With the feel-good moment

Focus CEE: CEO Christian Kettlitz about Mamaison Hotels

Mamaison Hotel Andrassy in Budapest: An example for the group`s boutique character.

Prague (May 20, 2011). Mamaison Hotels & Residences describes itself as a leading provider of personalised hotel experiences in Central and Eastern Europe (CEE). Founded in 1999 with its base in Prague, today the group operates ten individual hotels with approximately 650 rooms in Moscow, Warsaw, Prague, Ostrava, Bratislava and Budapest. Christian Kettlitz has been determining the fate of the boutique brand as the CEO since January, 2011. In a conversation with Franco Peruza, he seems convinced of the positive future for the CEE markets and of the strength of personally managed hotels.

Mamaison (**www.mamaison.com**) is the hotel operating company of the international real estate developer, ORCO Property Group (**www.orcogroup.com**) who had entered a joint-venture in 2007 with a London investment fund company by the American insurer, American International Group (AIG) (**www.aigcorporate.com**). Under the brand by the same name, Mamaison bundles different hotels that serve individual and niche interests that appeal, nevertheless, to a wide palette of target groups.

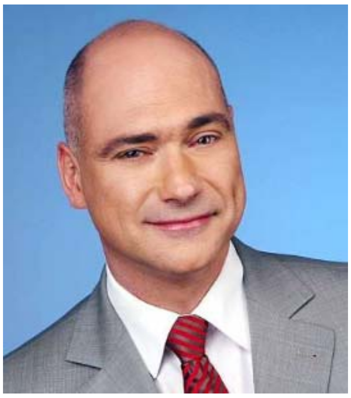
Mamaison Hotels has split themselves in three types: Mamaison Boutique, Mamaison Business & Conference and Mamaison All Suites Residence that are settled in the mid-scale to upper-scale deluxe segment; moreover and in each case, the hotels are mainly historically listed buildings from the period between Baroque and Bauhaus. The individual properties regularly collect international awards and as a rule, belong amongst the local market leaders.

Mamaison Pokrovka in Moscow: an all-suites spa hotel.

Since January, 2011 the native German, Christian Kettlitz has been determining the fate of the boutique brand, Mamaison, as the CEO. The qualified hotel expert has collected more than 20 years of experience in various segments, from budget through to city hotels up to 5 Star Resorts. After the establishment of his career in Renaissance and Marriott Hotels, he has seized corporate duties (as the CEO for Azimut Hotels Company Europe, among other things) as well as having occupied numerous positions as GM and most recently as the General Manager of Rezidor`s Radisson Blu Resort & Spa, Dubrovnik (see link).

Mr. Kettlitz, what has exasperated you in the new position?

Christian Kettlitz: The position was vacant for some time and the corporate team was likewise without leading positions. Though basic structures existed, they were nevertheless clearly absent of leadership and the "doers". I enjoy structuring and clearing jobs. It is a matter of offering a clear line, structure and professional support as well as fun and success to the team so that the quite essential monetary goals can be achieved. In the end, it is a matter of maximising the performance to be able remain healthy in the long term.



Christian Kettlitz.

Are there already results?

Kettlitz: The first months have been very encouraging. The corporate team is complete and productive. The hotels have tremendously improved their primary results within a short time so that the aggregate of the overall turnover is approximately 13% and the Gross Operating Profit (GOP) was increased to 66%.

By which measures have you achieved these increases in a short period?

Kettlitz: On the one hand, the general rally has contributed to it as with many in the industry. But on the other hand, we have steered the focus on the rate to the RevPar and with it, pursued a stronger yield and very specifically for the individual segments. Up to now, Mamaison had been very heavily into the leisure segment and now are we pursuing the corporate segment.

Do the all of boutique hotels belong to the ORCO Property Group? And will they also buy or finace future properties?

Kettlitz: When ORCO was still an individual owner, they specifically bought and developed the hotels and that based on this boutique character. Except for two hotels, all of the properties are in the ownership of the joint-venture. Those two exceptions are the Residence Sulekova Bratislava and the Pachtuv Palace Prague that only owned by ORCO. In the future, we will concentrate upon the management and buy very little real estate.

Do you see Mamaison as its own brand with individual standards?

Kettlitz: I see Mamaison as a company that manages a hotel portfolio which is basically marked by individuality. I think that the concept of "Brand" can be looked at here under different aspects. The individuality of the hotels alone complicates a conversion toward consistent standardization, but on the other hand, it is the exact strength of the product. Boutique hotels are not preferred in vain by those guests who reject the uniformity of a large brand. Therefore, it is a matter of maintaining a clearly noticeable service value for the guest - on a perceptible feel-good moment.

Which of three Mamaison types, the Boutique, Business & Conference and All Suites Residence is the top-selling? With which type would you like to most heavily expand and which cornerstone criteria must each type fulfil?

Kettlitz: The boutique brands, so the pure hotels, are the top-selling. With the residences, it concerns smaller, partially around 50 units in size, extended-stay products whose low operating expenses affect the books positively. Up to now, there is only one hotel that is a conference hotel.

How does Mamaison distinguish itself from competitors?

Kettlitz: For this purpose, we must first identify the competitors. This is not quite so simple because today, everyone, including the big chains, is in the same lake fishing for the same fish. How, as a boutique chain, can we realistically calculate our share of the market in comparison to more than a thousand Marriott rooms in Moscow or the InterConti Warsaw? On the other hand, boutique hotels already distinguish themselves in the eyes of the guest with their "Look & Feel" compared with chains who can nevertheless rely on upper-scale and internationally comparable service standards.

What distribution advantages do you offer to the hotels joining you?

Kettlitz: Mamaison Hotels position themselves as leisure-focused hotels, even in the city. The hotel reviews of the guests prove that the name guarantees quality standards. The 5-headed marketing and distribution team has, of course, associated the properties to GDS and OTA, their own website is also accerlated. Considerations to bind single properties or the group to a cooperation during the crisis had been shelved. But, we will also consider it directly once more.

Mamaison Suite Hotel Pachtuv Palace in Prague: the charme of a palace.

What is your development strategy and does the CEE continue to remain the exclusive target area?

Kettlitz: This strategy is currently still in discussion. I personally recommend a moderate growth (one to three properties per year) in our already established regions and destinations, primarily through management contracts for existing, yet boutique hotels that are currently privately controlled who would benefit from our know-how and our distribution. Quite clearly Moscow has great potential. Also an expansion of the portfolio by us in markets that are untouched up to now is conceivable. In this instance, Vienna is particularly interesting.

How do you analyse the CEE hotel market overall and which regions or locations would you emphasise?

Kettlitz: CEE as a hotel market has gone through a difficult time like everyone else. After the boom around 2004 and the following years, the abrupt awakening came to nearly all targeted regions. In the meantime, those are the regions in particular in which our hotels and residences are experiencing growth again. Even if the average rates are not yet entirely where they were forecasted to be in the individual cases, we have seen, not in the least, a very clear growth in volume for most of our key markets such as Prague, Moscow and also Warsaw. Budapest is a little bit more difficult, but also a persistently positive trend can be recognised there.

From our point of view, the CEE hotel market will continue to stabilise and therefore continue to remain attractive. Moscow in particular continues to remain a very interesting market. I look at regions in the southeast with scepticism.

How much revenue are Mamaison hotels generating today, where do average occupancy and room prices lie, and how many properties would like you to count by what time?

Kettlitz: Last year, the group generated a revenue of 28 million Euro. Of course, the occupancy had been weaker during the crisis years but this year, we are striving for more than a 70% occupancy. The room revenues vary according to location, from "weak" up to 280 Euro in Moscow. In any case, for us this means: Mamaison still has a great amount of potential.

Many thanks for the conversation!

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