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IN FOCUS:
**INTERCONTINENTAL HOTELS
GROUP**

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HOTEL INDIGO ATLANTA AIRPORT



Source: HVS

With brands spanning limited-service, extended-stay, full-service, and boutique products, InterContinental Hotels Group lays claim to the world's largest collection of hotels. Occupancy and average rate are on the rise, and the company has several innovations, including a new brand, on the horizon.

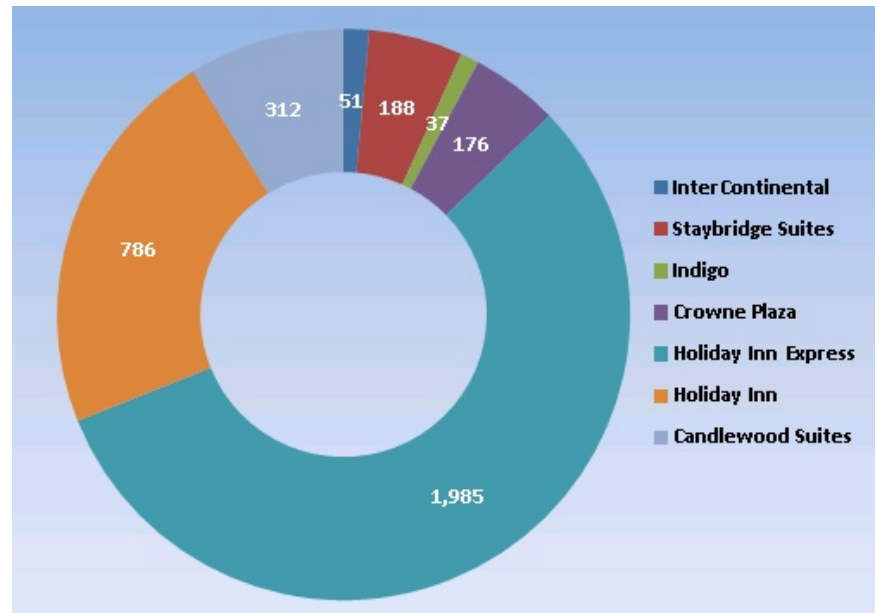
Highlights

- IHG opened 173 hotels in the Americas and removed 112 hotels from its system in 2013. The addition of new supply and the removal of dated hotels reflect the company's focus on building brand awareness, credibility, and consistency.
- In the Americas, the company signed 305 new hotels in 2013, up 33% over 2012. This includes four hotels for the new EVEN Hotels brand, with the first two to open in 2014.
- Within its Americas' portfolio, RevPAR rose 4.3% and average rates grew 2.6%, with the company's reported revenue increasing by 9% in 2013.
- Holiday Inn Express and Holiday Inn take first and second in terms of growth among IHG hotels, with more than 1,100 new hotels in the pipeline for both brands combined.

Introduction

With more than 4,600 properties worldwide, InterContinental Hotels Group (IHG) is rightly billed as the world's biggest hotel company. With such a dense and widespread collection of hotels, IHG is continually working to increase brand awareness, bring demand through the doors, and improve guest experiences. The following article looks at the company's portfolio performance and growth over the past several years, along with the latest IHG innovations.

CHART 1: PROPERTY COUNT – THE AMERICAS, END OF 2013



Source: IHG

Brand Background

InterContinental Hotels & Resorts, IHG's flagship brand, has been in operation for more than 60 years and has received recent honors from such hospitality institutions as Condé Nast Traveler, the World Travel Awards, and others. The full-service chain in the Americas comprises 17,453 rooms across 51 hotels, with 6 hotels in the pipeline.¹

The upscale, full-service Crowne Plaza line of hotels offers premium accommodations targeting selective business and leisure travelers and meeting planners in urban markets. In the Americas, Crowne Plaza operates 47,057 rooms across 176 hotels, with 16 hotels in the pipeline.²

Hotel Indigo is known as the industry's first "branded boutique" hotel, affordably combining the consistencies of brand standards with the unique design and the distinguished service of a boutique hotel. The brand is growing impressively: 23 new properties are in the pipeline for the Americas as of the end of 2013, which would increase Hotel Indigo's current portfolio by approximately two-thirds. Hotel Indigo's catalogue in the Americas presently comprises 4,344 rooms across 37 hotels.³

According to IHG, the company's Holiday Inn brand records more than 100 million guest nights annually. The brand caters to business and leisure travelers at a price point below that of IHG's other full-service offerings. Holiday Inn has been an icon of the hospitality industry for more than half a century and currently operates 138,830 rooms across 786 hotels in the Americas, with 139 hotels in the pipeline.⁴

Holiday Inn Express, a limited-service hotel concept catering to more price-conscious, brand-oriented business and leisure travelers, continues to be one of the fastest-growing hotel brands in its segment. IHG has 1,985 Holiday Inn Express hotels and 174,431 rooms in operation in the Americas, with 358 hotels in the pipeline.⁵

Staybridge Suites properties feature a variety of guestroom-suite configurations and amenities catering to the extended-stay market. Suites include a fully equipped kitchen and living area, along with business amenities such as a workstation, Internet access, and two-line phones. Hotel amenities include a business center, a 24-hour convenience store, a workout facility, and a complimentary breakfast buffet and evening reception. Staybridge Suites operates 20,309 rooms across 188 hotels in the Americas, with 71 hotels in the pipeline.⁶

Candlewood Suites, another extended-stay brand from IHG, targets the mid-market business and leisure segment, offering an affordable price point and conveniences. The brand's latest innovation is the "Lending Locker," from which guests can borrow

¹ <http://www.ihgplc.com/index.asp?pageid=406>

² <http://www.ihgplc.com/index.asp?pageid=407>

³ <http://www.ihgplc.com/index.asp?pageid=408>

⁴ <http://www.ihgplc.com/index.asp?pageid=409>

⁵ <http://www.ihgplc.com/index.asp?pageid=410>

⁶ <http://www.ihgplc.com/index.asp?pageid=411>

items such as desk fans, blenders, and crock pots at their convenience. The Candlewood Suites brand operates 29,778 rooms across 312 hotels, with 80 hotels in the pipeline.⁷

EVEN Hotels, IHG's latest lifestyle brand concept in the U.S., markets to wellness-minded business and leisure travelers seeking hotel accommodations that allow them to maintain their healthy eating and exercise routines. Positioned in metro markets at a "mainstream price point,"⁸ IHG expects to sign 100 EVEN Hotels within the next five years. IHG currently has five EVEN Hotel properties in the pipeline, with the first two set to open in 2014.⁹

Hotel Performance

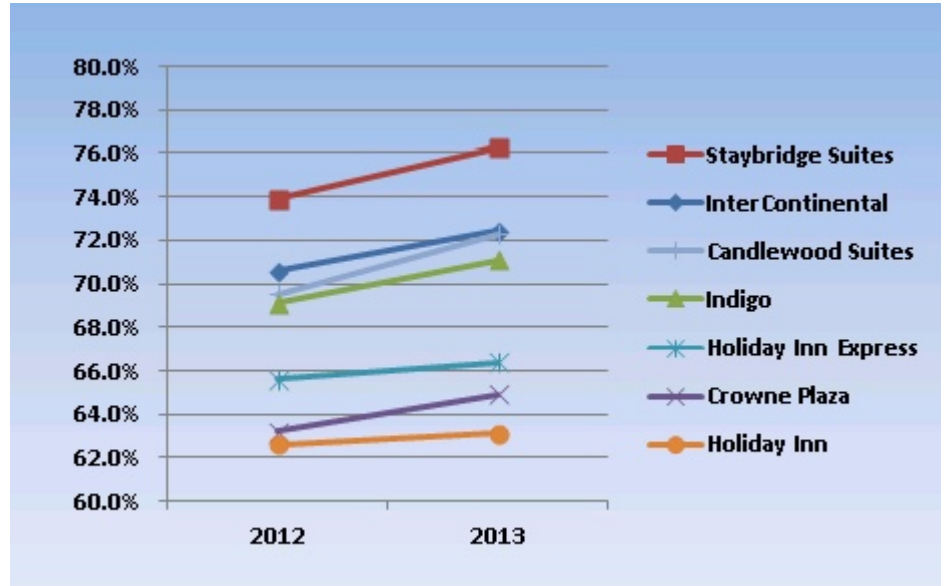
IHG's extended-stay brands, Staybridge Suites and Candlewood Suites, realized the greatest year-over-year occupancy growth from 2012 to 2013. Average length of stay has increased as corporate travel has improved, which has benefited these extended-stay products. Candlewood Suites and Staybridge Suites also boast the highest occupancy rates among IHG's brands.

During and immediately following the recent recession, most of IHG's brands suffered a dip in occupancy, most severely for InterContinental hotels. Very significant, however, are the impressive gains made by Hotel Indigo and InterContinental properties over the past several years.

As with the brand's occupancy recovery in the past two years, average rate at InterContinental hotels has surged, ending 2013 at \$191.48. Despite having the highest level of average rate growth among IHG's brands, average rate at InterContinental hotels remains below the high of pre-recession 2008.

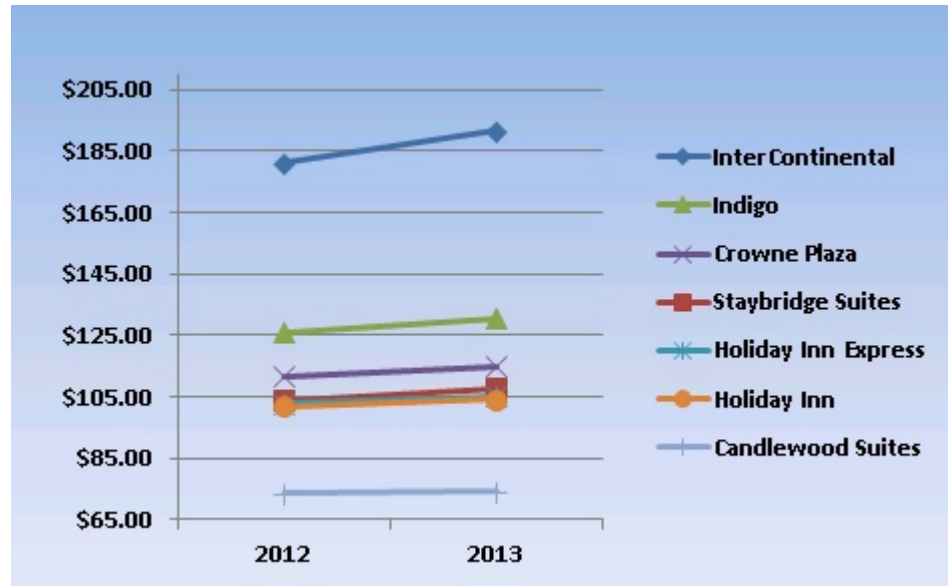
The company's other brands are making steady gains in average rate. Hotel Indigo's relatively sharp rise in average rate since 2010 also speaks to the brand's resiliency and growing popularity.

CHART 2: OCCUPANCY TREND (2012 – 2013)



Source: IHG

CHART 3: AVERAGE RATE TREND (2012 – 2013)



Source: IHG

⁷ <http://www.ihgplc.com/index.asp?pageid=412>

⁸ <http://www.ihgplc.com/index.asp?pageid=855>

⁹ <http://www.ihgplc.com/index.asp?pageid=855>

Given the notable gains for occupancy and average rate at InterContinental hotels over the past few years, it is no surprise that RevPAR has followed a similar trajectory. Still, the course of these figures, and InterContinental's in particular, reveals the progress of recovery for IHG's hotels, and there remains the potential for greater growth over the long term as local, national, and global economies continue to improve.

Innovations

As mentioned above, IHG's latest, most ambitious innovation comes in the form of the new EVEN Hotels brand, the first "wellness" hotel brand built from the ground up. The company estimates that more than 17 million travelers place a premium on "wellness," a concept that runs from nutritious food and drink to opportunities for staying fit while away from home.

EVEN Hotels are not only chic and modern, but plan to feature flexible workspaces, health-conscious food and beverage options, free filtered drinking water, and enhanced workout areas including options for in-room workouts and group classes. The hotels are planned for sites that feature jogging trails and other outdoor fitness facilitations. The hotels are billed as "mid-priced," and average rates should be similar to those of Courtyard by Marriott or Hilton Garden Inn properties. While other brands cater to wellness through incentives and programs, such as Omni Hotels' Get Fit Rooms or Kimpton Hotels' juicing program, no brand has embraced wellness as thoroughly as EVEN Hotels.

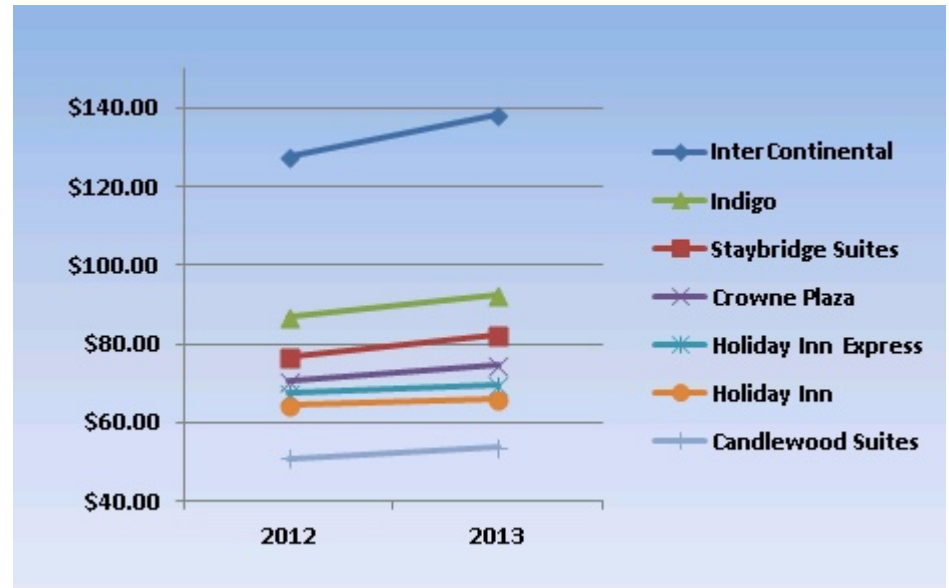
IHG is also leading the way with its Green Engage initiative, which helps hotels conserve resources and money. The Green Engage system measures and reports on a hotel's energy, water, and waste consumption, giving hoteliers the opportunity to create an action plan to make positive changes and track their progress. Green Engage allows IHG hoteliers to manage their property's carbon footprint, reduce energy expenses, and take advantage of tax credits. IHG has committed to reducing its corporate carbon footprint by 12% from 2013 to 2017, and the Green Engage initiative was recognized in early 2014 by the U.S. Green Building Council under its LEED Volume program and by the Green Key Global certification.

EVEN HOTEL



Source: IHG

CHART 4: REVPAR TREND (2012 – 2013)



Source: IHG

Finally, a new Holiday Inn Express Hotel & Suites prototype was announced in March of 2014. The new design features a renewed aesthetic, with neutral tones and creative decorative textures. The Great Room will feature an open business center, a market pantry, a dining area, check-in pods, and spacious seating areas. Guestrooms will provide a flexible workspace, movable seating, and additional storage options for guests. A sliding door separating the entryway from the sleeping area will provide better sound dampening, and the refrigerator will be repositioned outside of the sleeping area so that the noise does not prove a nuisance to guests. The brand will also be focusing more on creating new dual-branded properties, pairing a Holiday Inn Express with one of IHG's extended-stay brands.

Conclusion

Mike Brophy’s article from March of 2009, “[Brand Power: InterContinental Hotels Group](#),” looked at IHG from the perspective of a hotel brand behemoth, examining how the company cultivates brand awareness and integrity among its diversity and vast scope of hotel properties. By any measure, 4,600+ hotels could prove unwieldy. Consistency across brands and a commitment to innovation based on market trends and input from guests are crucial to keeping the portfolio strong. IHG re-launched its Rewards Club program in 2013, driving a 10% increase in brand awareness¹⁰ for the company’s hotels. IHG’s occupancy, average rate, and RevPAR growth over the past two years speaks to the loyalty of the company’s patrons, and with the new EVEN Hotels brand and new Holiday Inn Express Hotel & Suites prototype, along with renovations, expansions, and new builds, IHG is positioned to attract an even wider scope of demand and command stronger rates in the coming years.

CHART 5: PERFORMANCE STATISTICS (2012 – 2013)

	Occupancy			Average Rate			RevPAR		
	2012	2013	% Change	2012	2013	% Change	2012	2013	% Change
InterContinental	70.6%	72.4%	2.5%	\$180.98	\$191.48	5.8%	\$127.73	\$138.59	8.5%
Staybridge Suites	73.9%	76.3%	3.2%	\$103.72	\$107.77	3.9%	\$76.64	\$82.23	7.3%
Indigo	69.1%	71.1%	2.9%	\$126.01	\$130.29	3.4%	\$87.11	\$92.60	6.3%
Crowne Plaza	63.2%	64.9%	2.7%	\$111.63	\$114.98	3.0%	\$70.64	\$74.67	5.7%
Holiday Inn Express	65.6%	66.4%	1.2%	\$102.70	\$104.86	2.1%	\$67.37	\$69.66	3.4%
Holiday Inn	62.6%	63.1%	0.8%	\$102.01	\$104.15	2.1%	\$64.35	\$65.77	2.2%
Candlewood Suites	69.5%	72.3%	4.0%	\$73.37	\$74.10	1.0%	\$50.95	\$53.55	5.1%

Source: IHG

CROWNE PLAZA – ROSEMONT, IL



Source: HVS

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¹⁰ February 18, 2014. “Preliminary Results for the Year to 31 December 2013.” InterContinental Hotels Group press release. <http://www.ihgplc.com/index.asp?PageID=116&NewsID=3141>



About HVS

HVS is the world's leading consulting and services organization focused on the hotel, mixed-use, shared ownership, gaming, and leisure industries. Established in 1980, the company performs 4,500+ assignments each year for hotel and real estate owners, operators, and developers worldwide. HVS principals are regarded as the leading experts in their respective regions of the globe. Through a network of more than 30 offices and 450 professionals, HVS provides an unparalleled range of complementary services for the hospitality industry. www.hvs.com

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About the Author



A Vice President with HVS Atlanta, Janet Snyder works out of Asheville, North Carolina, conducting hotel valuation assignments in markets throughout the Carolinas, the South, and the Mid-Atlantic. Her detailed approach, re-adapted to fit each individual hotel assignment, translates into clear, comprehensive conclusions about a hotel's feasibility or value. Janet's previous hospitality experience includes four years at Hilton Worldwide.

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