

## Mexico's Grupo Posadas plans US entry, two new brands

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José Carlos Azcárraga, director general and CEO of Mexico's largest hotel company, talks about Grupo Posadas' growth plan, brand lineup and if the company fits in the global consolidation trend enveloping the hotel industry.

*Grupo Posadas director general & CEO José Carlos Azcárraga, shown here speaking at the Mexico Hotel & Tourism Investment Conference in Mexico City last week, told Hotel News Now that the company plans to expand beyond Mexico's border and launch two new brands. (Photo: Jeff Higley)*



MEXICO CITY—Mexico's largest hotel company has plans to expand into the United States and the Caribbean, but in no way will it lose its focus on its native country—it will launch two new brands there this summer to continue to grow demand, said Grupo Posadas CEO and Director General José Carlos Azcárraga.

During a wide-ranging interview conducted following the close of last week's Mexico Hotel & Tourism Investment Conference, Azcárraga said the company will expand its Live Aqua Hotels & Resorts luxury brand to the U.S. as it embarks on a quest to have 300 hotels in its portfolio by 2020.

Grupo Posadas, a hotel management and ownership company with 152 hotels comprising more than 24,000 rooms across eight brands, has contracts signed with a development company for Live Aqua-



branded hotels in five large U.S. cities, including Chicago, Azcárraga said. Live Aqua Hotels and Resorts launched in 2015 and has four properties open in Mexico.

Azcárraga said the U.S. hotel deals were a good way to give developers familiar with the company's brands more opportunity.

"They came here (to Mexico), they loved our products here ... they had been looking at different types of brands (around the world)," he said. "They liked the idea of having something that is more Latin and has that Latin flavor that they would think it's important for the U.S. market."

Azcárraga said the arrangement is "much more similar to a franchise" agreement and the owners will manage the properties.



Mexico's Grupo Posadas plans to expand the Live Aqua brand—which includes this property in Cancun, Mexico—to the United States. (Photo: Grupo Posadas)

"We will give them technology of everything that has to do with the brand and the positioning and those types of things," he said.

In addition to Live Aqua, [GP's brand lineup](#) includes: Grand Fiesta Americana Hotels & Resorts; Fiesta Americana Hotels & Resorts; Fiesta Inn; Fiesta Inn Loft; Gamma Hotels; One Hoteles and The Explorea.

A move into the Caribbean is also on Azcárraga's wish list. He said the company is well-positioned to market its advantages in regions like that, with strong U.S. or Canadian bases. "Selling the customers that go there—it's very similar to what you would find in our hotels in Cancun," he said.

Azcárraga said he recognizes the different customs and cultures throughout the Caribbean that affect hotel management, but believes his company is well-versed in adapting to the situation. "We're prepared for that," he said. "It's very easy for us to go in that type of market and to grow in those types of markets."

Grupo Posadas had a presence in South America until 15 years ago but decided to sell that portion of the

business to focus on growth in Mexico, Azcárraga said. Now, even as the company again looks to expand its reach beyond Mexico's borders, it will continue to put its primary focus on its native country.

"We'd like to go outside (of Mexico) but definitely our focus has to be Mexico," he said. "I would say that 80, 90% of our focus should stay Mexico because the potential is here, and then again we're the experts in that regard and we can do it better than anyone else."

### **Two new lifestyle brands**

To solidify that presence in Mexico, Grupo Posadas will launch two brands this summer, but Azcárraga declined to reveal any specific information.

"The thing that I would tell you about the two brands is that both are in the lifestyle segment," Azcárraga said. "One of them has to do with resort hotels on the 4-star level, and the other one in city hotels. Urban destinations in, let's say, big metropolitan areas where we would find also a lifestyle. Both of them focus on the millennial market.

"In many cities we have already 10, 15 hotels, so we're looking for different products that might cater to different segment, different type of customer, different than we would be able to grow," Azcárraga said.

Approximately 25% of the company's portfolio is located in beach markets—something Azcárraga said he hopes to increase. Those properties represent approximately 40% of income of total sales in the company's hotel division.



Grupo Posadas' Fiesta Inn portfolio includes this property in Fachada, Mexico. (Photo: Grupo Posadas)

"We have a pretty good amount of investors interested in working on (beach hotels)," he said. "What started to happen is we created a lot of strategic alliances with a lot of companies to create a competitive advantage that we are able to sell the properties better than our competitors."

The outward expansion and additional brands will help Grupo Posadas reach its goal of 300 hotels, according to Azcárraga. It currently has 42 properties in development.

"We have been signing hotels on the level of 30 hotels per year, so hopefully that will also increase this year and it will be able to do it," he said, adding that the company's business plan is to invest 15% of the costs into projects.

“We have become, and every day a little bit more so, a real management company that we manage third parties,” Azcárraga said. “That has been the reason why we have been growing.”

### **Franchising kept to a minimum**

The Gamma brand is the only one of its brands that uses a franchise model, according to Azcárraga.

“Many of them are, you know, family-run businesses,” he said. “Usually they are involved in the business, they do a very good job and they would like to keep on running the business,” Azcárraga said. “Therefore, we give them a franchise and connect them to all our distribution channels, or we manage the properties for them.

“The only brand we give franchises to is that one—it was specifically created for franchises,” Azcárraga said. “The other ones, Fiesta Americana, Fiesta Inn, Live Aqua, One Hotels, all those type of brands, we manage all the properties.”

Azcárraga didn’t close the door on adding franchising options to other brands in the portfolio.

“It always gets discussed and it’s something that might change, but for the time being we like to manage the properties because we’re able to deploy things much, much faster,” Azcárraga said. “Even if we wanted to franchise that model, I don’t think we would be able to have that many more hotels.”

Many of GP’s investors are institutional investors who don’t want to manage hotels or are FIBRAs and aren’t allowed to manage hotels by law.

“Normally the franchise businesses as far as the income you’d get is lower than you’d get when you manage the properties,” Azcárraga said. “Our competitive advantage is ... the branding but also the management part that we have been doing for the past 50 years.”

### **On the consolidation radar?**

Grupo Posadas is publicly traded on the Mexican Stock Exchange. Its status as the largest hotel company in Mexico has attracted a number of suitors in this age of global hotel industry consolidation, according to Azcárraga.

“We have had many, many conversations during the past years in this regard (being acquired),” he said. “We are very happy the way we are. We have been growing. We’re the leaders in the industry. Our leadership grows.

“My job as the CEO is to maximize the return of the shareholders, and right now the best we are doing is being ourselves and doing what we’re doing,” Azcárraga added. “That does not mean by any means that I would not be able to look into different alternatives—I mean when the opportunity presents, we look into it and we see if that’s a way of doing it. If we find sometime that that’s a better way to maximize shareholders’ equity, we will consider it. ... I don’t want to sound cocky and say I can do it myself and I don’t care what’s happening in the world, but right now it’s an alternative that has not been better than the one that we’re pursuing.”

*Higley, Jeff. “Mexico’s Grupo Posadas plans US entry, two new brands.” Hotel News Now. Published on 21 MARCH 2017 8:29 AM. Accessed on 03/24/2017.*