

LodgingNews

February 2015 Vol. 12 No. 1

CANADA'S LODGING BUSINESS NEWSPAPER \$5.00

04 HOTEL OPEN HOUSES WOO THE LOCALS

08 STEVE GUPTA REVS UP HOTEL DEVELOPMENTS

09 OUTDOOR OASIS — PATIO PREVIEW 2015

10 FEATURE: HOTEL BATHROOMS — THE GREAT ESCAPE

Why Marriott has acquired Delta Hotels and Resorts

By Colleen Isherwood, Editor

BETHESDA, Md., TORONTO, Ont. — Marriott has increased its Canadian portfolio by half now that it has signed definitive agreements to acquire the Delta Hotels and Resorts brand and management and franchise business from Delta Hotels Limited Partnership, a subsidiary of British Columbia Investment Management Corporation (bCIMC) for C\$168 million (approximately US\$135 million).

The Delta brand comprises a diverse range of hotels and resorts with 38 properties and 10,000 rooms in more than 30 cities across Canada.

When completed, the transaction will increase Marriott's distribution in Canada to more than 120 hotels and 27,000 rooms.

By comparison, Wyndham has more than 500 hotels, Choice has 311, Best Western has approximately 200, IHG has about 170 and Hilton has 104.

Under terms of the agreement, Marriott is acquiring the Delta management and franchise business, as well as the Delta brand and related intellectual property.

At stabilization, after realizing certain operating synergies, Marriott expects the purchase price to be approximately 10 times annualized earnings before interest, taxes, depreciation and amortization (EBITDA).

bCIMC-affiliated entities own 13 Delta hotels (and one under development) and will sign new 30-year management agreements with Marriott for these properties. Third parties own the other 25 Delta hotels; 15 are managed by Delta and 10 are

franchised. In total, five managed hotels (approximately 1,100 rooms) are under development.

Michael Beckley, senior vice-president of development, Marriott Hotels of Canada, told *CIN* that they had 38 Delas and would have another five fairly quickly due to existing development deals.

"Now we have a whole new brand, acquiring 43 in a relatively short time. We have 86 today, and added 38 for a total of 124," Beckley says.

Beckley, who will be retiring at the end of the month, said that the Delta expansion is just part of Marriott's expansion plans. "Over the next 12 months, we plan another 20 Marriotts of various brands — bringing us up to 165."

Delta is brand number 19 for Marriott International's total portfolio, and Beckley said it will remain as a brand, not "by Marriott" since it already has its own following.

"It's a Canadian iconic company, with more than 90 per cent Canada-to-Canada business."

Filling in the gaps

Delta's another full service brand linked to Marriott International's system, and it includes a number of locations, such as Whistler, Saskatoon, and Winnipeg that will fill in Marriott Canada's full service brand portfolio.

"Barriers to entry are just too high in certain markets, and they're almost impossible for us to access. In Whistler, you can't have another room in that market. In downtown Saskatoon, the Bessborough will fill a gap in our Marriott full-service portfolio. Downtown Winnipeg — a major city

with 900,000 people — has no big buck Marriott.

"We're looking for strong coast-to-coast distribution, and Delta will make us even stronger in certain market segments, and complement our existing locations," said Manlio Marscott, vice-president Marriott International.

Delta guests will have access to Marriott's 4,100 hotels, the 49-million-member Marriott Rewards Club and Marriott.com which generates more than \$12 billion a year, starting next quarter.

The company's main offices will remain in Toronto, and will not be run out of the U.S., Beckley said.

Employees at Delta properties will still be employed at the hotels, according to Rick Hoffman, vice-president of mergers and acquisitions for Marriott International.

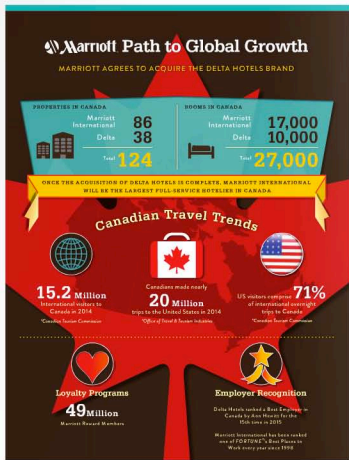
Delta metamorphosis

Over the past few years under the leadership of president and CEO Ken Greene, Delta has closed properties and built new ones in a number of Canadian cities, and extensively renovated others, with the goal of positioning the brand solidly in the four-star category.

One of the boldest moves was to close the Delta Chelsea, Canada's largest hotel, which has now rebranded as the Eaton Chelsea.

Delta was without a downtown Toronto hotel for more than a year as its new flagship Delta Toronto was built in the South Core neighbourhood.

Ryerson University professor Gabor Forgacs told the *Toronto Star* that



this was a good time for bCIMC to sell Delta, which they acquired in 2007. He noted that the market is looking up and evaluations are favourable.

"Whatever you bought in the recession years at good, depressed prices can be sold with a favourable, good financial outcome," he added.

"This is justifying how good

Delta is because an American powerhouse like Marriott sees them as good enough to acquire," Forgacs said.

In related news, *Marriott's Michael Beckley* received a Lifetime Achievement Award from the Hotel Association of Canada on Feb. 3 at its annual conference. See www.canadianlodgingnews.com for details.



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The Great ESCAPE



BUSY, STRESSED TRAVELLERS ARE INSPIRING HOTELIERS TO REINVENT THE GUEST BATHROOM AS A LUXURIOUS, SPA-LIKE SANCTUARY.

BY DON DOULOFF

“Other than the comfort of the bed, the guest bathroom is the single most important part of the hotel experience,” says Judy Henderson, principal and owner of Vancouver-based [Inside Design Studio Inc.](#)

Henderson speaks from extensive experience, since her company has designed between 50 and 60 hotel renovations.

In addition to being critically important to guests' enjoyment, the bathroom experience continues to evolve. “The role of the hotel bathroom has changed due to global design influences and raised guest expectations,” says Henderson. “Bathrooms are a selling point for the hotel and a significant selling point for luxury hospitality suites.” She goes on to say that “hoteliers realize that by investing in the bathroom and providing a luxury experience to the guest, they can more easily separate themselves from the competition.”



MINCEY MARBLE'S VISION SCENE & AREZZO BYPASS DOOR.

Driving hoteliers to reinvent the guest bathroom, says Henderson, are busy travellers, who want a "peaceful sanctuary" and respond well to "bathroom environments that feel fresh and new." At the same time, however, "guest bathrooms need to make a design statement."

Bathrooms, says Henderson, also "have to be more spa-like" and to that end, she's seeing a trend to "opening up closed and cluttered bathrooms through increasing the levels of light and space; sleek-and-stylish amenities, such as clutter-free vanities, above-the-sink shelving and illuminated mirrors."

In small spaces, large mirrors make the bathroom look luxurious. Also popular, she says, are enclosed toilets — with the remainder of the room separated by glass partitions — and bathrooms that appear open to the bed area. Some hotel brands are abandoning the traditional swinging door in favour of sliding bathroom doors.

Grey dominates the bathroom palette, while millwork wood tones "range from very light to the very dark, with added elements of blue and green hues," says Henderson. Natural materials and textured finishes are finding favour over high-gloss finishes, while tactile textures are playing a more important role.

"What we have seen this past year from designers and architects is that they want the bathroom experience to become more 'spa' like — lots of light, the use of linear lines and geometric designs, the removal of tubs, tile and shower curtains and the addition of shower enclosures with glass doors," says Donna Mincey, president of [Mincey Marble](#), supplier of cast marble products to the hospitality industry. "This helps to open up the entire bathroom, providing additional space or at least the illusion that it is larger. The more space the better. The neutral color palette remains the most requested and preferred by our customers."

"To enhance the guest experience, more hotels are redesigning both public and private washrooms with products that not only help deliver an upgraded and sophisticated appearance, but also offer consistency and matching looks that fit the essence of the hotel," says Cheryl Rickert, washroom marketing director for the away-from-home professional hygiene business in North America for SCA, manufacturer of hygiene products for the hospitality industry. "Hotels are keen to create luxurious, yet comforting, at-home environments, which offer an escape to guests."

2 Tubs/Showers

In high-end city hotels, the trend is toward "large pampering shower experiences rather than a tub and shower." The exception, she says, is a soaking tub, where space allows — "contemporary baths are now deeper and more comfortable." Bathtubs are still a must in family-oriented resorts and only in double-bed rooms, she says.

Echoing Henderson's words on the current vogue for well-appointed bathroom experiences is Peter Ashton, director of trade sales for faucet supplier Hansgrohe.

"We are finding more and more that hoteliers are seeking to provide luxury shower experiences for their guests," says Ashton, citing spa-like raincan showerheads. "We have also noted a heightened appeal for lavatory faucets that feature modern, clean lines." Among finishes, chrome continues to reign, since it complements other modern finishes in the bathroom space. Also resonating with hoteliers are low-flow faucets that deliver a sensory experience without compromising on water efficiency, says Ashton.

Shower enclosures are becoming streamlined, but showerheads are now much larger, in the form of overhead rainfall showerheads and hand-held showerheads, "to create a more indulgent shower experience," notes Henderson.

Taking the guest-pampering experience to a new level is Sandals Resorts — which, at some of its Caribbean properties, is installing tubs on balconies overlooking the ocean — and certain high-end hotels that are adding freestanding tubs in the bedroom, according to Russell Adams, president of [MTI Baths](#). These operators are creating a spa experience by incorporating bathroom elements into the bedroom, he notes.

More noteworthy still is the JW Marriott Houston, in Houston, Texas, which configured its floorplan so that travellers enter guestrooms through the bathroom, outfitted with top-quality cabinetry and vanities and a freestanding tub and shower, says Adams. The toilet is in a separate room, he adds.

JW Marriott's Houston property is in a bank building dating from the 1920s "and they had challenges with the existing layout," says Adams. "It definitely has to do with opening up the space and making a statement when (guests) walk in."

Elsewhere, properties are removing bathtubs and adding showers in their place, catering to business travellers who don't have time to take baths, says Adams. Other trends, he says, include embedding lighting, televisions and stereos — synced to guests' smart phones, allowing them to play their own music — in bathroom mirrors.



SWISSOTEL'S MOOD SHOOT NATURALS LIQUID SOAP.

What's a hotel stay without a soft bathrobe for guests to wear? "We're seeing lighter-weight terry cloth and woven or knit waffle-patterned fabrics," says Heidi Luber, owner of Lubertex, a supplier of textiles for bed and bath. In both cases, those fabrics are less expensive to buy up-front and more manageable to wash and dry, says Luber. White rules, since it stands up to repeated washing and bleaching. Most robes feature the hotel's logos, typically on backs or chest pockets.

On the bath-towel front, good quality, softness and absorbency are desirable features, with white being the favoured colour, for ease of maintenance, she adds.

Recognizing the importance of top-quality bath towels is Holloway Lodging Corp., which added new, softer, higher-thread-count terry-cloth towels, bath mats and face cloths to guestrooms as part of an extensive renovation completed last November to the Super 8 motel the company owns and manages in Timmins, ON. Noting that rough-textured, "sandpaper" linens are a huge turn-off for guests, vice-president of operations Chad Hope tells *CLN* that Holloway Lodging sought to create a bathroom experience "that's similar to guests' homes."

And a desirable bathroom add-on is slippers — either with or without a logo — "so guests don't have to walk around in bare feet," says Luber. Since slippers are low-cost and "too troublesome and expensive to wash," operators can view the footwear as a take-home item.

"Today's guests do not merely want to consume — ethical and ecological values increasingly have become deciding factors," says Paul Weber, president and co-founder of [Swissol](#), a distributor of European-made body care products. Guests, he adds, expect products to be safe both for their skin and the environment. Consequently, guests are increasingly demanding body care products that feature seals and labels certifying that they are, for example, organic, environmentally and fair trade.

Select boutique hotels are adding, to their bathrooms, spa-like amenities such as unique aromatherapy scents and bath salts, says Adams.



SCA'S PREMIUM TISSUE DISPENSER.

Of course, conceiving and installing upscale, smartly designed guest bathrooms mean nothing if those spaces aren't properly cleaned and maintained — and on that front, operators are paying more attention than ever.

"The hotel industry is putting additional emphasis on cleaning all hard surfaces in guestrooms" including such bathroom components as sinks, toilets, showers and glassware, says Stephen MacLellan, director of lodging, Canada, for [Sealed Air Diversey Care](#). "With media, social network and word of mouth, guests have a broader view on cleanliness. Properties are aware of the effect of bad publicity on their business and have changed the way they look at clean. Over the years, the hotel industry has increased staff training, the use of disinfecting products, the use of microfibre cloths and tools and a higher level of auditing."

Properties are providing more thorough training of new staff, with a focus on detail, proper use of disinfecting products and cleaning protocols, says MacLellan. Auditing, to verify that cleaning is performed at the desired level, can be carried out via web-enabled programs that track results and drive continuous improvement.