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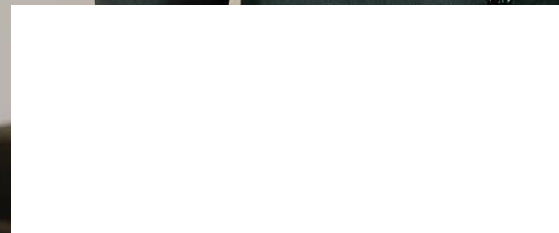
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The Human Touch

Marcus Hotels & Resorts knows that success starts with great people & personal attention

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SEATED: Tom Mason, SVP of operations; Peggy Williams-Smith, SVP of SafeHouse Restaurants; Andrea Foster, SVP of development; and Kent Duncan, VP of strategy and analytics

STANDING: Bill Klingsporn, senior director of accounting; Susan Terry, VP of culinary and food & beverage operations; Joseph Khairallah, COO; Greg Marcus, CEO; Peter Engel, chief technology officer; Laurie Hobbs, VP of marketing; and Steve Martin, VP of human resources

“We have these beautiful hotels and theaters. We build beautiful structures, and that’s great, but it’s bricks and mortar. You need soul.”

—Greg Marcus
The Marcus Corporation

The Human Touch

Poised for growth, Marcus Hotels & Resorts recognizes that people are the most important asset

By Nicole Carlino
Senior Associate Editor

Entrepreneurial. Conservative. Caring. Fun. Profitable. Those are the five words that Greg Marcus, president & CEO, The Marcus Corporation, used to describe his company, which encompasses both Marcus Theatres and Marcus Hotels & Resorts. Founded in 1935 with the purchase of a single movie theater in Ripon, WI, today the company offers more than 50 theater locations within the Midwest and owns and/or operates 18 hotels, resorts and other properties nationwide.

Recently, Marcus has made a few executive changes—Andrea Foster was added as SVP, development of Marcus Hotels & Resorts, Susan Terry as VP of culinary and food & beverage operations and Peggy Williams-Smith was promoted to SVP of SafeHouse Restaurants—which the company executives said is indicative of a positivity and forward momentum that Marcus is currently experiencing.

The biggest focus for the hotel division? Third-party management. “Our focus right now is to grow our management business. That’s where we see the most likely paths of growth,” said Marcus.

Foster, who is tasked with heading-up development efforts for the management company, noted that in the past, the industry might have perceived Marcus as being more internally focused on operating its own properties. “Where we want to move our reputation going forward is to have awareness of Marcus as a third-party manager,” she said. “That awareness is already broadening on a daily basis.” Foster noted that in the conversations she’s had since joining the Milwaukee-based company, response has been very positive, with doors opening to new partners.

“We have incredibly high integrity, a talented team and we’re considered best in class,” she said. Both Foster and Marcus noted that *Forbes* named The Marcus Corporation as one of America’s 100 most trustworthy companies in 2013.

Marcus expanded on the value proposition for owners. “We bring a lot to the table,” he said, ticking off the checklist: “A deep bench, 50 years of institutional knowledge of the hotel business, a robust food & beverage operation, a spa background, we can bring capital to the table if that’s a need, infrastructure. We’re not just two guys in a room who decided to open up a management business today. We’ve got enterprise software, not just because of our hotel business but because of our theater business as well. That gives us a balance sheet, and a conservative balance sheet at that. We have a pretty good palette to paint with. Not only have we been around, but we’re going to be around.”

Referencing the *Forbes* list, Marcus asked: “If you are a fiduciary of someone else’s money, who do you want to hire? Who do you want to bring in to manage your property if you’ve bought it for someone else or, frankly, if you bought it for yourself? You want somebody you can trust. That’s us.”

Looking at the current economic landscape—knowing that these external factors can and will affect any company’s growth opportunities—Marcus acknowledged that hospitality is not early in the cycle, but that he doesn’t get too caught up in the near-term. “In the short term, odds are we’re not at the beginning of the cycle,” he said. “We’re seeing lots of stuff getting built, not always for the right reasons, and you have to be careful this time in the cycle. This is where mistakes get made. I like to buy things when the cycle is low because I like to have room for error. When you’re operating at this point, you really don’t have a lot of room for error.”

Joseph Khairallah, COO, Marcus Hotels & Resorts, noted that turnaround properties are a passion project for him. “We love challenge properties—if an asset has been ignored or ill-positioned,” he said, noting that an extensive renovation at the Westin Atlanta Perimeter North helped make it one of the market leaders. “We look for hotels to sink our teeth into, where we leave them in better shape than the

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The Westin Atlanta Perimeter North recently underwent a multimillion-dollar renovation.



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day you found it," he said.

Marcus noted that you typically see those turnaround projects in down cycles. "We're built as a company to go through cycles. We don't put tons of leverage on our balance sheet, and we know these cycles come and go. We try to take advantage when the cycles are in our favor and we're careful when they're not," he said.

Foster weighed in, noting that the cycle is very market specific. "There are markets with continued opportunities with strong demand and more relative supply growth," she said, "and, in others, we'll soon see the impact of new supply and changing demand dynamics... We're realistic in expectations. We're not ones to overpromise and under-deliver—we reach or exceed expectations but we're not looking through rose-colored glasses.

"We feel we have dialed in on the right strategy and approach during times when others might be struggling," continued Foster. "We anticipate this being a competitive advantage, as owners may consider changing management companies to better position themselves."

Marcus Hotels & Resorts will be focused on properties that range from full-service, urban hotels to convention hotels to resorts, certain select-service properties, historic properties and turnarounds, either branded or independent. While the growth will be market specific, the East and West Coasts—where the company already has several properties, including the Westin in Atlanta and The Garland Hotel in California—are of interest.

But, while the company is poised for growth, the executives noted that there is no magic number. "Our growth focus is absolutely on quality over quantity," said Foster. Khairallah added, "We do not set goals about doubling in size or quadrupling in size."

"We consider the value add we can bring to the deal," said Foster of the approach to evaluating new opportunities, noting that one particular strength the management company has is F&B. "We have great experience from F&B concepting, to expanding brands, to operating the outlets as profit centers, which is incredibly important and not every management company can do that," she said.

Terry, charged with overseeing the company's 40-plus restaurants and lounges, including building the culinary team and restaurant design and concepting, expanded on F&B's importance to Marcus Hotels & Resorts' value proposition. "With Marcus, the food and beverage identity is huge to the company, and, frankly, it was one of the things that really attracted me to Marcus," she said. "The food & beverage financial contribution in our hotels is statistically higher than much of our competition. In a normal situation, you may have 80% coming from groups and rooms and 20% from food & beverage, whereas with Marcus what you see is more of a 60/40 ratio. The food & beverage spend per room is very strong.

"In today's environment, that's really unusual," she continued, noting that this is especially true since



Marcus Hotels & Resorts takes a local approach to restaurants, such as the Mason Street Grill, located at The Pfister Hotel.



most of Marcus' hotels are not small. "So, when you look at the food & beverage contribution, it's clear that our restaurants and bars are doing very well."

Terry attributes that to the Marcus family, which has led the company for three generations since its inception more than 80 years ago. "They understand the holistic experience within the hotel makes the entire portfolio successful. It's not just a bunch of hotel rooms; it's all the amenities that support that

space that make it a driver in its own market and help people make conscious decisions to frequent those hotels," she said.

Marcus also doesn't think of its restaurants and bars as hotel F&B—rather, they're restaurants and bars that happen to be in hotels, blending into the local experience that guests are looking for. Terry noted that Marcus hires restaurant managers. "Nobody

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TOP TO BOTTOM: Marcus' portfolio includes The Lincoln Marriott Cornhusker Hotel and The Pfister Hotel.

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does that," she said. "When we approach F&B, the restaurants and bars are put through the lens of making them locally successful first. Other larger operators build it for the hotel. Marcus says let's make it successful locally because if we do that, we will also make our hotel guest happy. When we talk about our restaurants and bars, we often position them as Mason Street Grill at The Pfister, not in The Pfister."

The company's acquisition in June of SafeHouse, a spy-themed restaurant here, aligns well with this approach to F&B. Williams-Smith has been tasked with overseeing the SafeHouse brand. (She formerly served as corporate VP of food & beverage, developing the company's restaurant concepts, including the Miller Time Pub & Grill, Mason Street Grill and ChopHouse brands.)

"SafeHouse is an experiential brand. We have a hard time differentiating between whether it's a restaurant or it's an attraction," said Williams-Smith, noting that, under the previous owners, most reviews said SafeHouse had horrible food but was a can't-miss experience. Marcus improved the quality of the food, with Terry's team cultivating what the executives called a simple, but fresh menu with consistent quality.

"When you look at some of the brands that came before it like a Hard Rock or a Planet Hollywood, they quickly lost their focus," said Williams-Smith. "Here, because it's not driven by all memorabilia but by sleight of hand, there's always something new to explore. That's what we think the draw of this is, which is why Marcus wants to grow this brand specifically."

Marcus is not looking to grow the SafeHouse brand within hotels, as the branding doesn't support that. "One of the great things is this brand is a destination and it doesn't need to be on the street front. You want it to be a secret," said Williams-Smith. "It can be in a basement or hidden in an alley, so it makes it much more appealing from a profitability standpoint because we don't need to pay prime rent pricing."

That being said, hotels will be an important part of the brand's future. "This is a tourist-driven restaurant," explained Williams-Smith. "We do 90% of our business from tourists, so we're going to look at major gateway cities in which to grow and then the partnership with hotels in any city we're in is of utmost importance."

Looking at Marcus' approach to F&B as a whole, Terry noted that she'll have two major areas of focus first: Event and catering service including product and presentation, and then building compelling stories for the branded restaurants at a local level. "First and foremost, my goal is to absolutely not mess up anything that's gone right before," she said. "I'm really focused on telling our stories. There's an opportunity for us to drive and improve how we connect with our guests. While our branded restaurants are really well-established, we have to be diligent about staying connected with local loyalists and reinforce what we stand for as an individual brand and they're inspired by what we're doing."

Having been with the company for only a couple of

months, Terry's plan is to really listen to her team before implementing any new programs or solutions. "I see some opportunity, but what I'm dedicated to doing first and foremost is talking to the team. We have a food & beverage and culinary leadership conference coming up in May. It's my intent at that time to have these conversations with them, dive into their heads about what it means to be Marcus food & beverage, what do we stand for, what's our identity," she said. "If I can tap into what they're passionate about, it will be successful. If I try to shove it from the top down, it won't be successful. I anticipate we're going to have a lot of conversations about sustainability, about healthfulness. I don't know how that will manifest, but we can't not have some of those conversations."

While Terry is exploring potential programs and solutions to implement at Marcus' hotels, Khairallah was amped up about an operational program tested at the Grand Geneva Resort & Spa in Lake Geneva, WI, to improve margins. "We partnered with Carpeedia, which looks at broken processes in anything you do," he explained, noting that the program helps to implement measurable improvements in processes, systems and behaviors. "As you improve and fix processes at the property level, you see improvement in profit as well as employee morale and satisfaction; the employee's job is not as difficult. We're very excited about it, and we have two hotels I'd like to target as the next places to implement."

Referencing the company's recent executive changes—which now means Marcus Hotels & Resorts has more female executives than ever in the company's history—Khairallah noted, "We seek the best people for their passion and experience, what they can add to the team. [However], the more diverse a team, the fresher the ideas and points of view are."

Marcus noted that diversity wasn't a factor in hiring—getting the right person for the job was—but it is a good thing for any company. "We believe in diversity and the importance of a diverse set of viewpoints. Think about how many times you meet with these management consultants and they say you don't want everyone to be a 'Type A—you want some people who are leaders and some people who have

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"We seek the best people for their passion and experience, what they can add to the team... The more diverse a team, the fresher the ideas and points of view are."

—Joseph Khairallah
Marcus Hotels & Resorts

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the follow through, some people who are more creative. They're saying you want diversity in your management structure," he said.

Khairallah noted that having a good mix of promotions from within and new blood is also extremely beneficial. "The mix of executives we have at Marcus speaks volumes of the strength of our company," he said. "There's people who have been with us who have a deep knowledge of the business and the company [the company currently has more than 200 employees who have worked there for more than 25 years], and, added to that mix, is a series of great hires. When building a team, if you surround yourself with people who are strong, smart and ambitious, the entire team wins."

Building a team, said Khairallah, is about maintaining a company's culture and infusing it with fresh perspectives that will enhance what's there. "You have to appreciate what was built for 80 years, but also not be scared to seek new ideas," he said, noting that while the company is focused on growth, he doesn't see that affecting its culture. After all, the company was much larger prior to its sale of its limited-service lodging division to La Quinta in 2004. (At the time, the portfolio included some 186 company-owned and franchised properties.) "A lot of times people worry about what growth will do to your culture," he said, "but ours has withstood the test of time. We're poised for growth and have strong people on our team that can take that growth and assimilate without hiccups."

That culture, said Marcus, is entrepreneurial in spirit, which can be seen in the recent launch of Graydient Creative, a digital marketing business. Formerly an in-house function of The Marcus Corporation, Graydient Creative now plans to serve clients specializing in the hospitality, entertainment, retail, restaurants, spa and wellness and amusement industries, providing website design and development, web application development, content strategy, social media management, search-engine optimization (SEO), E-commerce solutions, email marketing solutions, mobile apps and augmented reality.

"In our world today, a digital strategy is extremely important," said Marcus. "Digital skill sets are extremely important. Because of the scope of our company, we're able to build some pretty good digital infrastructure to deal with all elements of digital strategy." He noted that this applies to both hotels and theaters. "We've got this infrastructure in place, and we use it for our internal hotels, for our third-party management hotels, and then you overlay what I call this entrepreneurial culture."

Marcus noted that the idea to turn Graydient Creative into its own business sparked from the team, and because of the company's culture, the team was able to run with it. "That speaks to our entrepreneurial nature and letting our people feel like they have a chance to start something and do something, and we'll see where it goes," he said, adding that the company needs the services for its own properties anyway.



A self-described "techy" guy, Marcus knows the importance of technology to hospitality's future. He himself manages two twitter accounts—@gregmarcus and @greglovesmovies. "My movie side is a little more freewheeling, more consumer facing—it's meant to be fun and relatively light," he said. "Then I've got the Greg Marcus one, which is more corporate and civic-oriented, talking about our people, United Way. I have fun with both.

"Many people are surprised when they find out I actually answer the Twitter account," he said, recounting a tweet about the *Rocky* movie, *Creed*, in which he admitted to a road trip to Philadelphia in college to see the Rocky statue. "I wrote, don't tell my parents. Then the guy at the [*Milwaukee*] *Business Journal* published it in the paper. I tweeted at him, you do understand my dad reads the business journal," he said, noting that it provided a good laugh for the father and son.

But, while Marcus embraces technology, he does worry about how it will affect hospitality. "I worry a little that we'll lose the human touch, especially in a business that's about hospitality," he said. "Now, you're going to get your room assigned on your app, have the key on your phone and walk up to your room, and that's great, but I never had the chance to make an impression and talk to you. Some people don't want that; I get it. But, we don't always necessarily know what we want or need or why.

"I don't want people to wait in a nine-hour line—that's not fun either—but I worry we lose that human touch," he continued. "It's possible that someone could come into one of our properties in the near future and not talk to a human... And, I don't know if that's right. Somehow we have to figure out how to maintain that level of contact if we're going to go this way."

The company is looking to build on the SafeHouse brand. The spy-themed restaurant recently completed a renovation.

That human contact is vital for Marcus, the third-generation of his family to run the business, following his grandfather, Ben, who was the corporation's founder, and father, Stephen. While he ticked off a host of advantages Marcus has—ranging from infrastructure to a conservative balance sheet—when asked about Marcus' growth plans, it's people that he considers to be the most critical component. "One of the biggest keys to our success has been the understanding that we're in a people business, so people are our most important asset," he said. "We really live and breathe that and make that how we make decisions." For example, Marcus recently changed its year end. Previously in May, the year end was more tied to the theater cycle, and, since auditors are less busy then than in December, it was a little less costly. "My main motivation [for moving the year end to December] was we live in Milwaukee," explained Marcus. "The weather's not great [year round], and summer is the time when it's beautiful here; to move our year end to the end of December cost us a little money, but it's going to make everybody's quality of life better.

"We are a company that understands people are our most important asset. We have these beautiful hotels and theaters. We build beautiful structures, and that's great, but it's bricks and mortar," he reflected. "You need soul." **HB**