profits and margins, increase expansion and provide access to the "facilitators" of NH Hotel Group's transformation through new strategies in sustainability, human resources and systems.

More specifically, these four value drivers are as follows:

Improve revenues: through a new customer value proposition based on new brand architecture and experience, as well as new price positioning and increased investment in marketing. In addition, a repositioning plan has been designed with enough economic investment to proceed with portfolio segmentation and product renovation, thus increasing the value proposition and maximum ADR potential of the hotels. Furthermore, owned assets that are not in line with NH

[641] http://www.bloomberg.com/quote/NHH:SM

[642] NH Hoteles, Investor Presentation, September 2013