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Hotel chain gets noticed

CEO links growth to alternative approach to franchising

By Jim McLain, jmclain@VenturaCountyStar.com

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When Teresa Sanders told Roger Bloss two years ago that she wanted to discuss converting her company's Super 8 and Days Inn hotels to his firm's America's Best Value Inn chain, she was surprised that he didn't ask for a meeting the next day.

But Bloss, founder, president and CEO of Vantage Hospitality Group Inc., is in Thousand Oaks, while Sanders' firm, InnWorks Inc., is in Roseville, Minn. Bloss explained that when he and his team showed up weeks later, they had saved on airfares by piggybacking her meeting with a trip to visit other motel owners.

Their 2004 frugality helped convince Sanders. Today, 13 of InnWorks' 18 hotels are Best Value Inns. The other five will switch when their current franchise agreements expire. InnWorks is Vantage Hospitality's largest hotel owner.

"We felt starting then that these were people who understood what it takes for us as owners to earn the money that we pay to the franchise or the brand," Sanders said. "There was no sense of squandering your money.

"That's something that, unfortunately, you start to feel working with some of these other organizations."

America's Best Value Inn was named the country's fastest-growing hotel chain last month for the fourth consecutive year by Lodging Hospitality magazine. America's Best Value Inn added 8,117 rooms in 2005, a 29.7 percent year-over-year increase that easily surpassed runner-up Hilton Garden Inn's 7,683-room, 27.4 percent jump, the magazine reported. Vantage Hospitality, America's Best Value Inn's parent, is the world's 12th largest hotel company.

When a hotel joins a chain, it buys the right to use the brand name and marketing that is shared by all the hotels in the group. The owner also agrees to adhere to standards set by the chain.

Since its founding in 1999, America's Best Value Inn has grown from six to more than 650 hotels and is on track to hit 750 by the end of the year. The company also has hotels in Canada and Mexico and expects to open its first in China this year.

America's Best Value Inns are not luxury hotels but are popular with families and business travelers without expense accounts. Located mostly in small to medium-sized markets, most have fewer than 100 rooms and are designed to earn one or two diamonds on AAA's five-diamond rating scale. A guest pays an average of \$68 per night.

Owners like the \$10,000 average annual revenue each room generates because, they say, they keep more of that money with this chain.

Bloss, a 35-year hotel industry veteran, credits his company's rapid growth to its unusual approach to franchising. Instead of charging hotel owners a percentage of gross revenues, America's Best Value Inn's monthly fee is \$19 per room: \$14 to operate the brand and \$5 to market it. From 8 percent to 12 percent of revenues that most hotel franchisers demand can equal from 40 percent to 60 percent of an owner's profits, he said. His company guarantees to deliver more in reservations than it takes in fees and can increase charges only if 66 percent of owners approve.

Bloss calls his company's plan an alternative to franchising. Instead of franchisees, America's Best Value Inn hotel owners are called members. They sign one-year contracts instead of the multiyear agreements that other companies require.

"It's return on investment," Bloss said. "Last year, our average member got 629 percent on their investment with us. They have a voice in the brand, a say-so in the things we do; they control their own destiny in terms of standards, amenities and pricing, and they have the best return on investment of any similar brand in the industry."

Two member advisory boards must approve marketing strategies, spending, operating standards and procedures, including all amenities hotels are required to provide. Sanders, the Minnesota multi-hotel owner, said it's a refreshing change from other companies that dictate fees and often demand costly improvements without asking owners.

'Your views are being heard'

"One of the things I always say is I have a high level of confidence in the personal integrity of the people behind the company," she said. "They do set a tone of respect and inclusion. They listen to what you have to say. They don't always agree, but that's OK as long as you feel like your views are being heard and considered. That's huge."

Vantage Hospitality is succeeding despite ignoring long-standing industry dictims: going into business with close friends, starting businesses in well-established markets, expecting rapid growth in the first 10 years and allowing hotel owners to run the company.

Bloss and three friends who have been real estate investment partners since college launched the business, banking only on his hotel experience.

The 49-year-old native of Fort Lauderdale, Fla., started washing dishes at a Pompano Beach Holiday Inn at age 13 and was promoted to general manager four years later, the youngest in that chain's history. He moved to Dallas to run the former Nights Inn chain for several years, then to San Diego as Western regional manager for Cendant Corp., the country's largest hotel franchising company, managing Days Inn, Super 8 Motel, Ramada, Howard Johnson and other chains.

Increasingly, Bloss said, owners told him that they were not getting adequate returns on their investments.

With the advent of online technology, he thought that he could supply marketing, reservations, sales, quality assurance and other services cheaper than the big chains by using third-party providers. He and his partners bought a Newbury Park hotel in 1996 to test the theory, then got control of 10 others over the next two years to prove it.

Bloss and his partners sold off their investments to finance launching America's Best Value Inns nationally in 1999, marketing the concept through trade shows, trade journals and pitches to owners he knew. It was tough going at first because many doubted his ideas, especially allowing hotel owners to vote on the company's fee structure.

"Everybody, including my partners, said, 'Are you out of your mind? You must be crazy,' " Bloss said. "But I said, people today have million-dollar assets in hotels. They're going to want the brand to be successful because otherwise, it diminishes the value of their asset. So I took this approach and they embraced it wholeheartedly."

Today, Vantage Hospitality has more than 150 employees who work closely with hotel owners on quality assurance, reservations, sales, staffing, maintenance and other issues. The company also launched the Lexington Group hotel brand this year and now has four hotels in Florida that would rate from three to five diamonds and require fees about 25 percent higher than the America's Best Value Inn brand.

Although Bloss' office is in Thousand Oaks, Vantage Hospitality Group is based in Coral Springs, Fla., where most of his partners run their own businesses, including a law firm, a real estate auction business and a construction company. A partner in Cleveland handles the company's advertising, marketing and public relations through a business he owns.

They work independently but are equals and meet several times a year to make sure that they're all on the same page.

Rank has privileges

"We never fight. We've never had a disagreement," Bloss said. "Of course, the nice thing is at the end of the day, I'm the president and CEO of the company, so if it's a tie, I win. Rank has to have some privileges."

The company had revenues last year of about \$10 million, Bloss said, and sold 10 of the 11 hotels it controlled, keeping only one it leases just off the Las Vegas Strip that is expected to gross from \$2.5 million to \$3 million this year. It's near the MGM Grand and New York-New York hotels, but doesn't have their glitz or prices.

"Where those properties will be \$250 a night, we'll be \$89 a night," he said. "We don't have a casino, we don't have the restaurants, we don't have the ambiance, but we certainly have a clean, comfortable, safe place to stay." That's all most America's Best Value Inn customers want, Bloss said.

On the Net:

<http://www.americasbestvalueinn.com>

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