Hilton is adding midmarket brands from the US to its international portfolio this year in a bid to reaffirm the quality of its flagship Hilton chain. This is where the company's sponsorship of McLaren comes into its own.

Brand rebuilding

By Christian Sylt

Hilton International is the only hotel company to sponsor F1. It pays around $3m for the privilege of placing a medium-sized logo on McLaren's rear wing endplates. The deal was done on 9 September 2005, almost precisely four months before the company's international hotel operations were acquired by its US division in a $5.7bn blockbuster deal. On the face of it there would seem to be no connection between the two, but the link is far closer than one might think.

The acquisition was long in the making. For years, the management of the two Hilton companies discussed unification but their years of independent operation gave each side vested interests which took time to reconcile. Indeed, with the Hilton brand now under one global roof again, it's tough to imagine it being split. But this is exactly what happened in 1964 when the US division, Hilton Hotels Corporation (HHC), spun off its international business to shareholders.

In the following decades both companies grew close, and by 1997 globalisation was becoming increasingly important. HHC formed a strategic sales and marketing alliance with Hilton Group, the then parent of Hilton International. Five years later, the accord was expanded to include joint-venture ownership of the Conrad Hotels luxury brand. This acted as a testbed to analyse how the two companies could work together, and full merger talks duly began. By summer 2005, barring any unexpected setbacks, the deal was all but sealed. So was the McLaren sponsorship.

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"Team McLaren Mercedes is a leading global company and a good brand fit," says Alistair Rodger, Hilton International's director of partnerships. "Hilton is a truly international brand, and our corporate partnership brings rewards in terms of awareness and association with Team McLaren Mercedes and with its partners." However, unlike many F1 sponsors, Hilton wasn't just looking to take advantage of the 580 million pairs of eyeballs that watched F1 last year; it was primarily after image association.

Although Hilton may have an historic association with luxury, over the years following its split with HHC, the brand became jaded in Europe. It grew to own 40 properties, lease a further 200 and have 160 under management contract. However, the vast majority of them fell under the upscale Hilton brand since HHC's midmarket chains such as DoubleTree, Hilton Garden Inn and Hampton Inn were prevented from expanding outside the US. This led to Hilton's brand being

Ian Carter with Ron Dennis and 2005 McLaren drivers Kimi Räikkönen and Juan Pablo Montoya

diluted internationally - its hotels ranged from small regional properties to palaces on London's Park Lane, but all fell under the same flag.

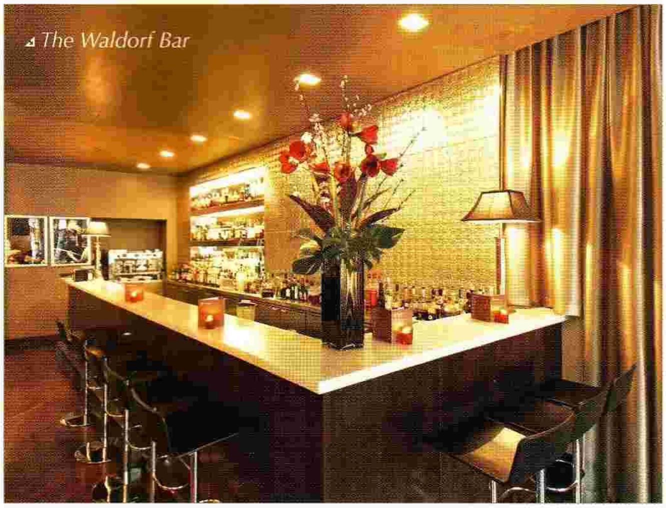
As Trevor Ward, managing director of the W Hospitality Group consultancy, says: "Hilton are lagging behind somewhat, partly because they have been a one-horse stable for so long." This hasn't been lost on management. Ian Carter, Hilton International's chief executive, smiles at the suggestion that Hilton's brand has been spread too widely. "Someone mentioned it," he jests. The acquisition by HHC has solved his problem.

Under the terms of the all-cash deal, HHC incurred over $4bn of debt. Its strategy to repay this is to sell off properties it owns and enter into management contracts to run them. But it is also set for a big boost from increased revenue: HHC has now set its brands free for international expansion.

"The transposition of brands that are solely present in America to the rest of the world will be the biggest single benefit by a long way," says Carter about the acquisition. Hilton International has 5,000 rooms in its pipeline for 2007 and will open 16 Hiltons in Europe alone. Carter adds: "Internationally we are going to more than double our business in the next three or four years in terms of rooms." The new brands will drive this.

A reshuffle of the hotel chain's property portfolio will see the group double its hotel estate in the UK alone from 75 to 150 within a decade. The programme involves reducing the number of Hiltons, converting them into any one of three new brands: DoubleTree, Hampton by Hilton and Hilton Garden Inn.

DoubleTree is a four-star, full-service brand which sits just below Hilton, while offering some business and upscale facilities. Hilton Garden Inn is a three-star brand which



The Waldorf Bar

competes against Intercontinental Hotel Group's Holiday Inn and Accor's Novotel brands, while Hampton by Hilton caters for budget travellers and competes against Travelodge. The new brands will also debut in four other European markets besides the UK, and in five Asian markets.

"The opportunity to rebrand existing properties, given the new portfolio that we own, is an integral part of our overall brand and development review right now, and not just in the UK," explains Carter. The end goal is reasserting the Hilton brand's position as a luxury chain – which is where the luxury association with F1 comes in.

Last year the company announced a $1bn 're-ignition' campaign including property enhancements, advertising and new guest services. The new face of Hilton has trendy branded bars such as Zeta, which is in London, Sydney and Kuala Lumpur; and the Purple Bar in Paris' Hilton Arc de Triomphe.

Hilton's partnership team makes full use of the fact that many of its hotels are in locations where F1 comes to town. "The corporate partnership provides various other mutual benefits which offer marketing, customer, partner and marketing opportunities," says Rodger. One key advantage is receiving passes for tests and the Paddock Club. These can be used to tempt travel editors to the races and put them up at Hilton's new hotels, which then subsequently get coverage. The sleek and steely image of McLaren fits the hotels' makeovers like a glove (see box).

"Teaming up with such an illustrious group of global premier companies also brings commercial benefits," adds Rodger. Since McLaren has such a strong sponsorship care department in the form of McLaren Marketing, Hilton has every opportunity to network with the bosses of McLaren's other partners in a bid to cut supply deals with them. And as Hilton's business is built on managing, not owning, hotels, wining and dining property owners in the Paddock Club is an ideal way to tempt them to let Hilton manage their hotels. Then there are the existing owners.

With the luxury of space, new Hilton hotels in the US can often be built from scratch, allowing their brand identity to be reflected in the architecture and design from the ground up. In Europe, however, new-build opportunities are rarer: the new brands must be conveyed through re-flagged existing buildings which were not built bespoke for the incoming chain. However, owners of hotels currently called Hilton may be reluctant for their properties to be downgraded lest it affect trading. Cutting the deal in the luxurious environment of the Paddock Club might ease the downshift.

Carter says that although all seven so far exclusively US brands could migrate abroad, it isn't likely in the short term. "It would spread us too thin," he explains. What keeps him awake at night, he admits, is having too many brands to choose from.

"The real issue here," notes an industry source, "is whether they're prepared to put enough money behind launching new brands worldwide. The fact that they're established brands in the US is no guarantee that they'll make the grade elsewhere."

But this is just the beginning. In fact, Hilton's biggest challenge could be making the most of the acquisition, given the endless opportunities it creates. With over 40 years of development to tap into through the acquisition, Hilton is checking in for long-term growth and McLaren is the vehicle to take it there.

HILTON'S NEW DIRECTION

If your lasting memory of a Hilton is hessian separators in the bar and wicker furniture in the rooms, then you're in for a shock when you step into its next generation of hotels. Perhaps surprisingly, one of the most striking examples is also one of the oldest properties in its portfolio: the 99-year-old Waldorf in London.

Gone is the grand gilted opulence that one might expect. In its place is chic, sleek, design-driven minimalism. The bar is the most public example of this. There's no traditional wood-panelled room with deep leather chairs; these have been supplanted by mirrored columns and shiny metal walls, from which hang plasma-screen televisions.

"We now have the classical features but in a contemporary setting," sums up Amanda Scott, who masterfully runs the property. The rooms are as avant-garde as they come, without being at all offputting. Ligne Roset beds, power showers, plasma screen televisions and high-speed internet access are standard, but it's the setting that stuns.

Behind the beds are vast headboards made of backlit artwork. Glass decorations among other items, adorn the shelves, and frosted glass interiors between bedroom and bathroom maximise the use of space. Some rooms even feature a modern interpretation of the traditional valet stand, made of polished aluminium, timber, stainless steel and retractable brass breastplate.

It's not what one expects from a Hilton and is certainly an unexpected find behind the Waldorf's historic facade. But with its impeccable service, it epitomises the company's new direction – which makes it a fitting partner for one of the world's sleekest sports teams.