



A Conversation with James

TRANSCRIPT: Ted Teng Tells James Berkeley Why Many Hotel Operators, Owners, Investors May Have Missed The Boat

Today in *A Conversation with James*, James Berkeley talked to [Ted Teng](#) Chief Executive Officer at Leading Hotels Of The World. He is an industry veteran with a passion for and a tremendous track record attracting some of the finest people. He is driving rapid growth at the pre-eminent luxury hospitality consortia. We had a fascinating “global” conversation that started with a brief chat in Dubai, a phone call in between meetings in his New York Office late last year and wound its way to a relaxed coffee on a Berlin spring morning. We talk about PEOPLE, STRATEGY AND INVESTMENT PRIORITIES IN THE GLOBAL HOSPITALITY SECTOR TODAY.

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JAMES BERKELEY, HOST: Thank you for joining me today.

How is business in this upswing?

THEODORE (TED) TENG, CEO LEADING HOTELS OF THE WORLD: I am pleased to report a 22% year-on-year average per hotel improvement and LHW as a group is recording in excess of 15% top-line growth vs. a local market average of 5%. Everyone needs to look at their businesses and ask, “Are we running a business that requires an enduring horizon or a transactional business? What business are you in?”

For us it is an enduring time period. It is vital that we are not reacting to, but anticipating cycles. Not fighting, but surfing the cycle. If you apply that to the luxury segment, renovation is the #1

priority during a downturn with decreasing displacement and labour costs and the opportunity to significantly increase the quality of the product. My observation is that with an upswing in investor confidence and investment alternatives, those that haven't invested in renovations by now may struggle to attract capital. The impact is potentially profound for those properties' long-term success.

BERKELEY: Hiring and developing people, how big a priority is this for you now compared to last year? What can we expect to see from your firm over the next 12 months?

TENG: This has been, and is, a 10 out of 10 priority for me. Look this revolves around a simple but powerful point. The most important asset in this industry is how an organisation and its' leadership team choose to live and behave. What we do about it will sometimes vary. What won't change is what I call "sustainable hiring". Many years ago, I learned a valuable lesson. Before hiring someone, I ask my colleagues, "How would you feel about firing that employee?" Don't hire anyone until you have done your due diligence that this is the right person for the company. A job sustains an individual's living, it is in most cases their #1 source of income, and employers have to think beyond assets. LHW's challenge today is to create a stronger alignment between an individual's worth to the company and their remuneration.

BERKELEY: The fastest, surest route to loyal and "permanent" customers and clients is with fulfilled employees offering great service. In your view where should hotel chains and property owners be directing time and money now to maximise that employee fulfilment, and really exploit an economic upturn?

TENG: It is a two-way street. It is impossible to achieve wonderful service levels without employee fulfilment. I choose to look at it in terms of "product content". 80% of the guest experience in luxury hospitality is in the service (intangible) and the other 20% in the room (tangible). Good service is very difficult to be scripted. If a guest has an unusual or special request, it comes down to how that employee responds. What dictates that response is their frame of mind, how well they are treated, and how well they are taken care of at that exact point of time. We cannot know when that might occur or control the response. What we can do, and our organisation is directly investing in this right now, is to give that individual a clearer sense of who we are, a greater sense of purpose about their work and ensure that they are fairly treated. If that means structuring their role such that the individual has time for relaxation and quality time with their family, then that is a business as well as a personal priority.

BERKELEY: Almost two thirds of the Top 25 hotel brands today were founded during recessionary times. Competition will become more severe for your brightest and best people. How are you prepared to handle this? Please describe the preventative action you are taking.

TENG: This is not something you can plan for. In most instances you will be too late. Preventative action is a continuum not an event. We have instilled a sense of parity into the financial rewards of work at LHW. Gone are "ad hoc" bonuses and a lack of consistency. Our rewards' approach is

based on company results and individual objectives. The sense of fairness and consistency pervade through good and bad times. We are confident that our approach will leave us well-positioned for more severe competition.

BERKELEY: What are you bringing to the market to accelerate repeat business with your existing customers? To succeed in those areas, what needs to change about the employees you attract, retain and nurture?

TENG: During my time at Wyndham, personalisation was a core tenet of our company culture and it manifested itself in every employee interaction with the leadership team, our customers and clients. One example is that our job application form included the question: “How would you like to be addressed should you join our organisation?” For us there, it was about personalization. We are in the process of indentifying that one word for Leading Hotels.

Our financial goals are aggressive. We aim to move our revenue to hotels from US\$650 million to US\$1 billion during the period 2011-13. To achieve that we have to rapidly grow the numbers of members of Leaders Club and the attractiveness of our hotel rewards offering. We have taken a big bet on our loyalty programme.

We have allocated US\$2.5million to our customer relationship management expertise. That means our people getting to know intimately our customers’ expectations. Technology can help, but it comes down to human interaction and personalised, meaningful offers that are aligned to our customers’ expectations. For example, we are currently offering a free breakfast and internet access.

From a sales perspective, we are bringing a focus in selling key hotels in key markets. We are asking our hotels to identify the key markets which will generate 80% of the results they want from Leading. We then ask each of our sales office to focus 80% of their efforts on the key hotels identified. We want to focus on finding customers for our hotels in addition to finding hotels for our customers. We believe this will bring greater results for our hotels rather than all offices attempting to “sell” all hotels.

BERKELEY: Any closing thoughts?

TENG: My greatest concern is that, in the current euphoria, the industry, including LHW, doesn’t forget the lessons learned over the past three years, and continues to apply them consistently to our long-term strategies.

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To contact us, please telephone: +44 203 440 5072 or email: james@elliceconsulting.com