



Hihotels CEO to Owners Seeking Conversion: 'We Won't Tell You Your Baby is Ugly'

Budget to Economy Brand Company 'Not For Sale'

By Robert McCune
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BALTIMORE — The hotel industry is at a point of inflection coming out of the COVID-19 pandemic, with executives at major hotel brand companies eager to grow their portfolios through mergers and acquisitions, including deals that would bolt on smaller brands to portfolios.

Hihotels, a chain of hotels and motels across the U.S. under five brands in the budget and economy segment, has been the subject of some interest to those bigger players, according to Chris Guimbellot, president and CEO of Hospitality International.



Chris Guimbellot, President & CEO

But Guimbellot is clear about those prospects: "We're simply not for sale."

"I was approached by five people last year [inquiring about an acquisition]," he said in an interview with Hotel News Now during the recent Asian American Hotel Owners Association conference in Baltimore. "We're a small organization, but we have an incredible team and I love working with them. I didn't even entertain sales conversations."

Instead, hihotels is also in a position to grow its portfolio of nearly 250 hotels that stretches from New Hampshire to Minnesota and down to Texas, with a handful of properties on the west coast in Oregon, California and Nevada.

"We're in a great financial position, and we're only going to grow from here.

It's interesting, a lot of this consolidation was because things were easy to pick up. When the economy goes south, that's when the people with the money come calling, and it makes sense for them to do that, but we're simply not interested," Guimbellot said.

The company's hotels are thriving, along with the budget and economy hotel segment in general, because their core guests never really stopped traveling, he said.

"One of the things I noticed during COVID is flying stops, but not all travel stopped. Construction never even got close to stopping. Those guys were still traveling and still looking for places to stay," he said.

"In addition, exterior-corridor properties became sort of in vogue, because of the quarantine restrictions and people worried about just being indoors with others. When you have an exterior-corridor property, you don't have to worry about those things. ... A lot of our properties — and especially in places like Texas, Florida, where they're really building — did really quite well."

The clearest path for growth of the company's brand portfolio is through conversion of existing properties, and Guimbellot's sales pitch to those hotel owners is straightforward.

"Think about this: You buy a hotel, usually with family money that was pooled from family members. You borrow a bunch more, buy a hotel, it's now your life. And then a brand comes in and tells you that your baby is ugly. It's demoralizing. 'And oh, by the way, your baby won't be so ugly if you spend \$3.5 million dollars on this [property improvement plan]. We don't tell them their baby is ugly,'" he said.

"We do have brand standards, but the bottom line is our brand standards are not so onerous, whereby they're going to have to spend \$3.5 million dollars to come aboard with us. Most of the time, there is no PIP at all. And if so, it's minor. Naturally, you have safety and security standards that absolutely you can't compromise on. But the bottom line is that if they provide a quality experience to their guests, we're most likely going to accept them." He said the company has a lot of experience working through generational changes in hotel ownership.

“It’s interesting because you had generation one, generation two, and in some cases, you’re now in generation three. ... Obviously when the younger generation comes in, they have different standards; they have different expectations. There’s no operating out of a cigar box and things like that. We really have to be able to accommodate those guys as well. And we have the expertise on staff to do that,” he said.

“Maybe your folks weren’t about reputation management, but you get it because you’re leaving restaurant reviews and reading them as well,” he added, noting that across the hihotels portfolio there are “varying levels of technological savvy and operational efficiencies ... and the fun part is to meet those needs.”

Of the company’s five hotel brands, the fastest growing are Scottish Inns & Suites and Red Carpet Inn — and both have been around for more than 60 years, Guimbellot said.

Red Carpet Inn, which has historically had the largest presence in the Northeast U.S., is on the “higher end of the economy segment,” he said. “It’s going to have continental breakfast and some small accoutrements.”

Scottish Inns is a regular economy brand, with locations mostly centered in the Southeast.

“It’s been expanding in the Northeast in recent years, but it’s exploded in Texas; there are probably 50 of them in Texas at this point,” he said. “The economy segment in Texas is just going gangbusters, and we’ve hit a good saturation point in Texas. What I’d like to see is to branch out from there and start to grow Scottish more.”

The company’s other three brands in the economy segment are Passport Inn, Downtowner Inns and Master Hosts Inns — with properties closer to cities and downtowns.

Tying the five brands together is a guest loyalty program, the INNcentive Card, which offers perks such as a 15% discount on bookings and early check-in and late check-out. Guimbellot said growing and refining the loyalty program is a priority for the company.

“The types of guests that stay in our economy segment hotels, they want instant rewards,” he said. “So we partnered with a company called Access Development and as a member of our incentive guests program, you can get discounts at the restaurants that you’re going to while you travel, at theme parks, attractions, etc.”

He added that the loyalty program perks do not add costs for the hotel owners, “so it’s a win for the guests, it’s a win for the franchisees, and it’ll be a win for membership.”

“One of the biggest challenges or opportunities is to convince and work with the owners and let them know this is a benefit provided across the entire chain. If you can make referrals to other hotels, if you can find out where the guests are traveling to next, make a reservation for them, if you can enroll them in the program that benefits the system by and large ... it’s an education game, but it’s one that I think we’ll be able to tackle,” he said.

