Blue MauMau Franchise News

Ties that Bind Vantage Hospitality and AAHOA

By Janet Sparks
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Absent from the panel of experts on stage at the general session of the Asian American Hotel Owners Association convention last week was Vantage Hospitality CEO Roger Bloss. When asked why, Bloss surmised, "I'm just not controversial enough." He explained that AAHOA has its 12 Points of Fair Franchising. Vantage complies with all of them. "It wasn't really an attempt by Vantage to comply. Our philosophies or cultures just seem to match."

But there seem to be strong coincidences on why the two philosophies match. Bloss is a listener.

Editor's note: Blue MauMau reporter Janet Sparks caught up with franchising innovator Roger Bloss during the AAHOA convention in Chicago last week.

The CEO affirms that he has had strong ties to the independent hotel franchisee association since its inception twenty years ago, and Vantage was one of AAHOA's founding Platinum sponsors. Bloss said he has brought several initiatives to AAHOA and they have implemented several of his programs. "Every year all of the AAHOA board members come to my conference, and the sitting chairman speaks at the event. We also attend all of their functions. We are as active as any chain could be with them," Bloss said.

One major difference between Bloss' hospitality group and the others is that Vantage is not a public company. "Of the top 10 hotel chains today, we're the only private one out there," he said. When asked if his group will ever go public, he responded, "Only if I'm underground. Vantage won't be as long as I have a voice. I have no desire to take it public because I would then not be running the company; I would only be taking direction."

Bloss added that the monetary side of it is irrelevant to him, so there is no motivation whatsoever to take Vantage public.

Sparks: So, why don't other top hotel companies concentrate more on franchisee relationships instead of on stockholders?

Bloss said there were a multitude of different reasons. "For some hotel groups, they have such a powerful force in the industry that they just, quite frankly, don't have to. Others with the stringent guidelines and standards they set forth, they truly believe that it is in the best interest of their business model and their customers. On the third side of it, you've got companies that have to deliver revenue, have to bring EBITA in order, so sell, sell, sell and cut, cut, cut, and make the EBITA work. So, I think it is a multitude of things depending on the type of company it is—the stature and leadership of the company, and where it stands in that Wall Street market."

Sparks: Growth being Vantage's top priority, just how large does Bloss want the system to grow?

"I would like to have total penetration without saturation," he explains. "What I mean by that is I want to have properties everywhere my customers want them, without impeding my existing members' businesses. I believe my number can easily double before I face those types of issues. We've all seen it; there is a McDonald's and Starbucks on every corner. At some point that starts to impact one or another of those businesses. I don't want my people, who have their life savings invested in their business to have the slightest bit of impact. But at the same time, I can't sacrifice customers' desires."

Bloss said growth is important because it keeps your system fresh, it brings it in to new locations, and it brings in new types of properties, new operators. "So, yes, it is important but not for growth sake. I'm not out there trying to be the largest, but I am obviously out there striving to always be the best. The size of my system is irrelevant when compared to how we operate and how we treat our customers," he adds.

Sparks: How does Vantage get most of its franchisees? Are they operators who want to leave their current systems and do something different?

Bloss said yes. "A majority of them have had experience with our competitors and they have heard the successes that our members have had. Now going on over ten years, they've seen the track record, they've seen the culture, they've seen the results, and they've seen the savings. So, I think when they have an opportunity to bring more value to their business they take full advantage of that. When you have year-to-year agreements and over 98% of your members renew annually, it speaks volumes about their satisfaction. Happy customers tell their friends.

Half of their growth comes from referrals, according to Bloss. "I have people go to my website, download the paperwork, or fill it out right on the webpage and send it in. They never talk to a development officer. They make up their mind that they want to be a part of it and they join."

The CEO also does a live web cast every Wednesday. "I invite anybody and everybody that would like to listen to me talk about what we do as a brand for an hour every week. We have a lot of people come on to comparison shop and to hear who I am and how I speak. They want to know my values and what direction our company is taking. It is open so listeners can ask questions during the session. That's the way we get people interested without having to travel," he said.

This year Bloss asked his board and the advisory council members if they would have any objection to opening their board meetings to their membership so that they can listen in and submit questions. "They said absolutely not, because they are here to represent the membership." Bloss said next year they are going to televise the meetings live and broadcast it throughout the entire country.

Sparks: Does Bloss feel the pain of AAHOA members in this bad economy?

"Most of these people have immigrated here with little or no resources and the money they have invested in their properties is their life savings. It's their sweat equity. They built their systems with what they thought would be some pretty good wealth," the CEO explained. But then they watch 20, 30, 40 or 50 percent of it dissipate in the blink of an eye. Bloss said, "I know. We own a hotel in Las Vegas that for 10 years set occupancy records, revenue records. Today I can't even generate enough money to pay the utilities. I know their pain."

Again, he feels this is where his company and the Wall Street companies differ. The others may have to write off a million dollars. Bloss said, "Try telling the small business person to write off a million dollars."

Bloss said the down economy has strengthened Vantage's relationship with its franchise owners, because they have done some things no other companies would ever dare to do, not just in the hospitality sector but in all of franchising. They instituted two things; one is an ROI program, return on investment, where they promise every member that they will send them more business than they pay them in fees, or they don't pay Vantage. "No one in any industry would ever guarantee or promise that," Bloss emphatically states.

"Another thing we did was we created ESPN, economic stimulus plan now. That means, if you are sitting there at your desk paying your bills and you've got $10, and your bills are $13, someone is not getting paid. Since our agreements are year-to-year, when the franchisee tells us they can't pay us for three months until their busy season hits, we say fine. If their agreement expires in December, we tack the three month to the end of their term. Basically, they have an interest-free loan with all the services, and it doesn't cost them any money, any penalties or interest. All they did was add those months on to the back of their agreement. So that way there's buy in from both parties. We both attack this economic crisis together, and we're in it together. Neither one of us has to suffer," Bloss said.

Vantage Hospitality Group, Inc.

Vantage partners Gene Kordoban, Roger Bloss visit India.