

People-in-Travel

Tracking Travel's Leaders



From Travel Business Analyst

Interview: Ted Teng

Ted Teng, who took over the running of Leading Hotels in 2008, made and is still making changes. His comments (some of them paraphrased):

- I believed that Leading should not be growing in terms of number of hotel, but in the number of right hotels. And although we want to keep hotels, we also want to manage the exits properly. In 2009 we had 446 hotels; now we have 438. I thought we would drop to 400 hotels, but now I think we will probably start to move up. We terminated 44 hotels in 2009 and 39 in 2010, added 17 in 2009 and 31 in 2010.



- We have some chain hotels, but we will not take any more.

- We plan to double the revenue to hotels. It was US\$486mn in 2009, then US\$550mn in 2010. My target for 2013 is US\$1bn. In 2010, reservations increased 8.1%, roomnights 7.5%, average rate 7.7%, revenue per reservation 6.8%, total revenue 15.5%, revenue per hotel 20.5%.

- The hotel directory. Before it was informational. But we have moved the information to the website, so that the directory is now inspirational.

- To increase business in existing markets you can increase market penetration, and product development. In new markets, it is market development and diversification.

- We closed Leading Small hotels. Partly because of possible confusion with Small Luxury hotels, and partly because the word 'small' may mean less/fewer facilities to some. We also closed Leading Trust, the company that was planned to invest in certain hotels.

- You have to be careful about chasing trends. 85% of our effort is in getting more out of existing customers.

Flawed award floors

We are surprised that the UK has given the head of Air Asia, Tony Fernandes, one of its regal awards - an anachronistic Commander of the Order of the British Empire. He has already been given a title in his homeland, Malaysia - Dato

Sri, a high title, perhaps similar to 'Lord' in the UK.

The citation says the UK award was conferred "for services to promote commercial and educational links" between the UK and Malaysia. Yet his main claim to fame is making an airline in Asia - Air Asia - a success, and starting a daily route to the UK with one of its operating divisions.

We presume the UK has been duped by hagiographic publicity. To us, Fernandes is little more than a clever and successful businessman, having copied a businessplan from UK airline Easyjet, which copied it from Texas-based Southwest, which copied it from California-based PSA.

He also helped a middling fee-paying school in the UK, Epsom College, to open in Kuala Lumpur.

But the UK is not alone in giving Fernandes senseless awards. France gave him Legion d'Honneur, in 2010. Why? For "outstanding contributions to aviation". We still do not know why France gives an award for contributions to aviation, outstanding or not, but we presume in reality it is because Fernandes buys assembled-in-France Airbus aircraft.

(His airline started a route to Paris last month. We believe that as presumably he gets help for this route from the France government, it is he who should be giving an award to the France government for "services to Asian airlines".)

Burgio leaves NH Hoteles

Gabriele Burgio, the Italian CEO and executive chairman of Spain's NH Hoteles, is due to leave the company this month. The decision was announced only late February, but his replacement was also named - Mariano Perez Claver, 55, also CEO and chairman. Claver is due to start this month.

Burgio headed NH from 1997, when it had 66 hotels, all in Spain, to 400 in 24 countries now, overtaking rival Sol Me-

lia in the process.

He made one important marketing mistake - starting a brand with an unpronounceable name in English (or Spanish, or Italian) of EdeNH. But not only did he have the sense to abandon the name (after one year; from the beginning we said it was silly and would go). However, he produced another name that to us is one of the smartest names in the industry - NHow, for the group's trendy hotels.

But clearly something has gone wrong at NH. Burgio says he left because he achieved the businessplan objectives set out in July 2009 (these objectives are not clear, so it is difficult to confirm his claim). The company speaks of a 'positive evolution' (PE) in its share price, but our records are equivocal. The price fell 9% in 2010, after growing in 2009 and 2007 and falling in 2008 and 2006. *We cannot see a PE in that, although also we are not quite sure what NH means by PE.*

Replacement Claver was head of Spain-based SOS Corporacion Alimentaria since June 2009. SOS is not a food-supply company, as its name indicates, but an olive-oil company. His departure from SOS followed a big shake-up in January that included the dismissal of its CEO. He joined SOS only in mid-2009. His main experience has been in finance, mostly with one of the country's big banks, Caja Madrid.

SOS has been through financial difficulties. There were auditors' qualifications on its financial report for 2008, a search for new financial partners in 2009, and a sell-off of part of its business in 2010. It reported a US\$233mn (€177mn) loss in 2009.



The inference from Claver's appointment is that NH needs substantial financial attention - although it is not obvious that he has brought financial relief to SOS. Yet latest results at NH (through Q3 2010) showed a 10% increase in revenue, and 22% increase in operating profit. But this was compared with a poor 2009, as for many companies; revenue down 19%, profit down 31%.

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