



WHITE  
BRIDGE



## Hotel Operating Agreements

### Brand and Financier Strategies

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# AGENDA

- What is driving the recent spurt to franchising?
- When a brand is (or isn't) the best strategy
- Balancing the brand value proposition

UK Hotel Brands Growth – CAGR 4%

Table 1: UK hotel brands net growth 2007-2012 – share by market level and hotel configuration

	Extended feature	Full feature	Classic feature	Limited feature	Rooms only	Total
Luxury	0%	2%	0%	0%		3%
Up-market	2%	13%	4%	0%	0%	18%
Mid-market	0%	11%	5%	3%	1%	20%
Economy		1%	16%	24%	14%	55%
Budget			0%	1%	4%	4%
Total	2%	27%	25%	28%	18%	

Source: Otus Analytics

Taken from Hotel Analyst, March-April 2014 – Data provided by Otus & Co

Ownership to Franchisor  
a change in emphasis  
for Hilton UK



Early 1990s - owned

Late 1990s - leased



Early 2000s - managed



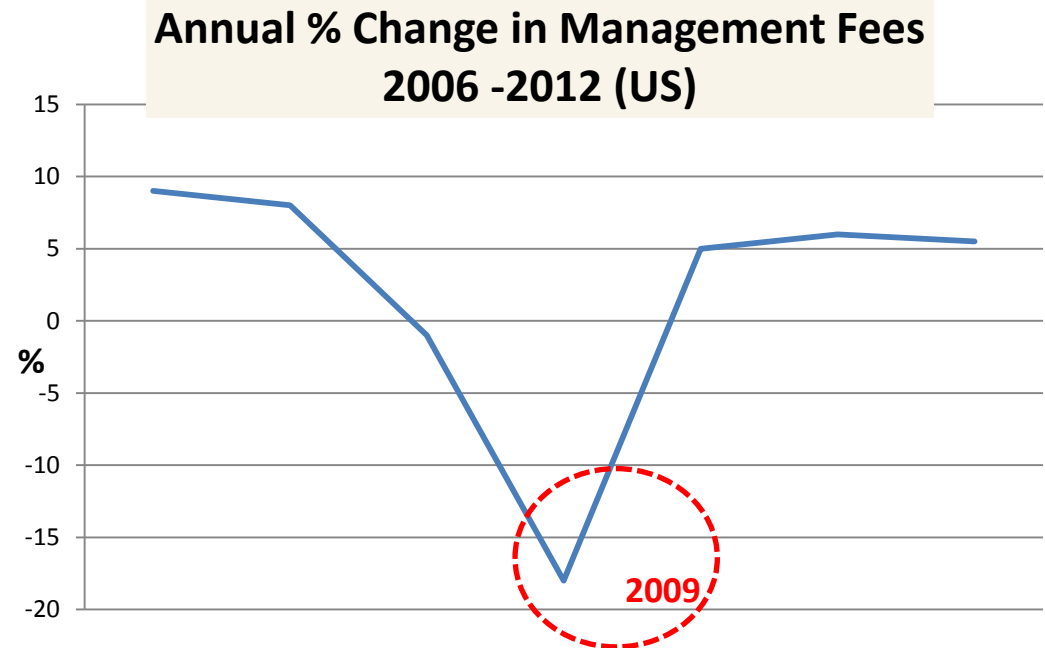
Post 2006 - franchised



# Fuelling Brand and Franchise Growth

## Brand Perspective

- ROCE
- Reliability & Low Risk
- Rapid Expansion
- Scalable



Source: PKF Hospitality Research LLC

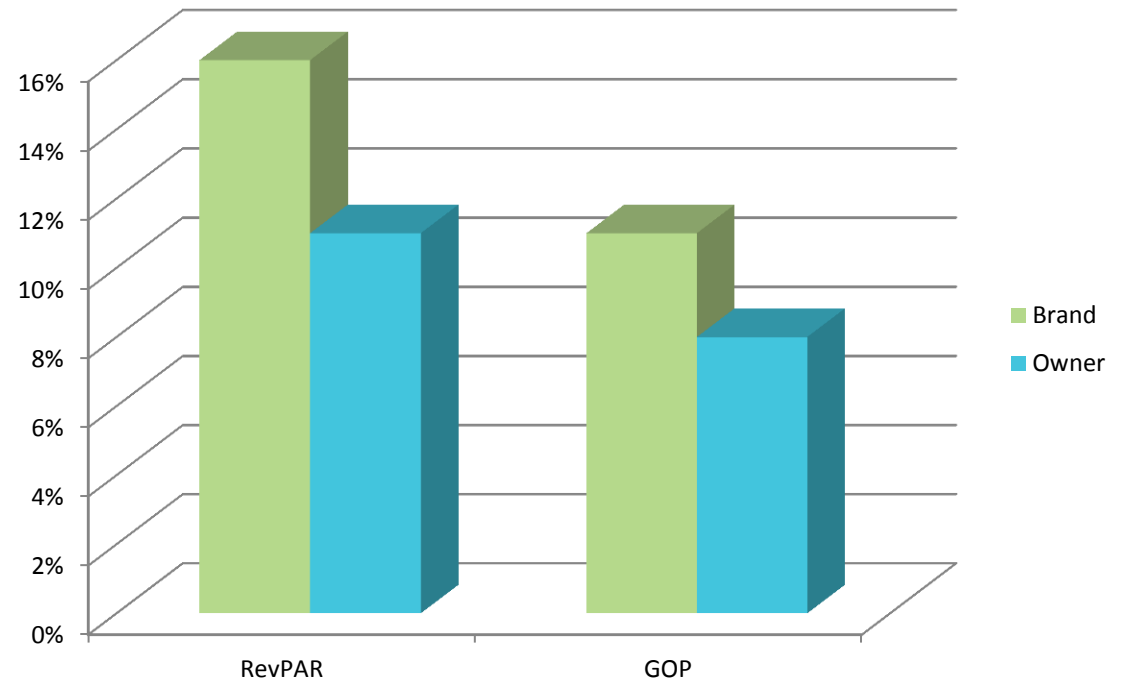


# Fuelling Brand Growth

## Owner Perspective

- Growing PropCo community
- Can be easier to fund
- Can drive higher profits
- Can lower the risk

Perspective on Brand Premium



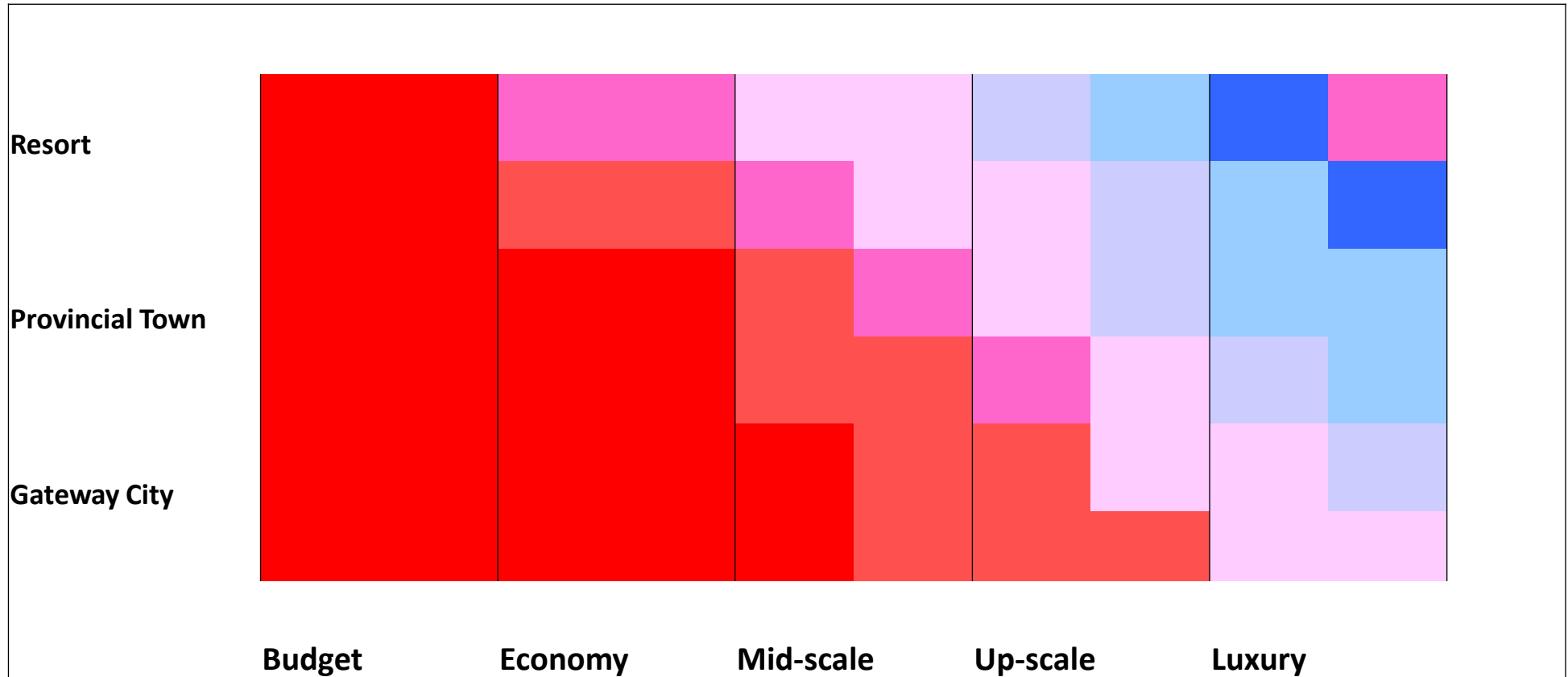
# Fuelling Franchise Growth

## Franchisee Perspective

- Greater control
- Shorter term contracts
- Easier termination
- Less restrictive on sale
- Can be more profitable



# When is a brand the best strategy – or not?





# When is a brand the best strategy – or not?

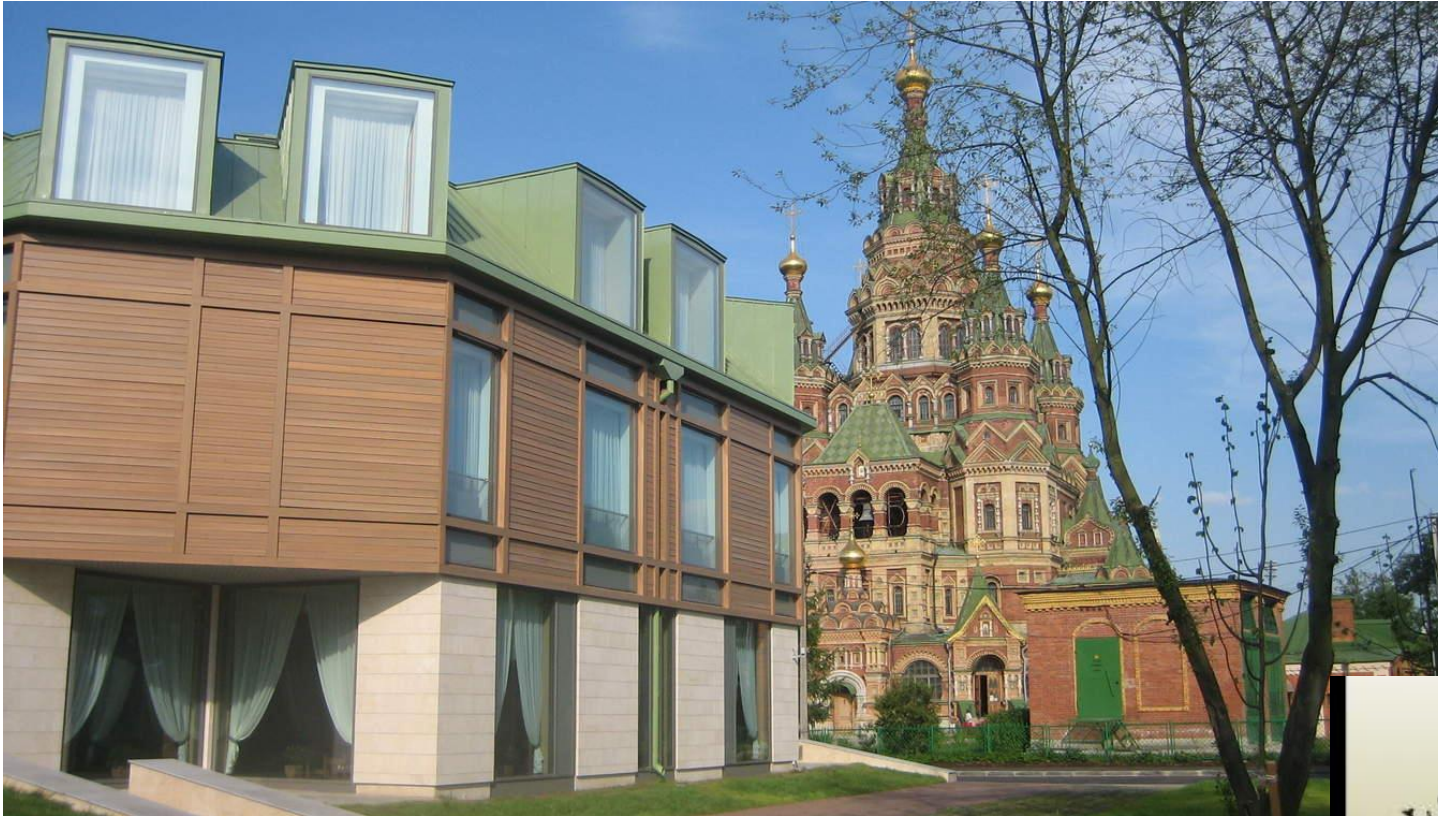
## Project examples



The Morrison, Dublin

# When is a brand the best strategy – or not?

## Project examples



**New Peterhof, St Petersburg**





# When is a brand the best strategy – or not?

## Project examples



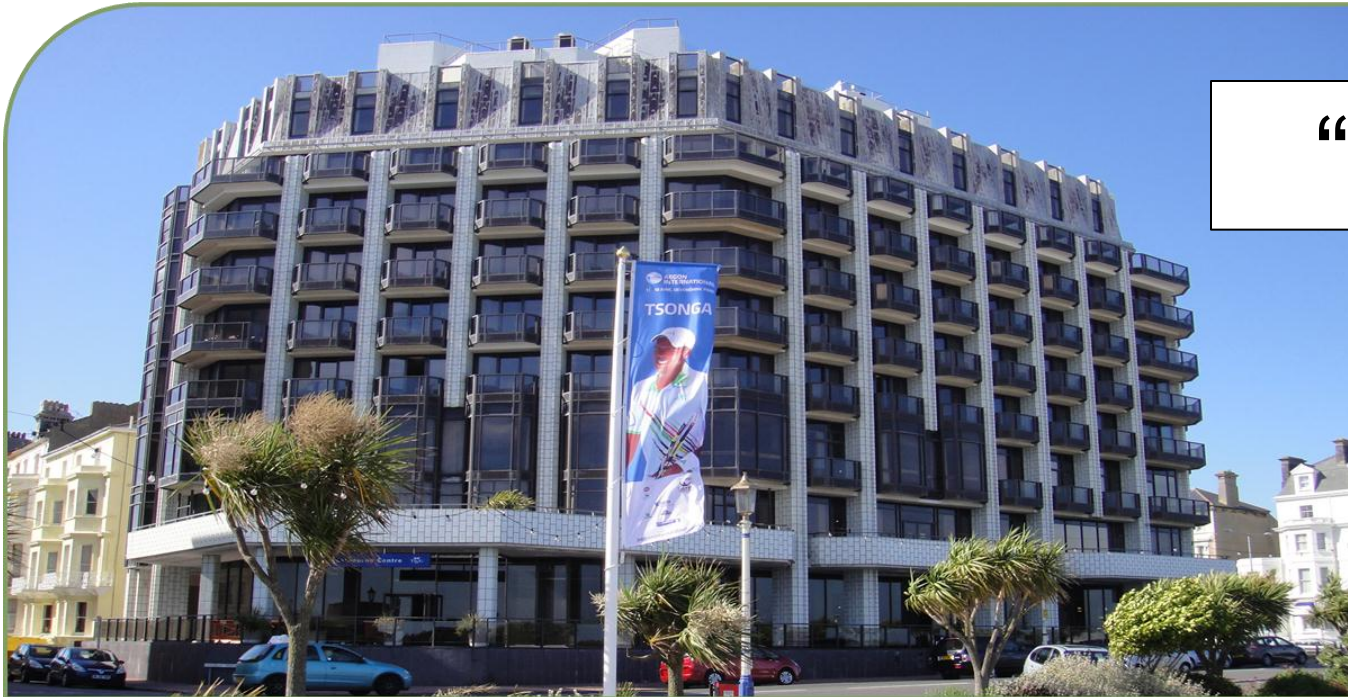
City Quays Hotel, Belfast Harbour



# When is a brand the best strategy – or not?

## Project examples

“The View”



**Eastbourne Centre**

to work to share to unwind to relax

**Eastbourne Centre Hotel, Eastbourne**

# When is a brand the best strategy – or not?

## Project examples



**American Express Stadium, Brighton**



# When is a brand the best strategy – or not?

## Project examples



**Grand Tirolia, Kitzbuhel**



# When is a brand the best strategy – or not?

## Market Segmentation

- Individual corporate
- Local corporate
- Group corporate
- Individual leisure
- Group Leisure
- Others



## Brand Drivers

- Brand confidence/image
- Loyalty programme
- Preferred supplier
- Distribution systems

- Brand standards
- Marketing / management support

# Aligning Owner and Brand Strategies

## PropCo has 5 – 8 year exit strategy

- Brand management agreement has 12 – 15 years to run
- Vacant possession provides a better yield % ?
- Brand franchise has 2 – 5 years to run
- 3<sup>rd</sup> party management can be more flexible
- Sharing the value upside





# Fees – the final item

- Brand management agreement v franchise
- Franchise fee basis – rooms, F&B, spa and other revenue
- Loyalty programmes – building brand value at owner's cost
- Online agents – what are royalty fees for?
- Sharing the risk and reward





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