



Why is There a Big Gap Between Targets and Outcomes in Ethiopia? Part 2: Solutions
Alemayehu Geda (PhD), Professor of Economics, AAU

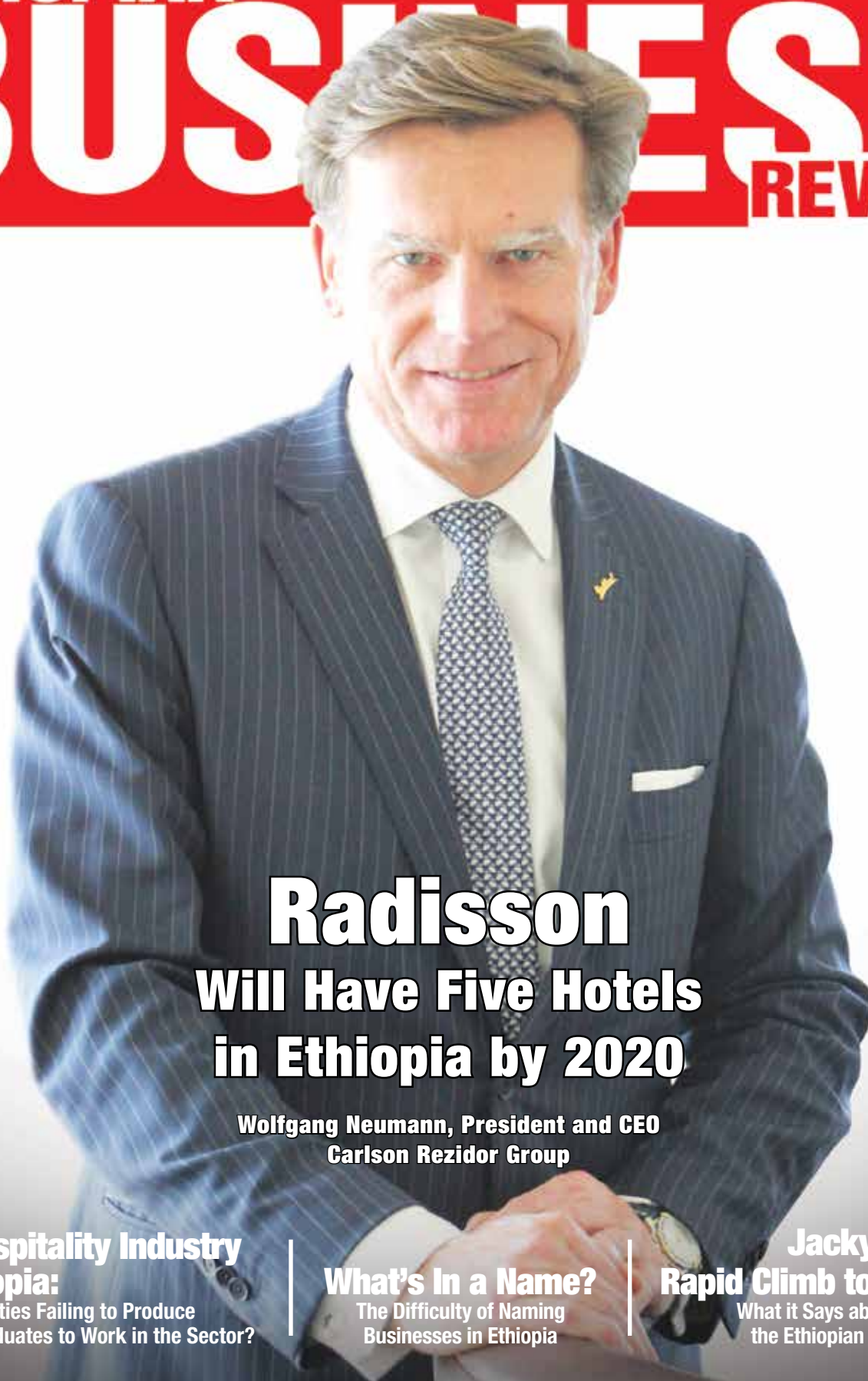


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Radisson Will Have Five Hotels in Ethiopia by 2020

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Carlson Rezidor Group

The Hospitality Industry in Ethiopia:

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Radisson Will Have Five Hotels in Ethiopia by 2020.

Wolfgang Neumann, President and CEO, the Carlson Rezidor Group

Radisson is an international hotel brand that dates back to 1909. The chain was founded by Edna Dickerson with USD1.5 million she inherited from a distant relative. The first hotel was established in Minneapolis, Minnesota, where the company is currently headquartered. Radisson's current parent company, Carlson Rezidor, has been in possession of the brand since 1962 and runs more than 430 hotels in 73 countries.

Named after a 17th-century French explorer

Pierre-Esprit Radisson, the hotel prides itself on being the leading hotel company in Africa, with 30 hotels and 6,248 rooms in the pipeline. Its current President and CEO, Wolfgang Neumann, was here in Addis Ababa for the African Hotel Investment Forum (AHIF), which took place at the Sheraton Addis from September 29-October 1, 2014. EBR's Amanyehun R. Sisay met him to discuss Radisson's investments in Africa. The following is an excerpt.



EBR: You had intensive investments in Asia 30 years ago; now you seem to be shifting to Africa. Why?

Wolfgang: Africa now is like Asia 30 years ago. The population is growing; it has 1.1 billion people. The economic growth of Africa has been double that of the world. Seven of the top ten fastest-growing economies of the world are in Africa. There are 66 cities that have more than a million people. There is also rapid urbanization happening, which all lead now to a growth opportunity for our industry. So whether it is for business or leisure, you have more and more travellers coming to Africa because of the natural beauty of all these countries. That is why we are coming.

Where do you place Ethiopia on that map?

Ethiopia probably is one of the prime examples in Africa where the growth potential is so high. The country has the historical as well as natural attractions for tourism. And the country's economy is booming now. If you look at the GDP growth over the last decade, it has been growing with over 10Pct. All opportunities attract investors. We believe we are very well placed as the Rezidor Hotel Group, with our two core brands, Radisson Blu and Park Inn; and with our two new brands – Radisson Red and Quorvus Collection – to take part in that growth.

But you only have one hotel so far and you

came relatively late to the country.

We believe that there is more potential for growth in Ethiopia. Ethiopia is one of the few countries in Africa where we are proactive. And by 2020, we will have five hotels with the Radisson brand.

Speaking of the potential of Africa for the hotel industry, why is the Radisson Blu a latecomer? The Hilton has been here in Addis since 1969; and the Sheraton has been here for nearly two decades. The Radisson opened in 2012.

We are a young company; we have a young brand. But we are the fastest-growing hotel management company. We have the most hotels and bedrooms coming up, which make us the largest investing hotel brand in Africa.

One would think that Africa will be the best place to start as a young company because in Europe and America, the market is already occupied by those old, established ones.

[You might be right] but ask which company is leading by the number of hotels in the pipeline in Africa. It is the Radisson. It is not me who said this. It is the W. Hospitality Group, which publishes statistics every year and looks at all the brands and all the hotel companies and our company, Carlson Rezidor, is the leading hotel company, with 30 hotels and 6,248 rooms in the pipeline.

You have several brands, which of these are you planning to bring to Africa?

We aim to establish Radisson Blu as the leading upscale brand in the region – present in capital cities and financial and economic hubs – and to pursue the scaled growth of Park Inn by Radisson in high-potential, primary and secondary destinations.

Speaking of the business in Ethiopia, since you opened the hotel here in 2012, how do you see the performance of the hotel in terms of revenue and market share?

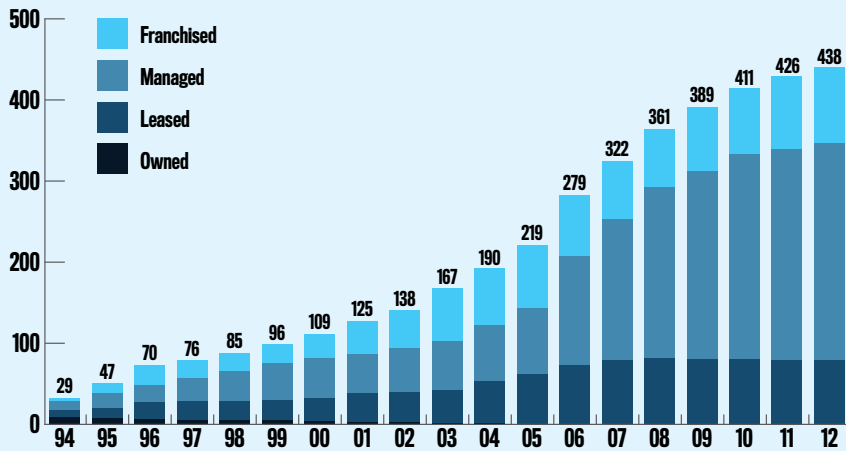
We are doing very well; as a matter of fact today we have 24 hotels in operation in Africa. And all these hotels are performing well. We have a 13Pct higher share of the market than the average market size, according to an independent agency that



Radisson archives state that in 1905, Edna Dickerson of Chicago, USA, received an inheritance upon the death of her distant cousin, Minneapolis real estate lawyer Albert Johnson. His estate was valued at between one and two million dollars. At the urging of Minneapolis business and civic leaders, Edna and her husband agreed to build a luxury hotel in downtown Minneapolis with the money received from the inheritance. Construction began that summer and on Dec 15, 1909 as pictured above Hotel Radisson opened. Since then the name has been used by 265 hotels in Europe, the Middle East and Africa that has 63, 701 rooms altogether as of October 2013.



Number of hotels in operation and under development



Source: rezidor.com

reviews the performance of the hotels throughout the world. So we are outperforming the competition and we proud about that. But what we pride ourselves very much is that the service we give to our customers.

But there is the issue that many hotels in Ethiopia attribute service quality problems to lack of skilled labor. What is your take on that?

I think Ethiopians [writ] large are great

service givers. I observed that the people are warm and friendly. In fact, Ethiopians have a much better service attitude than many other countries in Africa, which makes investing in the hospitality sector easier. This is a good thing for tourists, too. But you will not always find these elements in much of the rest of Africa. I think the foundations are already very good for service quality. And we need to build on that through a series of trainings to develop the 'yes I can' philosophy

among all staff. That is how we are trying to keep service quality at the Radisson.

We do these not simply to grow the brand, but make a better return on investment for the owners. We feel we also have a big responsibility to contribute to the development of the country. That was a core point of what we discussed with the Prime Minister a while ago [on September 30, 2014]. There were five leaders from the hotel industries in Europe at the African Hotel Investment Forum (AHIF) and we had private sessions with the PM. And we were talking about how important it is to develop young people in the Service industry. Hotels have such an important role to play to develop young talent.

Although the role of hotel management companies is undoubtedly important to raise service quality, I hear from a number of stakeholders in the hospitality industry that management companies take a considerable share of revenue compared to the return on investment for the local investors.

They must be talking to the wrong management companies. They should talk to us because we are very much operating on the philosophy that it must be a win-win





partnership for the local investors and the management company. We are there to optimize the return on investment for the owners. That is our role.

When we sign a contract with investors, we always transparently discuss the finances, how it is done. We work to make sure that the owner can be successful in the investment. We don't operate on the basis that we collect our fees and doesn't matter whether the owner makes any or enough return. No! That is not a sustainable model.

Can I ask how much is the share of revenue that you take from the company in Ethiopia?

There is always base fee which is for the cost of services we give. And there is also a profit share, a percentage of the gross operating profit of the hotel. That ensures that our share comes only when the hotel is profitable.

You moved to Radisson after many years at the Hilton; how do you compare these two brands?

I worked for 23 years at Hilton. Hilton is a large international company. We in Carlson Rezidor are more dynamic, we are more entrepreneurial, we can move faster. We are not as big as Hilton, therefore we can move faster. That is part of our culture. Our culture is to be an entrepreneur. We don't have as many brands as Hilton; so we focus on these few brands. You can see that Radisson Blu is the biggest brand in the upscale segment in Europe, bigger than Hilton. And our ambition is to make Radisson Blu the biggest of all the upscale hotel brands in Africa. And we are on the way.

I meet regularly with owners, and as a CEO, I always present at important hotel conferences throughout the world. If you noticed, I am the only big international CEO in the African Hotel Investment Forum. So I am very present with our partners and with our owners. And that

is a difference at the Radisson.

Radisson claims to be a first-class business hotel. How do you demonstrate that?

We do that by understanding the needs of those business travelers and providing what they need. I'll give you one example: when you walk into these hotels; one of the very first needs of these travelers is Internet and emails services. Radisson Blu is the only upscale brand which offers high quality Internet for free. Hilton doesn't do that. So we [provide] the services business travelers need. The availability of the services around the clock and having the room that is equipped to do business and to feel comfortable is important.

To have a gym could be another. I just came from the Sheraton Addis, a beautiful hotel, but they don't have a gym. As a business CEO, I travel for nearly 200 days

Ethiopians have much better service attitude than many other countries in Africa, which makes investing in the hospitality sector easier. This is a good thing for tourists, too.

a year and I notice that I wouldn't go to hotels that don't have gyms. Most business travelers need [these] services and they find them all easily at the Radisson.

But there are many who say there are infrastructure problems in Ethiopia, like a poor telecom service provider. Are you happy with the quality of Internet connectivity?

Am I happy? No. But we are trying to work with our partners to improve it. Obviously it depends on our national telecom

company to improve the telecom infrastructures. But we have to try our best to offer quality service with what we have.

How about the poor supply of agricultural products like vegetables. I know that big hotels in Addis suffer a lot from the lack of reliable supplies and depend on imports of meat and dairy products. How seriously does this hamper the development of the hospitality industry?

Ethiopia is now a net grain exporter but it was in huge trouble ten years ago. Now things are changing in its agriculture. Is it already perfect? No. Is it improving? Yes. Is this country on the right track? Yes. Do some problems still exist? Yes. But we need to deal with it, to look locally [at] the companies and see how we can help. I think that is our mission, our role.

Can you talk a bit about corporate social responsibility at the Radisson?

We came from a Scandinavian country, Denmark. So responsible business conduct is part of our blood; it is in our DNA. We are very focused on that. Our general managers are very active. We just had our responsible business action month where each hotel is doing various initiatives to be active in the local community. We are very strong in reducing energy consumption and waste disposal. Waste is a big subject in hotel industry. We involve our forty thousand team members because responsible business is sharing through the people.

Now let's talk about your leadership style. What is your basic leadership philosophy?

My basic leadership philosophy is that you need to engage with people you work with so that they discover and also develop their potential and talent. Every one of us has talents. It does not matter in which position in the hotel industry you work. That is why in our strategy talent development is a very important aspect.



example in this hotel [Radisson Blu Addis Ababa], when we opened the hotel we had several expats. Now we reduced the number of expats to five positions. Why? Because we were able to develop local talent. In addition we have various individuals in the hotels to participate in our talent development program. When we have identified local Ethiopians who have the potential for management, we provide them with opportunities to participate in the program so that they can grow and take it very seriously.

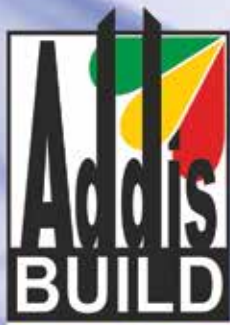
You met Prime Minister Hailemariam Desalegn during this trip. Did you make any promises that you will invest more in Ethiopia?

Well, we had a couple of interesting conversations with the Premier, and ease of visa application processes was one of the issues. Of course we were talking about more investment in the country and I gave the exact offers, Ethiopia being one of the prime countries for the Radisson to invest in. **EBR**

I also believe in giving responsibility to people. That helps everyone to find their role in the organization and contribute in the strategy of the company. This will enable everyone to have fun in the process because if you enjoy what you are doing, then you are doing a good job.

What about developing African workers for leadership in the hospitality industry – are you satisfied with what you find?

We think it is very important that we always have the maximum number of local talent [in our hotels]; and not only local talent, but also local managers. For



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info@addisbuild.com

