



Like a PHOENIX

B&B HOTELS not only survived the pandemic, it's come out stronger. Here's why.

MAX LUSCHER

CEO CENTRAL & NORTHERN
EUROPE @ B&B HOTELS

As the world takes tentative steps towards a post-COVID reality, it seems two distinct types of companies emerging from the pandemic. There are those that cut hard and deep to protect their business; losing headcount, slashing budgets, and halting their supply chain. Then there are those who have gone out of their way to protect employees' livelihoods, continued to invest in their brands, and rallied their supply partners. It's increasingly clear that the companies who took the latter route seem to have fared better through the last 18 months – and none more so than leading budget hotel group B&B HOTELS. →



LIST Develop Commercial has been working together with B&B HOTELS for several years now. We've built a strong and successful partnership and were able to take part in B&B HOTELS expansion into the German market. Likewise, we have realised a number of projects for various providers and we are very much looking forward to being part of future projects.

MICHAEL GARSTKA
Managing director,
LIST Develop Commercial

Max's reasons are clear. Firstly, he was attracted to the uniqueness of the business model and the lean management structure that allows the business to work with operational partners on the ground including local entrepreneurs. "B&B HOTELS is absolutely superior in terms of product and service," he says. "We were one of first movers in the budget hotel sector, and we are backed by private equity, which I actually find very refreshing and energising."

'Only For Everyone'

Certainly, his experience with private equity at KPMG helped him embrace private backing but Max could also see an opportunity to make an impact. It was brand and culture that Max first set his sights on, creating a purpose driven vision under the tag line "Only For Everyone." While a "something for everyone" brand positioning may be considered a risky marketing strategy, European customers love it. "Yeah, customer feedback is absolutely terrific. We run with a net promoter score of over 60, which is unusually high for the hotel industry," Max says. He's right, most high-end providers sit at around 30-40 NPS, budget providers much lower.

So how on earth has a hotelier, a budget one at that, managed to manoeuvre so deftly through a global crisis? "You know, COVID was certainly not fun, it was a hard time. We lost a lot of money but based on an excellent team, we took the crisis as an opportunity to launch many new initiatives from a digital perspective and from a product perspective." And this seems to be the great differentiator for businesses that invested, as opposed to making cutbacks, through the pandemic. Max explains: "For example, we introduced during the first lockdown a complete new digital distribution platform with a new global website, which we never had before."

At the same time, Max's team created new revenue-generating ideas and services within the hotels, like selling new and high-quality food and beverage offerings as a part of a new lobby concept. The team were relentless in their pursuit.

Throughout the pandemic, B&B HOTELS did not lose any staff, "other companies laid off staff, we did not. And I must say, am am not proud of very many things but I am proud of this because taking care of your employees is really important. Yes, we had to do some also measures like →



Budget travel?

Now, it may seem extraordinary to cite an example from one of the pandemic's hardest hit sectors, but today, B&B HOTELS CEO Central & Northern Europe Max C. Luscher is remarkably upbeat: "We had 80% occupancy last night in our portfolio, which is not too shabby. We're doing fine."

"Fine" is an understatement. B&B HOTELS, majority-owned by Goldman Sachs since 2019, has more than 580 hotels, and plans for 100 new ones next year. In fact, they are the fastest-growing budget hotelier in Europe, with an ambitious goal of expanding to 3,000 properties around the globe by 2030. They have recently launched new properties in Brazil and have merger and acquisitions ambitions that will facilitate operations in existing and new jurisdictions..

As B&B HOTELS' main man, it's no wonder Max is upbeat. He joined the company in 2016 from KPMG, where he had spent the best part of a decade with the management consulting giant before an unexpected call from an ex-client saw him consider a return to his operational management roots. So why the leap from high profile management consultancy to budget accommodation provider?



Michael Garstka
Managing Director

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short term contract work, like everybody had to do, but our goal was always to keep it at a minimum, and I think we managed that.”

It’s fascinating to consider the growth of B&B HOTELS when the budget accommodation sector hasn’t particularly thrived in recent years but Max believes there’s something specific and unique to the success of this brand that stems from its very particular business model.

Max explains how it works: “Power on the ground is provided by independent local hoteliers, true local entrepreneurs. They get a revenue contribution share from us. So, if we make revenue of 100, they get X% to cover their own expenses, which is mostly staff. But we invest in the beds and furniture, we cover the other operational expenses such as the breakfast supply and linen. The mandate managers basically use our set up and run the hotel on the ground for us.”

This model allows the company to run flexibly and at pace by partnering with local businesses and connecting into their communities. So how did B&B HOTELS manage to keep these partners afloat when hotels were closed?

“We developed agreements and solutions with our mandate management partners to support them during the crisis. So literally, none of our hotelier partners went bankrupt which was a big achievement. We are a partnership driven business model. And we value those partnerships in good times and bad times.”

The growth plans alone for B&B HOTELS are impressive but the company has other goals

for the next few years too. “Through COVID we started a multi-channel distribution, something we hadn’t done before,” the CEO says.” We had previously a very strict B2C distribution policy. So now we trade in B2B and B2C. This simply allows us to grasp a lot more revenue potential. In addition to newly introduced and state of the art revenue management system and team.”

Good business moves

There will be a continued focus on digital growth too, including improving the customer journey with better online check-in, contactless check-ins, and new payments options. Data will feature in future strategies for growing the customer base, “data, will inform us on placing the right advertisement on the right channel with the right content, to address people correctly, and anticipate their needs earlier.”

Digitisation was certainly a strategy employed by many businesses throughout the pandemic. Many companies who were running behind with their digital presence ended up



I love customer feedback

fast-tracking the process through necessity. Certainly, many small hoteliers and independents felt the sting, though Max says that a strong digital strategy has always been part of the business evolution plan. While digital developments may keep customers happy, he sees distinct benefits in taking on Industry 4.0 for internal processes too, and indeed borrowing digital capability from other industries as needed. “It’s not only looking towards the customer, also towards the internal customer. We’re for example looking into setting up a digital corporate real estate management software. Because at the end of the day, we have many real estate processes and it’s about changing legacy systems into new ones.”

Max shares the “funny story” of their in-house hotel property management system, and how in any typical company the process of replacing a legacy system would take two to three years, but B&B Hotels in Germany has completed it in less than one year. This small example perfectly illustrates the approach the B&B HOTELS brand. From their relentlessly positive attitude to growth, to their appreciation for their partners in the hospitality sector, and Max’s clear trust and appreciation for his team. He leaves us with his parting goal: “I would like to bring back the vision of B&B HOTELS in Germany. Our goal is to be the most favourite budget hotel company, for all our stakeholders, from landlords to staff from mandate managers to suppliers. Only for everyone.”



B&B HOTELS' growth being fueled by SD-WAN hotel network from m3connect

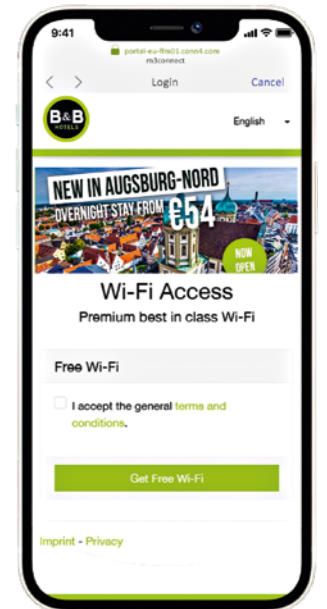
Since 2001, m3connect has grown to become one of the largest wireless Internet service providers in Europe. Globally, m3connect serves around 13,000 of its customers' sites in over 23 countries. As a thought leader in cloud technologies, m3connect has been extending its self-developed platform for more than 20 years. m3connect provides best-in-class wireless internet networking with flexible design, works with state of the art technologies such as WLAN, private LTE and 5G, and creates innovative software solutions such as SD-WAN. The range of services is extended to include WLAN portals, digital signage, in-room TV solutions and even VoIP.

When B&B HOTELS opens new locations, the hotel network with all services and provider interfaces is implemented at the push of a button. Together with m3connect, the hotel chain developed a “Future Network” concept that provides all the necessary structures for this. After intensive preparation, it was implemented in 2020 in all 138 hotels of the B&B HOTELS group in Germany, Austria, and the Czech Republic. This year, seven additional locations have already been added due to the strong growth of B&B HOTELS.

“Future Network” is a driver of digitalisation and new applications. Key features include intelligent, redundant data centre networking, a software-defined wide area network (SD-WAN), an LTE based back-up solution, and a centrally organised structure.

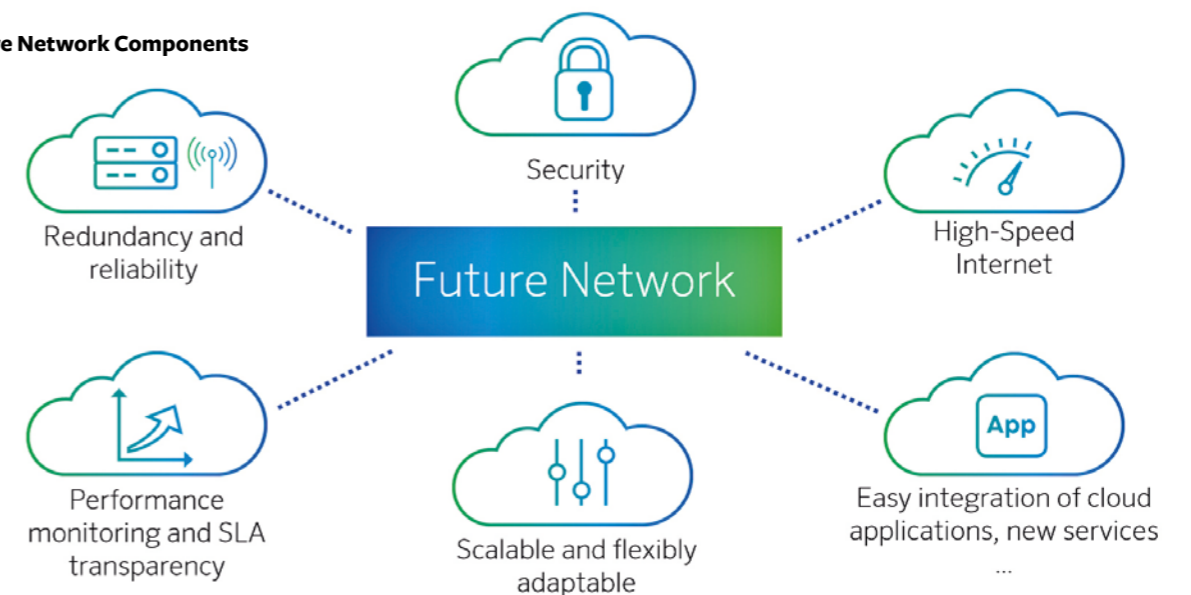
We have always worked together with B&B HOTELS in a cooperative and partner-like relationship. This made it easier for us to understand their entire value chain and cast it into a concept that fits B&B HOTELS individually. We look forward to further innovative projects.

Emilio Dragas, CEO of m3connect:



WLAN Portal of B&B Hotels is supplied by m3connect

Future Network Components





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