



Leading Renewed

An Interview with Ted Teng,
President and Chief Executive Officer,
The Leading Hotels of the World, Ltd.



Ashford Castle, Cong, County Mayo, Ireland (left);
Cape Grace, Cape Town, South Africa (above)

EDITORS' NOTE Ted Teng was appointed to his current post in September 2008. He also holds a seat on the board of directors. Immediately before joining the organization, Teng was the principal and Chief Executive Officer of Prime Opus Partners, LP, a hotel investment and operations firm he founded in 2006. In 2005/2006, he served as Executive-in-Residence, and was actively involved through various volunteer leadership roles at the School of Hotel Administration, Cornell University. For five years he was President and Chief Operating Officer of Wyndham International, Inc. He also served as President, Asia-Pacific, for Starwood Hotels & Resorts Worldwide, Inc., immediately following the merger of Starwood Lodging, Westin, and Sheraton. Prior to the Starwood merger, Teng was the President of Asia-Pacific for Westin Hotels. Before coming to Westin, he was with IIT Sheraton, where he served for 14 years in a variety of senior and strategic capacities in operations, finance, and development in North America, Hawaii, and Asia. Most notably, Teng successfully negotiated the first IIT Sheraton equity investment in China in a multiuse project that included today's St. Regis Beijing. A graduate of the Cornell University School of Hotel Administration, Teng has an M.B.A. from the University of Hawaii.



Ted Teng

COMPANY BRIEF As the largest luxury hotel collection, with more than 420 of the world's greatest properties in over 80 countries, The Leading Hotels of the World (www.LHW.com) seek out the exceptional. From grand palaces to intimate city hideaways, from ancient castles to sumptuous safari tent villages, from tropical aeries to mystical paradises, all are utterly unique and boldly independent. Each celebrates the culture of its destination, rather than trying to mask it with corporate-mandated sameness. For 85 years, Leading Hotels has curated and championed this exclusive collection of independent luxury properties. Leading Hotels provides global sales, marketing, and distribution services through an expansive network of worldwide sales and reservations offices.

How has this company evolved over the years?

Leading Hotels celebrated our 85th anniversary this year. At its inception, 38 luxury hotels in Europe and Egypt decided to pool their resources

to tap into the emerging market at the time: the United States. In 1928, they set up an office in New York City to take reservations; this was considered cutting-edge at the time.

Since then, our company has continued to adapt to the various technologies that are available for making a reservation. We follow the technology, be it the 800 number, the CRS system, the GDS airline systems, and now the Internet.

Today, we have 420 hotels around the world in 80 countries and in 300 locations.

We help hotels reach customers and customers reach hotels. In the simplest of terms, we want to make the phones ring and drive Web site conversions.

In terms of who we do it for, in today's multi-branded chains, we are unique in that we are single-segment, single-brand, single-purpose. We're 100 percent owned by 70 of our members. We have been able to preserve member ownership for our 85 years.

Private ownership means that we have zero cost of capital. We can put everything back into serving our members because our profit is a capital source. Our shareholders have said, we don't need a dividend – just run a good company for the members. We're judged on performance instead of profitability.

What makes a hotel a Leading property?

We have a checklist of inspection. But what we look for is the product itself – is it interesting architecturally and well-designed? Is it in a great location? Is it distinctive? Then, we ask, who owns it? Then, we ask, who operates it? Many of our hotels are multigenerational family owned and operated. They pour everything back into the business – and there is no exit strategy.

Ownership makes a difference in the customer sense, particularly when you have multigenerational owners. They see the hotel as their expression of hospitality and their standing in the community. They want the product to be something the family is proud of. They tend to hire managers from the community who can best relate to the staff. When this happens, the guests feel a sense of authentic hospitality.

What chain brands do successfully is move managers around. What they don't know as well is the local culture.

How much opportunity is there for growth?

I want to improve same store sales, quality of the portfolio, the guest experience, the employment experience, and the engagement with our members.

Over the past four years, I've reduced the number of hotels. This would not be good for most CEOs, but we took the quality score up, which was our number-one focus.

We grew same store sales revenue by approximately 55 percent in four years when the market grew 27 percent – this was critical because we had not been performing well at the time.

We grew in terms of our focus on our core business by eliminating all of the joint ventures.

We grew the company by investing in our capabilities, which has nothing to do with number of hotels.

We have added hotels, and we have said goodbye to hotels because of quality. But we also lost some because we weren't performing for them. This is the part of the previous decade's distraction.

Is it tougher today to define a true luxury experience?

There is not a common definition. Luxury to me is what you want and don't have enough of.

Today, luxury is much more personalized. What is luxury today becomes standard tomorrow.

The beauty of being in the luxury segment is the pursuit of something better. But it has to be something the guest wants. It's more than quality amenities. I'm finding that hotels mirror people's homes. So the number of rooms are getting fewer, but the size of rooms is growing.

Did you know this opportunity was right for you early on?

When they contacted me, they wanted someone to redefine their business model to remain relevant for another 80 years.

Two things have changed in my career: one is hotel ownership and two is how people book a reservation.

This has created a lot of disruption for hotel companies. Some took advantage of it and grew rapidly; others started to see how irrelevant they are.

The company needed a renovation. So for the past five years, we have been focused on fixing and improving.

Now we're at a platform where we can differentiate and lead again – and this is exciting. ●