

# LODGING

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3.15.04

# Locking Up Houston

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Chain  
Leadership  
Awards

Bedded Bliss

Executive Suite:  
Tom Corcoran

# Time Out with FelCor's Tom Corcoran

**L**ongtime hotel industry publishing executive Melinda Bush launches a new series of articles that will provide closer looks at the philosophies and strategies of the industry's most-powerful CEOs.

In initiating this series for *Lodging Hospitality*, we knew that FelCor Lodging Trust would be a good place to start. As the nation's second-largest lodging real estate investment trust (REIT) and owner of the largest number of full-service, all-suite hotels in the nation, FelCor serves as a bellwether of the industry. Tom Corcoran, FelCor's president and CEO, is among the most notable owners and operators in the industry. And, he always has a candid point of view on what's on the horizon.

**Q Melinda Bush:** Let's start with FelCor's recently announced strategy of selling non-essential assets and repositioning its real estate holdings into more strategically valuable markets. What was the rationale behind this decision, and how do you see FelCor positioned in the future as a result?

**A Tom Corcoran:** We believe there is a significant opportunity to create shareholder value from certain assets being sold. We're focused on developing a better overall hotel portfolio than what existed at the beginning of 2001. When you take a snapshot of FelCor in 2006 or 2008, I believe you're going to see a company that has evolved into a higher-quality asset base in lower-supply markets.

We initially identified 25 hotels to sell and later expanded the list to 33. At the same time, we continue to look at new opportunities that position us in the right markets with the right products.

**Q Bush:** There has been a lot of press lately pointing to an industry turnaround, especially on the mergers and acquisitions front. How will FelCor be a player as the market for properties heats up?

**A Corcoran:** Hopefully, because of our strong relationships with our brand managers, we will have the opportunity to get a first look at the acquisitions that meet our strategic objectives in terms of location within a mar-

ket, the brand itself and where we see that particular hotel growing long-term.

**Q Bush:** Let's move on to a related topic: managing your partnerships with the brands. As a hotel owner, FelCor has a very solid and successful reputation dealing with the companies that manage your properties and dealing with the brands. What's the secret to that formula?

**A Corcoran:** I think our secret (and I guess it's not so much a secret, but a reality) is being someone that other companies like to do business with. Most people want to have business relationships with people they like to do business with. We've successfully fostered those types of relationships.

**Q Bush:** You commented recently in another article about the impact of the 'Dot Bomb' on hotel profitability. How will this phenomenon continue to affect your business?

**A Corcoran:** It will probably affect our business more and more each year. At the beginning of 1998/1999, one or maybe two percent of measurable revenues came from the Internet. Today, this number is 10 percent. My guess is when you look at it in 2008, it's going to be closer to 40 or 50 percent.

**Q Bush:** There seems to be a big emphasis on the part of the brands to offer discounts to consumers directly as opposed to having consumers go to Hotels.com or the other Internet sites. Do you think this will be successful?

**A Corcoran:** Yes, because I think for a time the brands lost control—they basically provided inventory to people who were their competitors. What I don't think they initially realized is that the Internet can be a friend and a competitor. If you give rooms to an intermediary, and that intermediary is able to sell rooms at a lower cost to the consumer, you reach a point where you are basically creating high margins for these third-party intermediaries.

**Q Bush:** The brands are under pressure right now from owners for performance on the marketing and reservations side. Do you see them changing philosophically, or are there any changes that you would recommend to them?

**A lodging legend reveals his growth strategies.**

**By Melinda Bush, C.H.A.**

**A Corcoran:** I believe the brands have woken up and are going to take back control of the inventory and bring value back to the brands. I think the consumer needs to have a high level of confidence that if they go to a brand site, that hotel is going to give them the best deal.

**Q Bush:** How significant are priority or honored guest programs to your business?

**A Corcoran:** Today, Hilton HHonors represents about 40 percent of the total business coming from Hilton HHonors guests. I don't think any of us anticipated how strong and valuable Hilton HHonors would be to the continued success of Embassy and its other products under the Hilton umbrella. It's become a win-win proposition for the owners, franchisees and the brand.

Holiday Inn's Priority Club, which is the system under the InterContinental Hotels Group umbrella, is now taking advantage of the various brands with the concept of having a hotel company name tied to the umbrella. The cross-marketing of these brands has greater worldwide distribution than any other hotel company.

**Q Bush:** Let's shift to the stock market. What do you see on the horizon?

**A Corcoran:** We've actually had a pretty good move with our ratings this year, in terms of where we were in the spring relative to the stock price. Overall, lodging stocks have basically doubled from where they were in the first quarter of 2003. I think a lot of that was initially because of an anticipated turnaround in the economy that was expected to occur in 2004. It has still been a rough operating environment. Operating performance this year has been less for all of the hotel REITs than it was in the prior year, primarily because we have still had pressure on revenues through RevPAR decline.

**Q Bush:** How do you see FelCor creating shareholder value for its stockholders in the future?

**A Corcoran:** Consistently predictable EBITDA growth based on underlying strong hotel assets that continue to perform in markets that have above average RevPAR performance when compared to the overall industry numbers.

**Q Bush:** I want to switch to the FelCor culture, which you have almost single-handedly created yourself. Much has been reported on whether it's the monthly chef luncheons or the annual Halloween party. What were your thoughts when you started building the company's culture?

**A Corcoran:** I had a vision that going to work at FelCor ought to be fun. Fun doesn't mean our employees don't work hard. But instead, I recognized that there ought to be a balance of people being able to do things at work that might be considered non-traditional. I want to



FelCor founder  
Tom Corcoran

## THE BIG IDEAS

### FelCor Lodging Trust

- ▶ **Founded:** 1991
- ▶ **Number of properties and rooms:** 161 properties and approximately 45,000 rooms
- ▶ **Locations:** 33 states and Canada
- ▶ **Brands represented:** Embassy Suites Hotels; Doubletree Hotels, Suites, Resorts; Hilton; Westin; Sheraton; Crowne Plaza; Holiday Inn
- ▶ **Stock market symbol:** NYSE: FCH
- ▶ **Stock price (as of Feb. 26):** \$10.66

maintain a business culture where our employees feel the freedom to be who they are and, at the same time, feel like this isn't a place to be repressed or unable to communicate.

**Q Bush:** Why should shareholders and stockholders continue to hold or buy FelCor stock?

**A Corcoran:** As the lodging sector continues to improve, we are going to rise with that tide. FelCor's group of assets will be led by our investments in Embassy Suites, in various brands and our improving results from core Holiday Inns in major markets. Our investment in the Sheraton brand, along with the new assets/hotels that we acquire, will perform based on the measurements of RevPAR performance, bottom line performance and EBITDA performance. We'll stand up against alternative lodging investments and provide an opportunity to get somewhere above a 10-15 percent return on investment range from both capital appreciation and dividend going forward. **LH**

Melinda Bush, C.H.A., is president and chief executive officer of Hospitality Resources Worldwide, management and market development advisors to hotels and resorts. She serves on the board of several private and publicly held companies and was named Outstanding Woman of the Year by the Travel Industry Association of America. She can be reached at [mail@melindabush.com](mailto:mail@melindabush.com)

