

# Is the Regent deal good enough to put IHG in the luxury game?

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**Exclusive Views: IHG wants to enter the Uber Luxury market by taking over Regent Hotels and Resorts and announced on last Wednesday that it will buy a 51 percent stake in Regent Hotels and Resorts for US\$39 million in cash, a move that would accelerate its expansion in the luxury hotel segment.**



Last week at the IHIF Berlin, the CEO of IHG Mr. Keith Barr was saying that a deal with a luxury brand was “imminent”.

Let’s look to what brought IHG to buy a luxury brand?

For the last few years global hotel brands are on the lookout for luxury/Uber Luxury brands.

Hilton developed its own Waldorf Astoria brand as its Uber Luxury brand and focuses on organic growth and conversions as they did in Rome with the former Cavalieri Hilton.

Accor on the other hand focused on take-overs. Accor took-over Fairmont, Raffles Hotels & Resorts and on October 2017 Accor signed a strategic partnership with French Train operator SNCF for the Orient Express brand.

Marriott wasn't left outside in the race. It took over Starwood Hotels that operates the Saint Regis Brand.

Inter-Continental was left on the outside.

Once the new, young CEO of IHG took the helm of this lodging giant back in July 2017, the race was on for an uber-luxury brand.

There were many rumors going around. Belmond, Kempinski even Four Seasons but the result is that Inter-Continental chose to go small with Regent Hotels and Resorts.

So, what is Regent and what is the history of the brand?

**History: (Source Wikipedia)**

The brand was started by hotelier Robert H. Burns as a joint venture with Japan's Tokyu Group in 1970.

In 1992, the Four Seasons hotel chain acquired the Regent hotel chain. Hotels under development at the time of purchase in New York, Bali, Milan, and Istanbul were subsequently opened as Four Seasons. In 1998, Carlson acquired the Regent name for new hotel developments and would create a luxury hotel division while the Four Seasons continued management of existing and new Regent hotels.

In 2002, Carlson agreed with Rezidor SAS to develop the Regent hotel brand in Europe, the Middle East and Africa.

In March 2006, Carlson renamed its Radisson Seven Seas Cruises to Regent Seven Seas Cruises and merged the cruise operation and Regent International Hotels under a common brand.

In 2008, Regent Seven Seas Cruises was sold to Apollo Management, an investment company. Carlson retained ownership of the master Regent brand, along with the operations of Regent Hotels & Resorts around the world.

In 2010, Carlson sold the Regent hotel business to Formosa International Hotels, the largest listed hotel operator in Taiwan. It is also the owner of Grand Formosa Regent Taipei hotel, Taipei, Taiwan, which was opened by Regent's founders in 1990 as 'The Regent Taipei'. Co-founder Robert Burns is appointed as Honorary Chairman and Ralf Ohletz is appointed president. Ohletz worked with another Regent co-founder, Adrian Zecha, for 25 years.

**Existing hotels and development pipeline:**

***Europe***

- Regent Berlin
- Regent Porto Montenegro

***Asia***

- Regent Beijing
- Regent Taipei
- Regent Singapore
- Regent Chongqing
- Regent Jakarta (opening 2018)
- Regent Harbin (opening 2018)
- Regent Suzhou (opening 2018)
- Regent Ningbo (opening 2018)

### **Americas**

- Regent Boston (opening 2020)
- Regent New York (opening 2020)

As you can see, there isn't much going on with this brand. However, what is interesting to see is the hotels that used to be branded as Regent hotels:

- Regent Hong Kong, renamed InterContinental Hong Kong
- Regent Beverly Wilshire, Beverly Hills in Los Angeles, California, United States, renamed Beverly Wilshire Hotel
- Regent Jakarta in the capital of Indonesia, renamed Four Seasons Hotel Jakarta
- Regent Bangkok, Thailand, renamed Four Seasons Hotel Bangkok and now Anantara Siam Bangkok Hotel
- Regent Sydney, Australia, currently Four Seasons Hotel Sydney
- Regent Auckland, currently Stamford Plaza Auckland
- Regent of Fiji, currently Westin Fiji Resort
- Regent Kuala Lumpur, Malaysia, renamed Grand Millennium Kuala Lumpur
- Regent London, UK, renamed The Landmark London
- Regent New York, New York City, USA, opened as Four Seasons Hotel New York
- Regent Bali, Indonesia, opened as Four Seasons Resort Bali at Jimbaran Bay
- Regent Okinawa, Okinawa, Japan, renamed The Naha Terrace
- Regent Esplanade Zagreb, Croatia now independent.
- Regent Bal Harbour, Miami, USA now called ONE Bal Harbour
- Regent Battery Wharf, Boston, USA now called Fairmont Battery Wharf
- Regent Grand Hotel Bordeaux, France now independent.
- Regent South Beach, Miami, now Z Ocean Resort.
- Regent Phuket Cape Panwa, Thailand renamed Amatara Resort & Wellness
- Regent Palms Turks & Caicos, renamed The Palms Turks & Caicos
- Regent Sanur, Bali in Indonesia, was independent and is now renamed Fairmont Sanur Beach Bali

### **Pros and Cons of the deal for Intercontinental**

#### **PROS**

1. Paying just US \$ 39 million for 51% control of what is widely conceived as a Luxury/Uber Luxury lodging brand

2. The deal maybe paying itself from the stream of fees coming from the managed hotels and the hotels that are currently in the development pipeline.
3. There isn't much old "baggage" that IHG will need to take in the form of bed leases, unfavorable management agreements.
4. Buying a very small company with small operations but an historical brand would allow IHG an easy incorporation of the brand into its portfolio (not like what has happened with Kimpton Hotels)
5. This move would be great for hotel owners that are having the Regent Brand. This move will allow their hotels into IHGs distribution system and Loyalty very large program.

## **CONS**

1. There isn't much "meat on the bones". Six hotels in operation most of which are in Asia. Just two hotels in Europe and two hotels currently in the pipeline in North America.
2. With such a small brand there isn't much of a "Loyalty" that most Uber luxury brands carry.
3. Both Four Seasons and Carlson tried and failed to bring back the old "glory days" of Regent hotels. What can IHG do differently?
4. As far as I can tell at this point, Regent brand doesn't have a well-defined management Philosophy like Four Seasons, Ritz Carlton or Mandarin Oriental. This needs to be developed from scratch.
5. In direct competition with well-established well-known Uber Luxury brands such as Ritz Carlton, Four Seasons, Mandarin Oriental. The Regent brand doesn't carry much weight
6. The well-established brands create their own HR management reserve for new hotels. Regent does not have it, at it will take time to get managers on board with previous experience & expertise in the Uber Luxury category.

## **Conclusion**

Inter-Continental was driven or maybe forced to enter the Uber Luxury market not necessarily because it was part of IHG's strategy but as a reaction to moves made by its competitors.

A new CEO wanted to move fast into this lucrative market segment took a rather small financial risk (US \$ 39 millions) and bought an existing Luxury brand. However, paying for the brand is relatively "small-change". Now IHG will have to establish the brand globally, create clear standards and brand story "DNA", find existing hotels that could be re-branded or develop new hotels and Proably mixed use projects that will include a Residential element similar to what Four Seasons, The Ritz Carlton and Mandarin Oriental are doing.

The good news is that IHG is on the move into the Uber Luxury segment.

The big unknown is, if Regent is the right brand for this move?

Time will tell...

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