HOTEL MANAGEMENT

Development

New Radisson Hospitality CEO leads company through HNA unease

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The Radisson Blu Hotel in Edinburgh, Scotland. Photo credit: Radisson Blu

Carlson Rezidor Hotel Group, now Radisson Hotel Group, has gone through much more than just a name change. Most indicative of its revision has been a reorganization at the executive level since the company was acquired by Chinese travel conglomerate, HNA Group, in 2016. At times, it's looked like musical chairs.

Last May, Rezidor Hotel Group and Carlson Hotels created a steering committee to provide strategic direction to both companies. As part of the new structure, Federico González Tejera, the former head of NH Hotel Group, who subsequently became global CEO of Carlson Hotels Group, in January 2017, resigned that post and was named president and CEO of Rezidor. The move meant that longtime president and CEO of Rezidor, Wolfgang Neumann, was out. The dominant news was the hiring of John Kidd, the former president and COO of HNA Hospitality, as CEO of Carlson Hotels.

At this month's International Hotel Investment Forum, in Berlin, Carlson formalized its name change to Radisson Hotel Group in order to leverage and maximize its most recognizable core brand. The company wrestled for more than a year on the name change but said it changed it for obvious reasons; most notably because Carlson Rezidor didn't resonate as a consumer brand, the company said.

IHIF is also where Radisson Hotel Group, on a broader scale, introduced John Kidd as the CEO of Radisson Hospitality, with Radisson Hotel Group encompassing the Rezidor arm as well, led by the aforementioned Tejera.

But Radisson's stability is belied by shakiness among its parent company, HNA, which, along with other Chinese companies that have in recent times made debt-fueled acquisitions, is now under a Beijing microscope and prodded to sell some assets in order to free itself of some of its debt load.

HNA spent lavishly, not only acquiring Carlson, but making big investments in other hospitality entities, including Hilton and Park Hotels & Resorts, a REIT spun off from Hilton, that HNA recently recycled its equity out of. HNA acquired 53.7 million Park Hotels shares valued at around $1.4 billion from private equity giant Blackstone Group last year, alongside a 25-percent stake in Hilton. A Wall Street Journal story also reports that HNA is now currently looking to divest its 25-percent stake in Hilton Grand Vacations.

Beyond Hilton, HNA is also the largest shareholder of NH Hotels and also has a position in Red Lion Hotels Corp.

A HNA representative recently told The Wall Street Journal that any asset sales were "not based on government directives," rather that HNA was selectively selling properties that had performed well.

The Current Picture

In an ironic twist, Radisson's recent reorganization is being mimicked by HNA Group. Reports are that Hainan Airlines, the flagship carrier of HNA Group, is taking over the group's hotel business, along with other businesses, as part of an asset restructuring. How this will impact Radisson's business is unclear. Asked for clarification, a representative for Radisson said there was no comment on the Hainan news at this time.

It's against this backdrop of constant change that John Kidd is charged with leading the company. A former HNA executive himself, if anyone knows the inner-workings at the company, it's him. Hotel Management caught up with Kidd during IHIF (full video below) to hear the company's future growth strategy, and one thing is acutely clear: success is not just a goal but is essential.

"When I first joined the company, I found things could be better," Kidd said from the Radisson Blu hotel in Berlin. "We were in a position where we were uncompetitive with our main competitors."

Kidd and Radisson took a step back, analyzed and looked deeply at the comparable metrics, arriving to the notion that there was space for improvement. "We were fortunate to take over from the very entrepreneurial Carlson family—that provided a fantastic foundation," Kidd said.

Still, Radisson identified some 25 areas which it converted into initiatives "so we could shift forward," Kidd continued.

Part of the growth plan was to simplify. Kidd called the past ways the group was doing business as "convoluted."

"We had to become better financial stewards—now that doesn’t mean cost cutting, but it means managing finances better across platforms," Kidd said.

The goal is thus, according to Radisson executives: to be a top three global hotel company. That's no easy task considering Radisson Hotel Group's staunch competition. Currently, Radisson Hotel Group, according to its website, is the 11th largest hotel group in the world with eight hotel brands and more than 1,400 hotels in operation and under development.

One of those eight brands has a new name. Carlson's former soft brand incarnation, Quorvus Collection, has been replaced in name by the Radisson Collection, which currently has 14 confirmed hotels, including, pending legal agreement and approval, The May Fair London. Some of the Collection's hotels will have the Radisson Collection branding prominent, while others, like The May Fair and Serbia's Old Mill Belgrade, will retain their prominent hotel identities. None of the prospective Radisson Collection hotels are currently slated for North America.

In today's bigger is better mentality, eight brands is a fraction of what some of the larger global hotel companies possess. Kidd sees this as an advantage.

"Some of our competitors have 20 or 30 brands, but that can cause clutter," Kidd said. "We have eight brands we are polishing."

The brand strategy is different depending on region. In recent times, Carlson concentrated on its core Radisson brand and Country Inns & Suites in the U.S. Kidd now says the company will focus on five brands in the U.S, including its lifestyle Radisson Blu brand, which has a heavy presence in Europe and Africa. (There are currently three Radisson Blu hotels in the U.S, in Chicago, Minneapolis and Bloomington, Minn.)

Kidd adds that the company is ramping up expansion of its upper-midscale Park Inn brand in the U.S., as well.

Shorter on brands than other hotel companies is an advantage for owners, Kidd said. "When you are operating in a smaller pool, you don’t have to fear that another hotel of the same brand or competing brand [in the same brand family] is going to open up down your street. Your brand will be the only one in that location, giving you a bigger share of the pie and a competitive advantage," Kidd said.

HNA Resolution

How the HNA drama will play out is still anyone's guess, including Kidd's. "With any merger, there is going to be angst and transition," he said. "This was a classic one: a Chinese conglomerate taking over a family concern. There are challenges for sure."

Taking advantage of synergy is one method to compete better on a global scale. HNA is one of the largest companies in the world with interests in aviation, tour and other travel-related areas.

"When it comes to Radisson, it dovetails very well with their longterm strategic view," Kidd, who continues to have regular contact with HNA, said. "HNA Tourism is an international tourism conglomerate. Think about Chinese tourism: there were some 115 million Chinese travelers around the world last year."

With fluidity at HNA, Radisson Hotel Group, Kidd said, is not expecting its parent to "throw money at us to buy companies" to grow. "We have to prove that the company we have is a standalone going concern and by itself can pay for itself and grow strategically," Kidd said. "We have the funds to do that over a five-year plan."

What HNA decides to do with Radisson in the near or long-term is out of Kidd's hands. "Anything our parent company decides to do, we will embrace it," he said. "The onus is on us to prove that we can stand alone and be a formidable force in the industry."