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HENDERSONVILLE, TN – Not even a year after it made its industry debut as a franchised company, Settle Inn, LLC, the franchisor of Settle Inn and Settle Inn & Suites hotels is already creating a multi-brand family through the acquisition of the GuestHouse International Inn, Hotels & Suites brand and franchise system. But unlike other franchise companies that often buy brands in order to fold them into existing ones, Settle Inn, LLC plans on growing GuestHouse as specifically an upper-economy brand that complements the burgeoning limited-service midscale Settle Inn.



Selling the Hendersonville, TN-based GuestHouse to Aberdeen, SD-based Settle Inn was ShoLodge, Inc., which owns several other businesses, including InnLink LLC, a hotel reservations services provider. ShoLodge also owns the Shoney's Inn brand, but the few remaining properties under that brand are now finishing up their conversions into GuestHouse properties.

There are currently 72 properties with 5,029 rooms flying the GuestHouse flag in 22 states and China, with several more expected to enter the franchise system by the end of this month. Comparatively, there are nine Settle Inn hotels with 753 rooms in existence, all within the greater Midwest.

The price of the GuestHouse acquisition could not be disclosed. But Brendan Watters, the president and CEO of Settle Inn LLC, was able to talk to HOTEL BUSINESS® about the rest of the deal's elements and its future implications. He first noted that the impetus for the transaction began only four to five months ago when ShoLodge approached Settle Inn LLC about a deal.

"When they first turned up, we had so much going on for Settle Inn that we didn't know if it was the right thing to do," Watters explained. "But we kept on having conversion opportunities approaching us that didn't quite fit the Settle Inn brand mold. We've mostly been focusing on new-build properties, but we're also doing two conversions of a Hampton Inn and a Country Inn & Suites. So we've been very careful about which properties we let into Settle Inn, but with these other great conversion opportunities, we kept saying we wish we had another brand to put them in. So with GuestHouse having a similar operating philosophy, the acquisition seemed to make sense."

Watters further elaborated that while many of the recent conversion opportunities didn't measure up to Settle Inn's standards in terms of ADR or certain onsite facilities, they could be suitable for GuestHouse in the upper-economy sector. "GuestHouse is at a slightly lower tier so it doesn't compete with Settle Inn and it allows us to attract other conversion properties with good operators," he said.

"We had been pushing away too many. So when the GuestHouse opportunity came along I kept on chewing on it and chewing on it and once I learned more about the brand, I got excited. It also gives us a brand with a great name."

Through his further evaluation of GuestHouse, Watters said that it also became clear that GuestHouse's employees were talented people that could help Settle Inn LLC, as a company, grow both the GuestHouse and Settle Inn franchises. Consequently, Settle Inn LLC will now be setting up a new headquarters in GuestHouse's current offices with nearly all of the same employees. "We'll retain our links with Aberdeen, SD, but we'll probably grow with more people in Hendersonville," Watters said. "I had been thinking about creating a head office in Chicago, but I don't have to do that anymore."

As a result of the acquisition, Settle Inn LLC has also more than doubled its number of franchise sales people, which will work on the growth of both brands. The only executives that will not be joining the new company are Bennett Greenberg, GuestHouse's former senior vp of franchise operations, and Kenna Balch, GuestHouse's former vp of marketing. Their previous positions were essentially duplicated with the merger. "They were good people, but unfortunately these things happen when you're moving at 100 miles an hour," Watters noted.

For the seller's perspective, ShoLodge's president and COO, James Grout, could not be reached as of press time.

Settle Inn prides itself on its fair and inexpensive franchise fee model, which Watters said will likely be extended to GuestHouse. Currently, the fee structure is under evaluation.

Rasik Patel, the co-owner of one of GuestHouse's flagship properties in Houston, noted that he was waiting to hear more about the acquisition's implications. "It looks like we're going to be entering a new family and I hope it's good because we're happy with GuestHouse. I hope it's the same," he said, admitting that news of the acquisition was shocking.

Watters noted that many current GuestHouse properties are of good quality, while some are sub-par. He added that he and his team will be meeting with many of the GuestHouse franchisees shortly. "I will be working with the owner's council to establish some guidelines for what we want to see. We always want to see improvement," he noted. "We want to have the same philosophy at GuestHouse that we do for Settle Inn. Quality wise I don't throw my weight around and [GuestHouse] has already been cleaned up quite nicely. It's a great foundation from which to double the size of the brand."

More specifically, Watters said that Settle Inn LLC wants to bring the GuestHouse system to 150 properties within three years and grow it further in nearly every part of the country, particularly the West Coast and South. At least 30 additional properties is the goal for GuestHouse in 2007.

Meanwhile, the Settle Inn brand is poised to grow to the 25-property and 2,000-room mark by the end of 2007 predominantly through new construction. Watters added that the two brands will exist under the Settle Inn LLC corporate name for the time being, but the parent company name will eventually change.



Construction has begun on the 81-room Settle Inn & Suites in Appleton, WI, which is being developed by Total Service Development, LLC as part of a multi-property franchising deal.