

In 2015, demand growth should outpace supply growth for sixth consecutive year

Demand growth	2.6%
Supply growth	1.5%

Source: PwC

SEE PAGE 18 FOR MORE TRENDS & STATS

TRANSACTIONS

Foreign capital leads frothy investment market



WALDORF ASTORIA

The recent sale of the Waldorf Astoria in New York to a Chinese insurance group continues to reverberate through the transactions market.

By Bruce Serlen
CONTRIBUTING EDITOR

NATIONAL REPORT – Hilton Worldwide's sale last fall of the iconic Waldorf Astoria Hotel in New York for \$1.95 billion to the Anbang Insurance Group, a leading Chinese insurer, continues to reverberate through the industry. The milestone sale reflects on the health of the transactions market and, by extension, the health of the lodging industry as a whole.

But it also touches on the sensitive subject of the huge amount of outbound Chinese capital being invested in U.S. real estate, a wave that shows no indication of abating, and promises further increases in foreign investment in U.S. real estate, from a variety of sources and regions.

"The Waldorf sale was clearly a watershed. Now no one will be surprised to find the other nine top

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MANAGEMENT COMPANIES

Healthy demand, ADR growth augur strong operating landscape

SEE RELATED SURVEY: How do the top third-party management companies stack up? Here are the top four. For the full list, turn to page 26.

Company name	Guestrooms third-party managed
1 Interstate Hotels & Resorts	78,681
2 Aimbridge Hospitality	34,331
3 Crescent Hotels & Resorts	22,148
4 White Lodging Services Corporation	21,591

By Jena Tesse Fox
ASSOCIATE EDITOR

NATIONAL REPORT – This year appears poised to be a good one for travel, which means it will be a good year for hotels and the companies that operate them. *Hotel Management* turned to management companies for their take on 2015. From what executives told us, the year is shaping up nicely.

With more discretionary income, travelers have a greater range of options for where to go and what to

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Hawkeye Hotels'
RAVI PATEL

Iowa hotelier makes Congressional run | See page 20

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Hotel industry stays strong

A robust end to 2014 should carry through 2015 as demand and pricing power aid lodging industry.

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Channel management tips

How to win the distribution game is all about knowing the right channels to use and when.

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A look at hotel liability

Keeping your hotel safe for guests needs to be a top priority for owners and operators.

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5 QUESTIONS WITH ...

Lindsey Ueberroth

Preferred Hotels & Resorts' president and CEO dishes on the company's branding shift, soft brand copycats and more



Lindsey Ueberroth has been with Preferred Hotels & Resorts for more than 10 years—a family-owned business where her father, mother and brother all play major roles. During that time, the company has had a number of accomplishments, including strengthening its position as a global hospitality brand, helping its member hotels emerge from the global economic downturn and launching the iPrefer loyalty program. We caught up with Ueberroth to discuss these and other developments at the company.

1 HM: At Preferred's global conference in November at The Inn at Spanish Bay, in Pebble Beach, Calif., you introduced plans to launch a new brand architecture to communicate a cleaner, simpler message to consumers. The new branding debuts this month. What was your overall thinking behind the adjustments, and what has been the member hotels' overall reaction?

LU: The rationale was driven by evolving consumer expectations and changing travel trends. We realized that becoming more consumer-facing was vital to the future success of our company and our hotel partners worldwide. At a time when all the major chains are launching new brands to address specific demographics, Preferred is doing the reverse. As of March 4, 2015, we will move to one master brand, Preferred Hotels & Resorts, and all of our member hotels will be realigned into one of five collections. Luxury is very personal, and this new brand

architecture makes it easier for consumers to find the independent hotel that will provide them with an upscale luxury experience in the fashion that meets their life and style preferences for that occasion, whether traveling for business or leisure.

The response to our strategic branding change has been overwhelmingly positive. The process of successfully executing a change of this magnitude requires a direct one-on-one conversation with each and every one of our 650 member hotels around the world. While this has been a major project for the team, we have heard resounding support for the new direction from the hoteliers. The new brand architecture is being well received and everyone is looking forward to the official launch, which will bring a new website, updated advertising and marketing, one common GDS code (PH) and multiple other benefits.

2 HM: We are just now at the tail end of Q1. What further initiatives or goals have you set for the company, and how is the rest of the year shaping up?

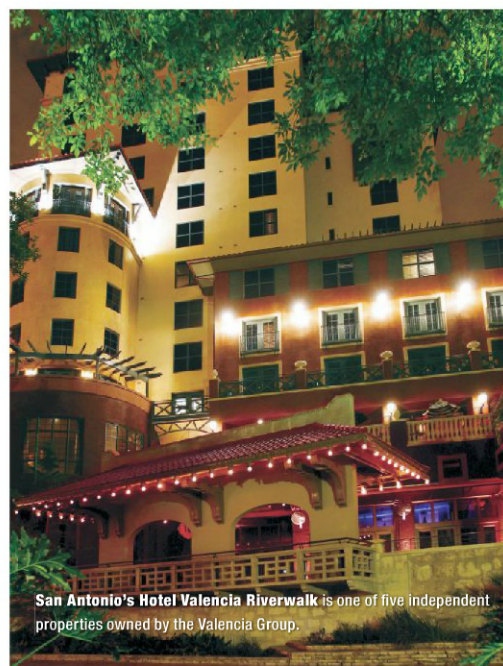
LU: The first quarter of the year has been strong for Preferred and our hotel partners. Looking ahead through the first half of the year, we have a pipeline of more than 50 hotels projected to sign by the middle of the year. Bookings remain strong, with double-digit percentage growth year over year and a projected 18 percent year-over-year growth in March 2015. Direct Connections is our strongest growth channel, with growth doubling month over month from between 5 and 6 percent in 2014 to nearly 15 percent in 2015. Over the past year, Preferred has formed strategic partnerships with online tour operators and wholesalers, such as GTA and BA Holidays, with whom dynamic pricing via Direct Connections benefits our hotels and the distributor. We are identifying other partners for 2015. Having a technology platform that provides versatility to our hotels in connectivity options is vital to the success of our brand. Finally, growth through our Internet Booking Engine, including mobile, is very strong with year-over-year growth in bookings.

Upon the successful launch of the rebranding on March 4, we will focus on extending our branded experiences to include Food & Wine, Adventure, Art & Culture, and Golf & Sporting, just to name a few. In addition, we will continue to expand our iPrefer guest loyalty program to include new benefits and new ways to reward and recognize our most loyal customer.

All signs point to this being an incredibly strong year for Preferred Hotels & Resorts.

3 HM: The large hotel operators—from Marriott International to Hilton Worldwide—

See Lindsey Ueberroth | page 67



San Antonio's Hotel Valencia Riverwalk is one of five independent properties owned by the Valencia Group.

THE VALENCIA GROUP

INDEPENDENT WEBINAR: PART 2

Top tips for indy hotels to compete against the chains

By C. Elliott Mest

ASSOCIATE EDITOR

NATIONAL REPORT—For independent hotels to compete against large chains, they need to have access to the same distribution tools. So say the presenters of *Hotel Management's* second independent-hotel-minded webinar, entitled "Acting Big, Staying Small." The presentation outlined a number of options for independents to keep up with big names.

Opening the webinar was John Keeling, EVP of the Valencia Group, which currently owns five independent properties. Keeling said that even if a hotel is operating independently of a large brand it should still have access to a central reservations office, booking engine, search yield optimization capabilities, yield management, a social media presence and electronic marketing. Independent properties also need to be able to connect to worldwide global distribution systems to facilitate direct bookings.

"If you don't have the booking engine then you need to rent somebody else's, and then you have to pay for every reservation you get," Keeling said.

Keeling also said there is a way to get the word out on your property without having a large marketing staff. To this end, he recommended partnering with a third-party booking company, such as Associated Luxury Hotels International, and securing a national team to support your property. Keeling's Valencia Group also works with CisionPoint to distribute press releases through its

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Lindsey Ueberroth

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are all creating soft brands to capture business from independent hotels. How does Preferred define a soft brand? What does Preferred offer independent hotels that the larger hotel companies cannot and, moreover, do you feel threatened at all by the big chains now playing in your space?

LU: Value and independence are key points of distinction for Preferred Hotels & Resorts. Today's market has caused many of the owners with whom we speak to question the value equation of the more traditional brands. The Preferred model offers much greater flexibility, control and bottom-line value to hotel owners and management companies, striking a balance by providing contract terms that are more flexible, pricing that is more of a pay-for-performance model versus multiple fixed fees, and a strong global infrastructure comparable to what the major chains offer, featuring strategic sales, marketing, revenue management and distribution support. Our hotel partners appreciate the autonomy of being independent while not being charged excessively for their "natural demand."

The fact that all of the major chains are launching their own soft brands is a validation of what Preferred Hotels & Resorts has represented for nearly 50 years. More than ever, today's travelers want an authentic, personalized and unique lodging experience, which is exactly what truly independent hotels have always delivered. Under the Preferred brand umbrella, our company has always been a reliable, trusted seal of approval for travelers who are looking to book an independent hotel anywhere in the world. While the entry of these larger brands into this space does create more competition, it also highlights that it is the coming of age for the independent, driven by the consumer's desire for authentic, unique experiences.

4 HM: The iPrefer loyalty program acts as the linchpin across Preferred Hotels & Resorts. It was launched a little over a year ago and now boasts well over 1 million members. What are you doing to make the program more robust, and how effective is it for your hotel owners?

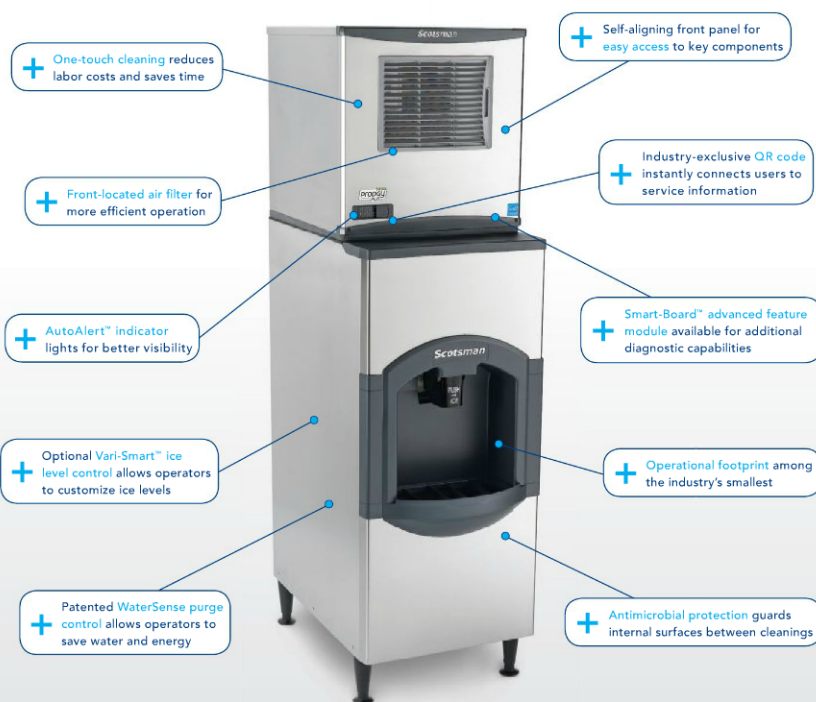
Palazzo Avino, in Ravello, Italy, is one of more than 25 Preferred hotels in Italy. Preferred has four hotels in Florence and four in Rome.

LU: The program has greatly exceeded our expectations since its introduction as a points-based structure 18 months ago. Participating hotels, in particular, are very pleased with the results, as See **Lindsey Ueberroth** | page 68



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Lindsey Ueberroth

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iPrefer is producing an average booking of more than \$750, with guests staying longer and more often than before. Probably most exciting to our iPrefer properties are the ancillary bookings they are receiving. In fact, we found that 75 percent of iPrefer guests who were

checking into a participating hotel for the first time had enrolled in the program at another hotel.

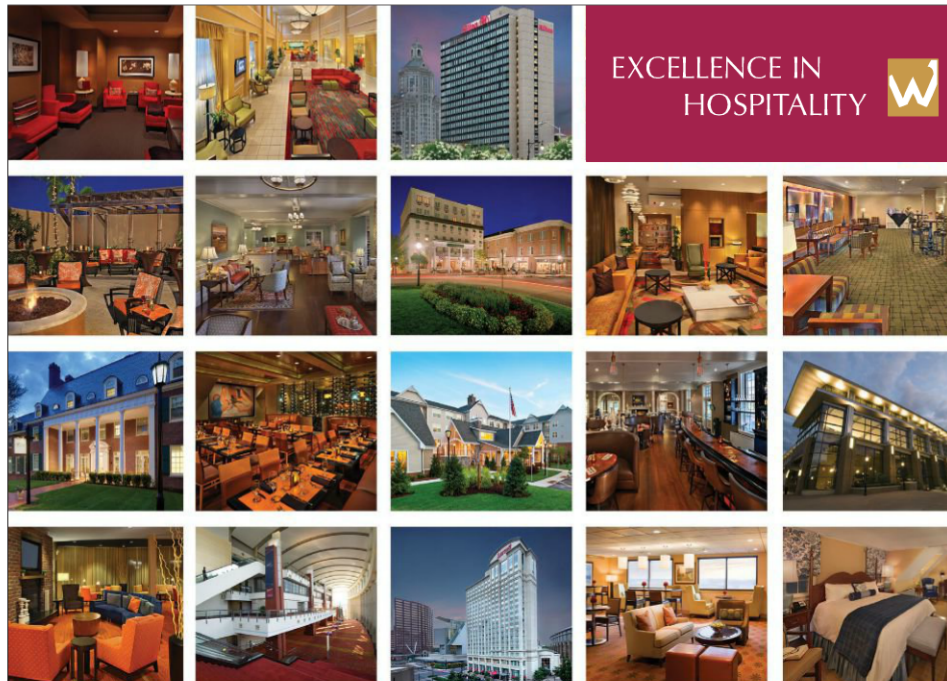
Currently, iPrefer provides meaningful instant on-property benefits such as free Internet (average of \$15 per night at many properties), as well as priority check-in, check-out,

The Inn at Palmetto Bluff, in South Carolina, is a Preferred property that has been managed by Montage Hotels since late 2013.

and inclusive upgrades, and points toward free nights or cash back against the folio. The 57-percent growth in average monthly member enrollments is proof that the program is effective and valuable, and we are identifying



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Gary L. Avigne, Vice President, Acquisitions and Development
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ways to continue to evolve the model, which will include providing even richer instant benefits to complement the current points structure and partnering with other relevant travel organizations to expand the options available during the points-redemption process.

5 HM: The hotel industry is firing on all cylinders, with record demand and still muted supply. How does that position affect Preferred now and growth of its global business?

LU: Preferred Hotels & Resorts and its member hotels are ready for this year's strong business demand driving a competitive marketplace. Consumers—whether traveling for business or leisure—are in control and well connected. We have equipped our hotels with an effective distribution platform to reach them while staying connected to corporate travel managers and leisure agents. It is promising to see corporate and group business rebounding and a stronger leisure travel movement than ever, with more people choosing to spend their free time traveling in pursuit of creating new memories and trying new experiences.

I am confident about our ability to grow the Preferred brand in all markets across the globe. We are placing a special focus on areas like China, Latin America and Africa, as well as select key cities in the U.S., such as San Francisco and Chicago. We continue to invest in our sales team around the globe and in areas like e-commerce and mobile to ensure we can drive more revenue to our member hotels. **HM**

—David Eisen