

HOTELS' INVESTMENT OUTLOOK

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REPOSITIONING STATEMENT

Radisson hopes new name, leadership, initiatives help dramatically improve perception.

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Radisson's CRUCIAL REBOOT >>>

Execution on its ambitious five-year plan is critical if Radisson wants improve its profile and reach the big time.

Contributed by Megan Rowe

The newly christened Radisson Hotel Group is betting on the strength of the Radisson name to elevate it into the ranks of global hotel company best. But first, the new leadership team must clear plenty of hurdles to reach that rarefied air.

Radisson's stated goal is "to be one of the top three hotels companies in the world and the company of choice for guests, owners and talent." To call that ambitious would be an understatement: With 179,000 hotel rooms and 1,155 properties, Radisson checks in at 11th among lodging groups. Number one Marriott International's portfolio, by comparison, includes some 6,000 properties and nearly 1.2 million rooms. But Radisson Hotel Group CEO Federico González has stated publicly that being in the top three isn't just about quantity — it's more about quality. Radisson hopes to better position its eight worldwide brands by investing about US\$200 million to modernize hundreds of hotels, open additional properties, upgrade the guest experience and restructure its loyalty and meetings programs, among other things. At the same time, it needs to work hard on buy-in from its owner-developer community.

The new identity further integrates the partnership between Minnetonka,

Minnesota-based Radisson Hospitality Inc. (formerly Carlson Hotels Inc.) and Brussels-based Rezidor Hotel Group AB. Radisson Hospitality has focused on development in the Americas and Asia Pacific, while Rezidor has master franchise agreements to develop and operate several of the company's brands in EMEA.

The altered course for the company reflects a management shakeup that has taken a few interesting turns since Chinese conglomerate HNA Group took over Carlson Hotels late in 2016 and took on a majority interest in Rezidor Hotel Group in October 2017. In the ensuing months, HNA installed González as global CEO of Carlson Hotels; he resigned that post and was named president and CEO of Carlson Rezidor Hotel Group. And John Kidd, former president and chief operating officer of HNA Hospitality, was named CEO of Carlson Hotels. Under the reorganization, González became CEO of Radisson Hotel Group and Kidd is CEO of Radisson Hospitality.

FIVE-YEAR GAME PLAN

González chairs a global steering committee of executives from both Carlson and Rezidor that was assembled about a year ago to plot out the company's five-

year plan. At the same time, Radisson Hospitality's corporate staff was trimmed by about 20%, and a new sales and development team debuted last fall. "One of the first things that became clear was that we needed an approach from a global point of view, one that would respect the business needs of the different units and different companies," González says. "I think we've created a leaner but at the same time more capable organization."

Each of the brands has undergone a diagnostic process to determine tweaks likely to drive revenue, improved guest experience and expansion. "We realized there was a massive opportunity to really strengthen the brands and develop our systems, which would drive more profit to our owners. We're putting our owners first, because that was definitely a gap before," Kidd says. The name change and the decision to attach the Radisson name to the entire portfolio underscored the commitment to bolstering all the brands.

REACTION SO FAR

Investors and owners who have been hearing about the changes at the spring conferences had a mix of reactions that tended to follow an "it's about time" theme. Russell Kett, chairman



Federico González (l) and John Kidd will lead regular communication and bimonthly progress reviews of 25 initiatives targeted to refresh Radisson Hotel Group.

COVER STORY



Rendering of the new-look core Radisson brand lobby

of the HVS office in London, says the united front will be good for the whole portfolio.

"By bringing together all their hotels under one overall global umbrella, any weaknesses in individual brands which might exist should stand a greater chance of being resolved," Kett says. He points out that Holiday Inn in the 1970s experienced a similar disconnect because of uneven standards between properties in the U.K. versus U.S. "I would expect a similar effect throughout the Radisson family of brands to ensure a more distinctive brand positioning in each case and for the company to focus on resolving any perceived weaknesses."

For owners, the better-defined brand architecture, focus on expansion, technology improvements and efforts to remove less-desirable hotels are welcome news. At the recent Asian American Hotel Owners Association convention, Kidd says owner comments ran along the lines of "this was needed for a long time."

The five-year plan should reassure

KEY DETAILS of the five-year plan

- More than 500 hotels will be rebranded or repositioned, the bulk of them in the Americas.
- About 10% to 15% of the core Radisson brand in the U.S. will be dropped from the system. A new room design, updated logo, color palette and overall brand experience were introduced in April. Loans have been offered to qualified owners as an incentive to upgrade. In addition, the company plans to more aggressively expand Radisson's reach into EMEA markets.
- The newly formed Radisson Collection replaces the Quorvus Collection and will provide a soft brand option for premium lifestyle properties. With 14 properties to start, it's expected to include 20 hotels by the end of the year, and Gonzalez says up to 50 by 2022 is reasonable.
- Radisson Blu, which has more EMEA distribution and recognition but has lagged elsewhere, is earmarked for aggressive expansion into 21 gateway cities. A deal for a fourth U.S. location (Anaheim, California) was announced recently.
- Country Inn & Suites was rebranded with the addition of "by Radisson" to the name, and upgrades to the Gen 4 product are a priority.
- The steering committee identified 25 initiatives that cover portfolio management: brand and product; marketing, sales and revenue management; organization, talent and reputation; best systems; cost advantage; and scale. The end game is a bump in annual revenue of 6% to 7% and an EBITDA margin of 13% to 15% by 2022.
- Investment in a new technology platform, a unified system that will unite revenue management, property management, business analytics, customer relationship management, loyalty and campaign management. It's expected to roll out in 2019.
- Radissonhotels.com, a new reservations site, will allow consumers to book all the brands in one place and is positioned to capture more direct bookings.
- Club Carlson has been replaced by Radisson Rewards, with new reward thresholds and a faster path to elite status.
- In South Asia (Radisson has a dominant presence in India) the company's goal is to have 200 properties open or under development by 2022. About a dozen hotels under the Radisson Blu, Radisson and Country Inn & Suites by Radisson brands are on track to open in India this year alone.

COVER STORY



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— Federico González

owners like Bob Rauch, president and CEO of San Diego, California-based RAR Hospitality, who admits to having mixed feelings about Radisson’s brands vis-à-vis the bigger players. “They need to improve their reach in the market, and they don’t know who they are as a brand yet,” he observes.

RAR sold an underperforming Country Inn & Suites and rebranded a Radisson in Phoenix, Arizona, in the past several years. It recently invested in a Radisson in San Diego, but he says, “the jury’s still out.” He adds, “we’re not feeling the love.”

Radisson executives say the com-

pany’s smaller brand portfolio gives it an edge over larger players. “When you have 20 or 30 brands, it gets a little confusing,” Kidd says. “We are telling owners, ‘We’ve got eight brands, one for each sector of the market, and if we give you that brand we won’t open another one to compete with you down

Positioning RADISSON HOTEL GROUP BRANDS

- Radisson Collection (“Welcome to the Exceptional”) — formerly Quorvus Collection, launching in 2018 as a premium brand; some property names will lead with “Radisson Collection,” while others will lead with their own name, followed by “A Radisson Collection Hotel”
- Radisson Blu (“Feel the Difference”) — design-driven upscale; North America is a target
- Radisson Red (“Enjoy It!”) — focus on millennials and expansion in EMEA and Americas
- Radisson (“Simply Delightful”) — the flagship upscale brand, focus on EMEA
- Park Plaza (“Smart, Engaging Service”) — contemporary design, being reworked to make it more relevant for affluent international travelers
- Park Inn by Radisson (“Feel Good”) — upper midscale
- Country Inn & Suites by Radisson (“I Love This Country”) — country-themed select-service
- Prizeotel (“Affordable High Design”) — EMEA-focused economy design hotel



Rendering of the Radisson Blu Anaheim

COVER STORY



Lobby of the mid-market Park Inn by Radisson

the street.' That's getting a lot of traction, and it's a much simpler model.'" Radisson's sales and development team is structured to create a one-stop shop for owners as well, which Kidd says allows it to respond more nimbly.

A small cloud hanging over Radisson's reinvention is the status of parent HNA Group. The company is one of several targeted for increased scrutiny by the Chinese government for their debt-heavy overseas invest-

stake in Hilton spinoff Park Hotels & Resorts and Hilton Grand Vacations. The latest asset on the block is a 26.1% interest in Hilton Worldwide, worth more than US\$6 billion.

But any turmoil occurring at HNA doesn't seem to have tainted Radisson's plans — at least not yet. Kidd says HNA Group has largely kept its distance regarding Radisson's strategy aside from giving its blessing. "They have given us incredible support," he

by annually asking potential owners, consumers and prospective team members: "Which of the following companies capture your mind? Choose three."

Kett says achieving its ambitious goals will require that Radisson be "effectively punching well above its weight and endeavoring to use other techniques to become more noticed than size alone would enable them to accomplish."

The biggest remaining hurdle,



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ments. HNA has been on a buying spree in the hotel space, snapping up Hilton Grand Vacations and Park Hotels & Resorts, as well as stakes in Hilton Worldwide, Red Lion Hotels, NH Hotels and Tsogo Sun Hotels, in addition to its Radisson holdings. The company's ambitions have been reined in a bit: HNA announced plans to sell about US\$16 billion in assets during the first half of 2018, including its

says. "We are the ones cleaning up the brands, we are the ones putting in the new systems and creating new opportunities for owners, guests and talent to join the company. HNA trusts us to drive value for them and we feel completely supported."

In the end, that "top three" objective is more about perception than numbers. González says Radisson Hotel Group will gauge its progress

González admits, is execution. "We need to be very disciplined," he observes, "and very smart adapting it to the different markets."

Regular communication and bimonthly progress reviews of those 25 initiatives are part of the process. "The plans are there, the teams are there — now we need to make sure execution happens in a very timely manner," González says.