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LODGING

2015
MARKETPLACE
GUIDE TO INDUSTRY RESOURCES AND SERVICE PROVIDERS
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HANDLING AN UNEXPECTED INFLUX OF GUESTS

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WHAT PROJECTS ARE BREAKING GROUND AND WHERE

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INSIDE *HILTON'S QUEST* TO BECOME THE MOST VALUABLE BRAND IN LODGING

CHRIS NASSETTA
CEO, HILTON WORLDWIDE

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HILTON'S BIG YEAR

BY **SEAN DOWNEY**

CEO Chris Nassetta talks about going public, working with Blackstone, ramping up international development, launching two new brands, rolling out straight-to-room mobile technologies, and how running Hilton is like solving a complex equation

CHRIS NASSETTA HAS A SORE BACK. HE STIFLES A GROAN AS HE GETS UP FROM HIS CHAIR AND STANDS WHERE THE PHOTOGRAPHER DIRECTS HIM. AS THE SHOOT STARTS, THE PRESIDENT AND CEO OF HILTON WORLDWIDE EXPLAINS HOW HIS EXUBERANCE GOT THE BEST OF HIM THE DAY BEFORE WHEN ONE HIS TEENAGE DAUGHTERS INJURED HER ANKLE PLAYING SOCCER. WITHOUT THINKING, HE SCOOPED HER UP AND MADE HIS WAY TO THE CAR SO HE COULD GET HER TO THE DOCTOR. WHEN HE WAS HALFWAY TO THE PARKING LOT, HIS BACK WAS ALREADY CRYING OUT IN PAIN.

The twinge he felt wasn't anything serious (just a muscle strain) and neither was his daughter's injury (a sprained ankle), but it resulted in a rare moment of limited mobility for a CEO who has led his company through one of the biggest years in its already storied history, a year in which Hilton executed a wide range of deals, new product offerings, and initiatives that are paying off big for franchisees and investors.

Under Nassetta's leadership, Hilton Worldwide entered 2014 riding the wave of a history-making IPO. This was the direct result of a massive turnaround project that he embarked on seven years and one massive economic downturn ago. In that time, Nassetta remade Hilton's culture, relocated its headquarters across the country, and ramped up international development to turn the company into a global powerhouse that justified the Blackstone Group's $26 billion investment in it. The rest of this year has been spent building on that momentum, by introducing two new brands, innovating on mobile technology, and establishing the biggest pipeline in just about every major market around the globe. Here's what Nassetta had to say about Hilton's big year.

Q SINCE BLACKSTONE BOUGHT HILTON AND YOU CAME ON AS CEO, YOU'VE BUILT THE LARGEST HOTEL COMPANY IN TERMS OF ROOMS AND RAISED $2.35 BILLION IN AN IPO. WHAT GOT YOU FROM THERE TO HERE?

A At the time, plenty of people thought Blackstone's purchase was one of the last trains out of Dodge and that it had overpaid. What they missed and now can see is that it was the result of a clear view of opportunity from the beginning. The underwriting thesis behind this deal was that many of the right pieces of this company had been put together but were not being optimized.

We had good brands, and there was a lot of potential for market share if you connected everything the right way, but there were gaps in our brand portfolio, and the

ANDREW BURTON

At the time of the IPO, Hilton was valued around $33 billion.

[December 2013]

PARTIAL BLACKOUT

ON HILTON'S BIGGEST SHAREHOLDER

HILTON WORLDWIDE raised $2.35 billion in its public offering at the end of last year—the biggest ever for a hotel company. At the time of the IPO—the third in Hilton's 95-year history—the company was valued around $33 billion, or 27 percent more than Blackstone paid for it in 2007. The New York City-based private equity firm started out the year owning a 76 percent stake in Hilton and pared that down to about 66 percent over the summer. In November, Blackstone said in a prospectus that it would sell another 103.5 million more shares, which could potentially reduce its Hilton holdings to around 55 percent by year's end.

commercial engines that drive revenue were disjointed. Customer satisfaction scores were not where we wanted them. From a growth point of view, we had an OK U.S. story, though we didn't lead in size or pipeline. Outside the U.S., we were at the bottom of the pack. We had the No. 1 brand in customer awareness in every major region of the world, but we were anywhere from fourth to eighth in existing supply, pipeline, or rooms under construction. So Hilton had geographic distribution, scale, and darn good chain scale distribution, and if we could get it all working, we knew we would be a juggernaut.

Q IF YOU COULD SUMMARIZE, WHAT WERE THE BIGGEST KEYS TO THE TURNAROUND?

A Hard work. There were some challenging moments in the process, but we started with the basics, which was getting everybody focused on True North. For our shared vision, we used a phrase that our founder, Conrad Hilton, coined in the 1950s, which is to fill the earth with the light and warmth of hospitality. We also established a common mission and unified sets of values and key strategic priorities, which changed the culture of the company, and that's what made the rest happen.

We had to be intensely focused on performance, and being in the middle of the pack wasn't good enough. We needed to expand the family of brands, improve customer satisfaction, and connect the dots with all our revenue engines. As a result of those things, we would accelerate growth, particularly internationally, because the more places that we were, the more that we could serve any customers' needs wherever they wanted to be in the world and the more loyalty we would drive.

If you look at our cumulative performance over the six years of being private, we led on the top line, margins, bottom line, and new unit growth and expanded the company by 40 percent, even during the worst of times. Since we've been public, every quarter, we've been outperforming our competitors.

Hilton Worldwide is 95 years old this year. There are probably 50 years where we dominated the business, and we invented everything. Then there are 20 or 30 where we got to the king-of-the-hill status and became complacent. Today, this company is back to firing on all cylinders and that's because our people want to win.

Q GIVEN WHERE THE ECONOMY WAS IN 2009 AND 2010, WERE YOU EVER CONCERNED THAT YOU WOULDN'T BE ABLE TO LET THIS PLAY OUT, ESPECIALLY GIVEN HOW LEVERAGED THE COMPANY WAS?

A No. In 2008, when most of the industry was starting to falter, we had a very healthy year in terms of growth. Like everybody, though, we started to see the declines manifest themselves in our business, but our declines were

[November 2014]

BREAKING CHINA

THE PLAN TO CAPTURE THE BIGGEST MIDSCALE MARKET EVER

SHORTLY AFTER our interview with Chris Nassetta, Hilton announced an exclusive licensing agreement with Plateno Hotels Group, a Guangzhou-based development and management company, to fast-track the growth of Hampton by Hilton in China. With this agreement, Hilton aims to leverage Plateno's local expertise to meet the projected demand in the mid-market space with one of its core brands. "If you're going to grow in a big way, you have to do it with people who have local know-how," says Jim Holthouser, Hilton's EVP of global brands. "Plateno has a proven track record of developing hotels in China."

A big component of the Plateno Hotels Group is the 7 Days Inn economy brand that in the course of eight years grew from one hotel in Guangzhou to about 2,000 hotels in 230 Chinese cities with over 190,000 rooms. The development milestones for this deal are equally aggressive, with a goal set for Plateno to deliver more than 400 hotels and to open the first one by the end of 2015.

"The Chinese middle class is growing in affluence and growing in appetite for travel," Holthouser says. "They're looking for more, and there's virtually no product. Therein lies the opportunity." While Plateno will direct the development and management of these hotels, Holthouser notes that Hilton will review every deal that Plateno does. "We've spelled out very clearly in our agreement our rights to control the quality of the Hampton brand—we have standards and a quality assurance process, and we will remove hotels if we need to," he says. "And we feel that Plateno has the same commitment to quality and doing things well that we have ourselves."

Since Plateno's Hampton pipeline will be primarily new builds with a few adaptive reuse projects, Hilton has designed a new prototype for this market. It has the same look and feel as current Hampton properties in 17 other countries around the world, though the guestrooms will be a little smaller than they are in the United States.

"The Chinese Hamptons will have a little snack bar, similar to what we do in Europe," Holthouser says. "And breakfast will look different, because the target for this is really the three-star domestic traveler. Instead of having serving dishes full of eggs and meat, we're likely to have congee and serve tea and soy milk—all the staples of the Chinese diet." Other key differences will be the fitness center and laundry services, Holthouser says. "Chinese travelers aren't accustomed to washing their clothes in public washrooms that other people have used."

a lot less than our major competitors' because we were running the business really well. We needed to. We had a lot more leverage, and we had more necessity to be really buttoned down.

But it's my job to worry, and there were times that I had concerns. What CEO wouldn't have concerns when the lodging industry as a whole was experiencing historic levels of decline? But I never lost faith because we had a great partner in Blackstone that had confidence in our management and in the underlying business. When I started running the company, I realized that the opportunity was bigger than what I had initially thought and that if we maintained our discipline in terms of following the strategy we had set out, things would come back around. And Blackstone was committed to supporting us every step of the way.

Nobody ever saw me walk around the hallways with my hair on fire. You could certainly say with $21 billion of debt, more leverage than anybody else, the great recession, catastrophic declines in the industry, and no one knowing when or if this thing would turn around that the conditions were worrisome. But we kept a steady hand, and we followed our strategy.

There was no one time, honestly, when I thought we couldn't make it through. I never came close to thinking that.

Q AROUND THAT TIME IN 2010, BLACKSTONE MADE AN ADDITIONAL INVESTMENT OF $819 MILLION IN HILTON TO BUY BACK SOME OF THE DEBT. CAN YOU TALK ABOUT THIS DEAL?

A I would describe that as an insurance policy, because nobody knew what was going to happen with the financial system and how long we were going to be in recession. Having that extension of time and reducing the debt by buying some back at a discount and converting some of the mezz debt to preferred equity allowed us more flexibility. With less debt to shoulder, we had more confidence that we could make it to the other side.

Q YOU ONCE COMPARED THE TEAM AT BLACKSTONE TO BEES IN HOW THEY COMMUNICATED WITH EACH OTHER. CAN YOU EXPAND ON THAT?

A It's true. I've had a 22-year relationship with Blackstone and Jon Gray [global head of real estate] and the senior guys that we interact with. I wouldn't have taken this job if I didn't have an immense amount of respect for them. They're smart, they do their due diligence, and they move at light speed, in part because of their ability to communicate. They have a system that's so well wired, it's like a collective—what one person knows, they all know. So you get the benefit of all the bees' brains on whatever issue you have.

[October 2014]

THE BIG DEAL

A CHINESE INSURANCE COMPANY WILL SOON OWN THE WALDORF ASTORIA NEW YORK

HILTON RAISED plenty of eyebrows when it announced the sale of its flagship Waldorf Astoria hotel in New York City to Beijing-based Anbang Insurance Group for $1.95 billion. The deal sparked a national security review since the hotel is a second home to the U.S. Ambassador to the United Nations. As part of the agreement, Hilton will use the sale proceeds to acquire additional U.S. hotels in a like-kind exchange, though the company hasn't identified the specific properties yet. The deal reportedly marks the first arrival of a Chinese insurer into the U.S. real estate market and the third overseas real estate acquisition by a Chinese insurance company. It's expected to close on Dec. 31.

Q ARE YOU SURPRISED BY THE RESPONSE TO THE SALE OF THE WALDORF ASTORIA NEW YORK?

A I'm not surprised. It's the Waldorf Astoria New York, and people want to talk about it. It's an amazing piece of real estate, and I think everybody has known for many years that something needed to happen with it. We're excited about the deal because we think it's a home run for everybody involved. It's a great price for us, and we have a good team in place to get the capital redeployed in intelligent ways. It will be under a 100-year management agreement with Hilton Worldwide, and it will be renovated to meet the highest standards of the Waldorf Astoria brand. Anbang [Insurance] is getting an iconic piece of real estate and can finally fully optimize it.

Q ON THE DEVELOPMENT FRONT, HOW HAS HILTON HAVING MORE PRODUCTS TO SELL HELPED THE PUSH INTO INTERNATIONAL MARKETS?

A When I started, we were already in more countries than any other company, but we didn't have broad distribution in terms of multiple assets and price points in many markets. Large-scale, broad geographic and chain scale distribution make a huge difference, and the loyalty effect of high-quality brands is undeniable. Putting it all together has allowed us to grow in good times and bad because we could lean in and out of various markets around the world depending on the demand patterns that develop. We've had amazing success doing this.

A good example is what's happened in Europe. Six years ago, you could tell Europe was slowing down, and the European banking system was in a tough spot, which meant there wasn't going to be capital, and frankly there probably wouldn't be demand to build high-end hotels. We knew Europe was going to be a value proposition play and that we had some great products to deploy. So we reengineered the DNA of DoubleTree by Hilton and the entire product and service delivery of our Hilton Garden Inn and Hampton by Hilton brands.

> **"Hilton Worldwide is 95 years old this year. There are probably 50 years where we dominated the business, and we invented everything. Then there are 20 or 30 where we got to the king-of-the-hill status and became complacent. Today, this company is back to firing on all cylinders."**
>
> **CHRIS NASSETTA**, CEO, HILTON WORLDWIDE

People weren't going to build full-service hotels in this environment, but we knew they would want to convert and with DoubleTree, we could convert them in great numbers. And if they were going to build anything, it would be lower-cost-of-entry products like Hampton and Hilton Garden Inn. There was real opportunity to bring more value to European hotels, which are traditionally smaller with less functionality. As a result of deploying our brands in a strategic way, we now have 25,000 rooms in the pipeline in Europe, which is more than any of our competitors have.

Q WHAT'S THE SITUATION FOR HILTON IN CHINA?

A What's happened in China is that the big international brands have done a good job of getting the high-end, upscale, and luxury properties, while the local brands have done a good job with the super budget, low-end price points. So you end up with a barbell with the middle up for grabs. Over time, the bulk of demand is going to come from the mid-market, like it does everywhere else in the world. We think there's a real opportunity to capture the flag in the mid-market space, especially as the Chinese lodging market matures.

So we're doing some things in China to expand out of the upper end of the business. We launched Hilton Garden Inn this year and opened our first hotel, and we have 20 in the pipeline. We're also getting ready to launch Embassy. And while there are going to be plenty of the full-service and luxury hotels built in China for the rest of our lives, demand growth will be higher in the mid-market over time. If you want to get loyalty from the masses in China, just like anywhere else in the world, you've got to have the distribution. When I got here seven years ago, China wasn't a strategic market for the company. Now, we have 50 hotels there and 150 more in the pipeline.

Q ON THE TOPIC OF BRANDS, LET'S TALK ABOUT THE NEW ONES YOU ANNOUNCED THIS YEAR—CURIO AND CANOPY.

A Absolutely. What do you think about them?

Q IT'S SMART AND ADDS TO THE BRAND LINEUP IN A WAY THAT MAKES SENSE, BUT IT ALWAYS COMES DOWN TO THE IMPLEMENTATION, DOESN'T IT?

A It's always about the rollout, which is why we're doing them in stages. Rolling out a new brand is complex because it has to perform. That means the DNA of a brand from a product and service delivery point of view and the actual properties themselves resonate with customers. They also need to be connected with our revenue engines in such a way that it drives results for our owners.

The reason owners want to work with us is to make more money. Our pipeline is the biggest in the world—215,000 rooms—and all of that is supported by third-party capital. Our average market share is 115 percent, which means we're getting 15 percent premium on every dollar in the system. That's worth a lot to owners particularly when they're entering into long-term agreements. Getting new brands right is important, because if the first experiences aren't good for a customer or an owner, it's going to make it hard to grow.

This is particularly true with Curio, which in large part is about getting high-quality unique assets into the system that don't fit in the traditional brand box but that our customers have told us they want. Owners want this because they can drive significant market share as part of our system.

Now, Canopy is really about doing something very different in lifestyle and making it more accessible. Canopy will be more organic and friendly and will relate to its local environment in

Conrad Hilton holds three bank checks that totaled the $111 million needed to buy Statler Hotels.

PHOTOS COURTESY OF THE MASSAD FAMILY RESEARCH CENTER, HOSPITALITY INDUSTRY ARCHIVES, HILTON COLLEGE, UNIVERSITY OF HOUSTON

[Echoes of 1949]

THE FIRST HILTON RENAISSANCE

CONRAD HILTON'S MOVES IN 1949 SIGNALED WHERE LODGING WAS GOING

By Mark Young

FINANCIALLY SUCCESSFUL AND EXPANDING, in 1949 Hilton Hotels was a company on the rise in an industry still struggling from the bleak days of the Great Depression. Founder Conrad Hilton was on the verge of making his name synonymous with hotels. In September 1949, Hilton had acquired the Waldorf Astoria in New York City, "the greatest of them all," as he wrote in his memoir. It was a triumph for a man who lost all but one of his hotels 15 years earlier. Hilton clawed his way back by painstakingly rebuilding the company's portfolio in the years since.

In the mid-1940s, Hilton had transformed the company from a southwestern regional outfit into a national chain through key property acquisitions in New York (the Roosevelt and the Plaza) and Chicago (the Palmer House and the Stevens Hotel, which is now the Chicago Hilton). The coast-to-coast company secured its first international toehold when it acquired the Caribe Hilton in Puerto Rico at the end of 1949. By then, Hilton Hotels had approximately 12,000 rooms under its name, with gross revenue of more than $42 million and profits just shy of $4 million.

Back then, Hilton was more a collection of individual properties and less a chain. It had both luxury and commercial hotels, from the sophisticated Plaza in New York to the 200-room Albuquerque Hilton, not to mention the Caribe. At the time, Hilton advertisements were geared toward acquainting the public with individual hotel names and their location. Hilton wanted the hotels to retain their distinctive style yet connect them to the larger national brand.

Of equal importance to all of these marquee acquisitions were the internal changes Hilton had put in place by 1949, creating a centralized purchasing department and expanding pre-cost accounting to the property level. These changes paid off when, five years later, Hilton made what was then the largest real-estate transaction in the United States, by buying the Statler hotel chain for $111 million. The deal was part of a larger movement within the lodging industry toward mergers and acquisitions, and it would lead to segmentation and the use of cutting-edge technology to book rooms. Hilton led the way through his ability to raise large amounts of money from various sources to fund mergers and acquisitions on a grand scale. When Hilton bought Statler, the New York City-based company had the most advanced telephone reservation system in the industry—a system that would soon extend to every Hilton property.

Coming out of the deal, Hilton had several properties that today would fill different brands. To fulfill a promise to the widow of Ellsworth Statler—the great founder of the namesake chain—Hilton promised to keep the name on various Statler properties. Hilton Hotels soon would consist of the Statler Hotels, the Waldorf Astoria, the Palmer House, and the Lubbock and El Paso Hiltons. All successful properties are geared for different clientele and tastes.

a way that's natural. It'll be less dark and brooding and more high energy and approachable, in both the feel and the price. We believe that by being at the upper end of the upper-upscale price point we'll be able to serve more customers and build a brand that's much bigger than what we've seen others do.

Unlike Curio, which will be almost all conversions of existing products, Canopy will be a mix of conversions and new builds. At this point, we have 11 deals done, with another 15 to 20 in discussion. We're going to get to scale quickly, and we're going to do it with a product that really is a wonderful blend of local relevance and a global connection.

Q CAN YOU TALK ABOUT THE MOBILE CHECK-IN AND STRAIGHT-TO-ROOM INITIATIVES HILTON IS ROLLING OUT?

A Right now, I can check in for tomorrow night. I just saw it pop up on my screen, and that's just the start. What we're doing isn't just e-check-in. We're allowing guests to pick their room before they arrive, and starting next year, we'll be rolling out the straight-to-room functionality. When we were a private company, we made a massive investment in our systems. We invested over a half a billion dollars in rebuilding and connecting property management, reservation, and financial systems. We had different systems that weren't interconnected, and investing to rebuild our base infrastructure has allowed us to roll out this major innovation.

If you think about it, the hotel business has not been the most innovative industry. This is real innovation. I want to give customers more choice and control.

Q PUSHING THIS KIND OF STUFF OUT TO OWNERS IS ALWAYS THE TRICKY PART, RIGHT?

A We had our global owners meeting recently, and our owners were very supportive. They love it because they know customers want it, and the rollout isn't particularly expensive or time intensive to implement. They can also see that the technology is very secure.

Canopy Ithaca

[June & October 2014]

MAKING THE BRANDS

A SOFT BRAND AND LIFESTYLE CONCEPT

CURIO AND CANOPY, the latest additions to Hilton's brand portfolio, tackle two popular market segments the company hadn't directly addressed before. The Curio Collection is a soft brand for independent 4- to 5-star hotels and Canopy by Hilton is an upper-upscale lifestyle brand. Both will add assets to the Hilton system that reflect the flavor and character of local communities.

Curio follows in the footsteps of other soft brands like Marriott's Autograph Collection, Starwood's Luxury Collection, IHG's InterContinental Alliance Resorts, and Choice's Ascend Collection. Since the June launch, four properties have joined Curio, including the SLS Las Vegas, the Highland Dallas, the Diplomat in Hollywood, Fla., and the Franklin Hotel in Chapel Hill, N.C. During Hilton's Q3 earnings call, CEO Chris Nassetta said the company is talking to more than 90 other independent properties and plans to open another Curio hotel by the end of the year.

Hilton intends Canopy to be an accessible lifestyle brand, similar to Hotel Indigo, Hyatt Place, Element, and Aloft, but positioned with a broad appeal. During the October unveiling of the upper-upscale concept, Hilton specified that location is paramount to Canopy's success. Shortly after the launch, EVP of Global Brands Jim Holthouser said, "That's why travelers won't find Canopies near shopping malls, in suburbs, or at airport locations. It's designed to reflect the local neighborhood flavor and culture where each hotel is located." Hilton has 11 signed deals for Canopy properties in key urban and secondary markets.

There isn't a carved-in-stone prototype for Canopy, though Hilton will still exercise some degree of control in the design process. New York City-based designer Mark Zeff will reportedly design the first 10 to 20 properties to ensure owners get the key ingredients right.

Al Patel, president of Baywood Hotels, a management and development firm based in Greenbelt, Md., is behind two of those deals—Canopy Miami Brickell and Canopy Ithaca. "As the Canopy concept evolves, the guestrooms will have some continuity and standards to them, while the public areas will be places where we'll add more local flavor," Patel says. He adds that the Brickell area where he's developing the Canopy Miami is an entertainment and restaurant district with over 100 international banks in a seven-block radius. "That might mean mojitos at the bar and cold cuts or deli offerings for breakfast, like you may find in Europe and South America." Given the Canopy Ithaca's proximity to Cornell, he says the team is targeting a sophisticated college vibe for it, but more from the alumni point of view than the frat house one. Patel says that they hope to break ground on both projects in six months.

Q SWITCHING GEARS, COULD YOU TALK TO ME ABOUT THE IMMERSION PROGRAM YOU PUT IN PLACE AT HILTON A WHILE BACK?

A When I created the immersion program and kicked it off by doing a week of service at the property level, it had a twofold purpose. First, I wanted our senior team to really understand what it takes to deliver for our customers on the front line. There are a lot of people who grew up in the hotel business like I did, but it might have been decades since they worked in a hotel, and we also had hired some executives who were new to the industry. Second, the immersion program helped us deal with the separation between corporate and the field. It helped break down barriers. The immersion was a simple mechanism to get everyone connected.

And while it worked amazingly well, it's also been in concert with many other things we've done to reinforce this connection. One of the biggest ways was improving our communication throughout the company. I communicate nearly every day and lead global town hall meetings, and we have a host of other methods that we've established for our leadership to connect with team members. We want our people to feel like they're part of something bigger. That said, no matter how hard you try and no matter what tools you use, it's really hard to connect with everyone because the maximum impact comes from shaking a hand and looking somebody in the eye.

Q WAS YOUR FIRST HOTEL JOB IN THE D.C. AREA?

A It was at the Capital Holiday Inn on 4th and C Street.

Q DID YOU COME IN AT THE FRONT DESK?

A I was the most junior person in engineering, and a lot of what I did involved a plunger. I did it for a couple of summers. My dad told me that if I was interested in getting into the business, I had to start at the lowest levels. Just getting behind the walls and figuring out how things tick taught me a lot about the back-of-house ecosystem. I did it before I went to UVA and while I was there getting a finance degree.

When I graduated, my first job was the assistant project manager of the Willard Hotel Complex redevelopment project on Pennsylvania Avenue. I worked in the real estate development business, focusing on hotels, office buildings, and retail. When I left and opened my own private equity shop, I again did lots of different things: apartments, buying defaulted debt, office buildings, and hotels. From the time I was a kid, I kept coming back to hotels. Then I finally said, it's not worth fighting it, hospitality is the place for me.

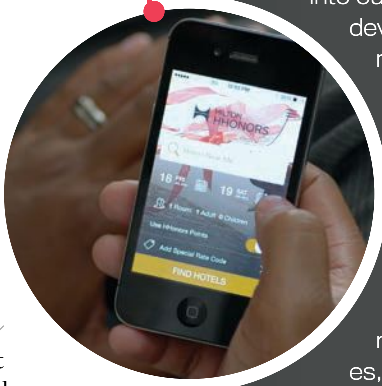
I really enjoy the hotel business because I like people and it's a very hospitable place to be. It's fun in that regard, but it's also massively intellectually stimulating because, unlike a lot of other businesses, ours is a microcosm of every business. We're a development business, we're an operating business, we're an online business, we're a branding business, we're an accounting business, we're a legal business, and I can go on.

To make all this work and drive $30-plus billion in revenue a year from this system of ours is a complex equation. That's not to say other things in my career didn't stimulate me, just not like hotels. I think there's no limit to the opportunity to do things differently and better in this business. As soon as you finish figuring out one thing, you move on to the next.

[July 2014]

GOING MOBILE

HILTON TO LAUNCH KEYLESS ROOM ENTRY SYSTEM BY THE END OF NEXT YEAR



THIS SUMMER, Hilton announced the rollout of mobile check-in for its 4,200 hotels around the world. While Marriott, Accor, and Starwood have similar platforms in place, Hilton has taken it a step further. "By the end of this year, as guests check into our hotels on their computers or mobile devices, they'll be able to use a digital map of the hotel to choose their room," says Jim Holthouser, Hilton's EVP of global brands. Access through the Hilton website or mobile app is tied to a guest's Hilton loyalty account, and the floor plans are connected to Hilton's real-time inventory lists.

This is all leading up to Hilton's launch of straight-to-room, a keyless room entry system for mobile devices, by the end of next year. "The idea of straight-to-room is to allow guests who know what room they're checked into to step out of their rental cars or courtesy vans, go directly to that room, and then use their phones to open the door," he says, adding that the company will start by putting this system in every Conrad, Waldorf Astoria, Hilton, and Canopy in the United States and plans to have the platform deployed in these brands worldwide by the end of 2016. "We chose them because they have a smaller footprint, which makes it easier for us to run tests."

Starwood is in the process of implementing its own mobile device entry system in its Element, Aloft, and W properties. "Eventually the other hotel brands will be doing this, but having the single PMS platform enables us to move very fast," Holthouser says. "Our rollout is tied to the supplier's ability to change out key locks and in some cases install the chip that has to go into the lock."

The issue is the change management at the hotel level, since there now will be two ways for people to get to their rooms. Some guests will still go to the front desk to check in, while others will opt to do it themselves.