PANEL 7B

Innovation in Finance, Ownership & Operation: ENHANCING THE BOTTOM LINE
Panelists

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Frontline Performance Group
INNOVATION IN FINANCE, OWNERSHIP & OPERATION: ENHANCING THE BOTTOM LINE

Agenda

Fed & Interest Rates
Marriot and Starwood Deal
Soft Brands
Serviced Apartments & Mixed Use
Loyalty Programs
Fed set to keep rates unchanged, may nod to ebbing risks

“The U.S. Federal Reserve is expected to keep interest rates unchanged...

“The Fed has held its overnight lending rate for banks at a target range of between 0.25 and 0.50 percent since it lifted the benchmark interest rate for the first time in a decade from near zero last December.”

(Reuters)
Are investors skiddish about Marriott/Starwood mashup?

"After the deal is done, ownership of the combined company will be split roughly 60-40 between Marriott shareholders and Starwood shareholders, respectively."

(Fortune)
Is bigger always better?

Or is there more to this than may first meet the eye?

For the answers to these and many other important questions about how is bigger always better? is always better? Is more distribution automatically beneficial to the individual owner? Does a retailer always improve a retailer program? Is there an optimum size for a hotel chain?

The white paper is brought to you from the Red Lion Hotel Corporation (RLHC), which, like our Pacific Northwest host, map out our own "network" for all.

Free Download: Free Download: Are Mega Hotel Brands Good for Hotel Owners? is downloaded from the white paper from HBBS Digital, the industry's leading hotel print advertising and strategy consulting firm.

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Is bigger always better?
Financing Soft Brands

**LIFE·STYLE BRANDS**: \([\text{lahyf-stahyl}] \ [\text{brands}] \ N.\)
Prescribed franchised products that are adapted to reflect current trends.

**BOU·TIQUE HO·TELS**: \([\text{boo-teek}] \ [\text{hoh-tel}] \ N.\)
Unique in style, design-centric, either independent or affiliated with smaller brand systems.

**SOFT BRANDS**: \([\text{sawft}] \ [\text{brands}] \ N.\)
Individualized hotels that give owners and operators the opportunity to affiliate with a major chain distribution while retaining their unique design, name and orientation.
Financing Soft Brands

**HOTELS: NET OPERATING INCOME PER AVAILABLE ROOM**

- **Boutique 50-100 Rooms**: $13,034
- **Lifestyle 100-199 Rooms**: $17,201
- **Total US Full-Service**: $18,562
- **Boutique 145-240 Rooms**: $20,553
- **Soft Brand 100-199 Rooms**: $22,317
- **Lifestyle 200-299 Rooms**: $24,563
- **Soft Brand 200-299 Rooms**: $30,037
- **Boutique 100-215 Rooms w/Spa**: $31,045

*Sources: STR and THG*
Financing Soft Brands

<table>
<thead>
<tr>
<th>SEGMENT CHARACTERISTICS</th>
<th>BOUTIQUE HOTELS</th>
<th>LIFESTYLE HOTELS</th>
<th>SOFT BRAND COLLECTIONS</th>
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<td><strong>Innovation in Finance, Ownership &amp; Operation:</strong> Enhancing the Bottom Line</td>
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<tr>
<td>Independent or part of small brands</td>
<td></td>
<td>Nationally franchised</td>
<td>Affiliated with a major national franchise distribution system</td>
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<tr>
<td>40 to 300 guest rooms</td>
<td>Prescriptive</td>
<td>Signature hotels, individually named and branded</td>
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<tr>
<td>Design-centric</td>
<td>Design-centric</td>
<td>Unique in design</td>
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<tr>
<td>Less than 10,000 square feet of meeting space</td>
<td>Planned for travelers who are interested in boutique lodging</td>
<td>Generally with restaurant and lounge</td>
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<tr>
<td>Restaurant and lounge on site or a selection of proximate interesting local dining and entertainment alternatives</td>
<td>With a lounge and, at least, light food on site</td>
<td>Generally upscale to luxury</td>
<td></td>
</tr>
<tr>
<td>Generally upscale to luxury</td>
<td>Generally upper midscale to luxury</td>
<td>Sources: THG</td>
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INNOVATION IN FINANCE, OWNERSHIP & OPERATION: ENHANCING THE BOTTOM LINE

A SHIFTING MINDSET: THE NEW EXPECTATIONS OF MODERN TRAVELERS

In recent years, hotel guests’ expectations have shifted. As generations begin travelling, their preferences become more defined and they want more options. This modern mindset seeks out convenience, innovation, and personalization.

These new expectations are challenging the hospitality industry to rethink the entire guest journey, including pre-stay and post-stay, amenities, services and experiences.

NEW HOTEL BRANDS LAUNCHED BY DECADE

The industry saw its biggest expansion when Baby Boomers began traveling, rolling out a large portion of its inventory in the ’80s. Though never reaching the heights of the ’80s, the market has continued to expand at rates higher than the pre-Boomer era.

TRAVEL SPEND IN 2015

$4,700 3 trips
$4,187 2 trips
$4,249 3 trips

AS THE MINDSET CONTINUES TO EVOLVE, SO DOES THE GUEST EXPERIENCE

- Travel agencies
- GDS
- Travel agent provides recommendations
- AAA and Petit’s travel guides
- Online travel agencies
- Proprietor booking engines, brand.com
- Optimized brand.com
- Focus on constant strategy and story-telling
- Motels booking
- Genetic welcome/thank you emails.
- Tailored CRM programs, personalized communications
- Pads replace front desks
- Experience with kaika
- No front desk
- Keyless room access
- High-end décor
- Lounge, vibe
- Business center with computers and printers
- Minimal décor
- Interactive digital signage with local recommendations
- Room training, open spaces with Wi-Fi throughout
- Work stations with ergonomic chair + desk, fast internet, flat screens TV
- Smart TVs, USB ports, no desks, upgraded bathrooms in all existing rooms
- Options focused on convenience
- Self and go options
- Room service no longer necessary
- Loyalty programs become ubiquitous with membership outnumbering the world population
- Points-based programs become recognition-based with personalized rewards
- Guest surveys, word of mouth between social groups, family and friends
- Tripadvisor and online review sites
- Social platforms prevail
- Guest review and rating directly impacting RevPar growth

WHAT DOES THIS MEAN?

ObstACLE-adverse and tech-friendly, today’s guests expect seamless stays from booking to checkout. Brands, both new and established, continue to evolve to meet shifting mindsets and consumer preferences.
Serviced Apartments

In recent years, the serviced apartment sub-sector of the hospitality industry has grown faster than any other class of temporary accommodation.
Is shared ownership the new mixed use and is it a long term feasible model?

In the business of vacation ownership or shared ownership, the term “mixed use property” means a resort that is part timeshare condos or timeshare units and part hotel. While once this was a rarity in vacation ownership timeshare resorts, for many developers, especially the branded hospitality providers, this has become a more typical way to develop a property. But mixed use properties can go far beyond the idea of hotel and timeshare resort combination.
What’s Next in Loyalty Programs

3 Billion loyalty members in US

319 Million in US = 29 loyalty programs per HH