

#45

The Hotel Group
Edmonds, WA# Of Hotels:
(end '07)
26# Of Rooms:
(end '07)
3,808# Of Third-Party
Managed
Properties:
26

The Hotel Group value driven in more ways than one

BY CHRISTOPHER OSTROWSKI

EDMONDS, WA— The true mark of hospitality greatness that owner and operator The Hotel Group (THG) is perpetually striving for doesn't always come in the form of a brand developer of the year award or

J.D. Power award, although the company can indeed boast of such accolades. Rather, sometimes it as simple as words spoken in a hotel laundry room.

Douglas Dreher, president of Edmonds, WA-based The Hotel Group, found this out first hand recently when he visited the

Doubletree Hotel THG owns and operates in Norwalk, CT. "We have a very well-defined service vision, but we strive for hospitality greatness and we have the 'key three' things that every associate is expected to practice darn near all the time. They are: acknowledge, smile and anti-

pate," he explained. "Well, having spent time recently at our Doubletree Norwalk, it's unbelievable how everyone practices it, from the laundry to the kitchen to the front office— new employees and veterans. And it was funny because Betty down in the laundry, she was very engaging and doing her job. And I said, 'You really are doing all the key things.' And she said, 'Well, we're not doing it just for you.' That's music to my ears. Don't do it for us, the executives. We're nobodies. Do it for the regular guest. So it's very exciting to see hospitality greatness in action and that's one of the things that separates us from the pack."

According to Dreher, there are many other aspects to THG that make it unique whether the comparison is to other owner/operators or simply other third-party managers.



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The Crowne Plaza Hotel in Billings, MT, speaks to the diversity The Hotel Group possesses in terms of both markets and brands.

Chief among them are the company's core values, he said.

"We have well-defined core values that have been well established through our 24 years," he noted. "A lot of the players in our arena are relatively new to the business, so we've actually weathered through several cycles. And we have a very well-defined mission statement that we focus on. Our overriding values are based on integrity and doing the right things when no one is around. It's easy to kind of compromise here or there on your values, and we don't do that."

Built through an acronym, the core values are known as TEAM, Dreher said, with the letters representing Trust, Engage, Accountability and Mojo.

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Turnaround opportunities primary targets for The Hotel Group

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THG's distinctive attributes don't end there, though, according to Dreher, as he went on to also cite the company's general alacrity and its entrepreneurial spirit that is instilled in its general managers, who don't get bogged down with

such things as voluminous THG-formulated marketing plans. "We like to give the GMs the tools to the job and get out of the way," he said.

Of course, while values, mission statements and idealistic goals are all well and good, at the end of the day, it's all about

operational performance in the hotel industry and, more specifically, RevPAR. But Dreher noted that the philosophical basis behind THG and its way of doing business have proved their worth and translated well down into the bottom line.

"At the end of the day, espe-

cially in a down market or tough market like this, you can have great plans, you can have a great location, but with our hospitality greatness we'll maximize the RevPAR index and the bottom line," he asserted. "This past year we had a 10% increase in RevPAR and also had

a 16% EDITDA, which had a 64% flow-through, so our team is delivering some good numbers. And that's not just the properties that are stabilized. That's the portfolio as a whole."

THG also doesn't pad its portfolio with stabilized assets. Instead, like many owner/operators, it looks to acquire hotels that can benefit from a repositioning, renovation and/or operational improvement.

In purchasing those hotels, THG utilizes opportunity funds through which it is the managing member and a contributor along with high-net-worth individuals that are principally from the Seattle area. THG just recently closed the third of these opportunity funds.

No need for sliver equity

Back on the other side of THG's business—third-party management—it's unique in comparison with many owner/operators today in the fact that it doesn't take sliver equity in the third-party deals. Of course, there is a strategy behind the strategy. "In our third-party deals we take no equity. You can always do sliver equity, but you should always ask yourself the question, 'Why?' What are you going to gain from it? You don't control the capital," Dreher explained.

With regard to THG's chosen third-party management deals, Dreher added that they are mostly relationship based. "The biggest by far is with [A&A Construction and Development]" he said. "We're their proprietary management company, if you will, as we operate all their hotels. They have at the highest end a luxury historic building and at the lower end the highest grossing Motel 6 in the entire chain in Anchorage, AK."

It was with A&A that THG recently agreed to operate another three hotels, all of which will be in Alaska, a hotbed of investment and management activity as far as THG's portfolio goes. Specifically, in this latest deal between the two firms, THG will operate a full-service hotel in Anchorage and a Holiday Inn Express in Fairbanks that will both be new builds. The third hotel is an existing Holiday Inn Express in Seward Harbor that A&A is expanding. **HB**

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