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Lindsey Ueberroth & Saurabh Rai:
CEO & Executive VP - Preferred Hotels & Resorts

Different Model

As opposed to a 'standard' hotel group, Preferred Hotels & Resorts is what the hospitality industry likes to call a 'soft brand collection' and a global portfolio of independent hotels. Member hotels get access to Preferred's expertise and support services, while still maintaining their individuality, as explained by CEO Lindsey Ueberroth and Executive Vice-President Saurabh Rai over lunch in Franschoek with editor Dylan Rogers.

Q: What differentiates you from a traditional hotel group?

A: We don't own or manage hotels in our portfolio, but rather provide them with the seal of approval, the branding and the global infrastructure normally provided by a chain, without being driven by really strict brand standards. We offer global sales technology, reservation, distribution and marketing. We market the properties and offer other marketing-related experiences, quality assurance, loyalty, and procurement. We even have a purchasing programme. With 650 hotels we can get better partners that can buy better through us. In a lot of ways we provide everything that a chain does, but give them flexibility, independence and infrastructure.

Q: Do you still feel like you are taking on the big hotel groups?

A: Very much so. And the space has become even more competitive. Customers have moved away from putting faith in a single brand – the 'I know what I'm getting' approach. Now they want a unique experience. The advent of the internet has helped to instil trust in unknown brands. However, we can't have a chain of independent hotels; we are not trying to chain down any hotels. We are a brand that helps them leverage their independence.

Q: Do you feel the apartment hotel is growing in popularity?

A: Absolutely. The majority of newly-built hotels are building some residential type of product in the hotels. Literally taking out room product and making larger suites that have kitchen facilities and cater to customers who want

something authentic. They want that experience but they want the services of a hotel.

Q: How important is Africa to the group?

A: Africa is critical. I think it's safe to say it's one of the foremost globally identified opportunities. Africa never had an exaggerated growth which has kind of fallen off the top. It has been growing at its own pace at a nice trajectory. We have 27 hotels at the moment and we're happy with this number, although Africa is the largest growth opportunity by the number of hotels. We have a good presence in some areas like South Africa.

Q: The group is in an interesting space, because you have both luxury and corporate-focused properties in your portfolio. How do you manage the balancing of those two service offerings?

A: The infrastructure of our sales capability is geared to address the difference in configuration out there. It's all a play of business segments. A corporate hotel in a city centre charging \$100 to \$200 could indicate that about 70% of our market could be corporate. We have close to 650 managed corporate accounts worldwide, so our ability to influence acceptance, implement hotels into corporate accounts and thereafter pump business is absolutely on the table. In luxury the same corporate contribution comes down to less than 20%, because they only want to focus on upwards of \$400. It's all a data-driven game. Corporate travellers still undertake aspirational travel. So our goal is to make sure that regardless of how wide they're travelling, they want to stay at

Preferred. They are there for corporate, but they are dreaming about their vacation with their spouse or family.

Q: What are some of the African hotspots that you don't have a presence in but would like to have a presence in?

A: South Africa is right up there for us: Cape Town CBD, Durban, Sandton and Pretoria. In Kenya we have a presence in and around Nairobi, but then the business districts are changing and we'd like to park more product in currently relevant corporate pockets. And our presence in places like Luanda, Lagos and Accra is all by design – we've been following the trajectory of where the corporate demand is going and that is where we have been actively working to park our hotels. It's purely driven by the construction pipeline of independent inventory.

Q: How do you describe your commercial model?

A: We are different from the traditional chain model on a lot of levels. One is definitely the contractual length; our average is five-year contracts with renewal processes. Our model is more performance-based, so we get paid only for business we generate on bed nights.

Q: Where would you like to see Preferred in 10 years' time?

A: To be in every major market. We have strategic plans in terms of where we want to be, but when I think of it, long-term I want it to be a very strong consumer-facing brand. One that is seen as a hospitality company, not just a hotel company. ■