Marriott takes on Africa

By Dorine Reinstein

Insight

In one swoop, Marriott International is expected to become the biggest hotel chain on the African continent. The hotel giant recently signed a letter of intent to acquire the South African hotel chain, Protea Hotels, which operates 116 hotels across Sub-Saharan Africa. This transaction will nearly double Marriott's distribution in Africa to more than 23,000 rooms and will make it one of the largest hotel companies in Africa, as Protea Hotels currently has a significant presence in South Africa, Malawi, Namibia, Nigeria, Tanzania, Uganda and Zambia.

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Arne Sorenson, president and CEO of Marriott International, said: "Africa has significant untapped potential for travel and tourism, both as a destination and source of new global travelers. The continent's [gross domestic product] is anticipated to grow at over 5% annually over the next several years, which we expect will raise more people into the emerging middle class. With the Protea Hotels acquisition, our expanded footprint should allow us to become the first choice of Africa's rapidly growing population of young, sophisticated travelers and drive loyalty to our Marriott Rewards program both within Africa and globally."

Arthur Gillis, CEO of Protea Hospitality Group, reassured guests that the Protea Hotel brand is definitely not about to disappear from the South African horizon, pointing out that Protea will retain in its branding as well as its staff and management.

Gillis says: "All the staff will be retained and I'm also very honored that Marriott has asked me personally to stay on to assist them with new developments should the deal be approved by the regulatory authorities." Gillis adds that Protea Hotels has grown organically to become the largest and leading hotel group in Sub-Saharan Africa. Aligning with a global giant such as Marriott ensures the Group can realize its full potential for all of its stakeholders.
"In Marriott we have found a perfect fit across culture, values and commitment to industry leadership which will ensure that we remain at the forefront of African hospitality," Gillis said.

Industry players in Southern Africa have welcomed the proposed takeover, saying it will bring about a significant shift in the hospitality sector. David Harper, head of property services at Hotel Partners Africa, explains: "This is a fantastic move from Marriott as it now gives them more flag hotels than any other operator in Sub-Saharan Africa, an area where there is a huge shortage of quality hotels."

Joop Demes, CEO Pam Golding Hospitality, agrees and says the combination of Protea's hands-on, flexible management style and the back office and support of a global giant such as Marriott will be hard to beat and will put them in a very strong position to aggressively grow. He says: "Protea will be an excellent conversion brand for Marriott in Africa and possibly the Middle East as it provides for a great of flexibility. Conversion will lead to rebranding and further growth for Marriott in Africa, which they would not have been able to achieve under the various Marriott brands." According to Demes, this transaction will undoubtedly lead to accelerated tourism growth (leisure and business) from North America.

Alex Kyriakidis, president of Marriott International for the Middle East and Africa, admits that in the past Africa had posed a unique set of expansion complications for the hospitality industry, mainly because of infrastructural challenges. "But as regional economies grow and the political climate stabilizes, these are becoming fewer. Africa's development cycle is now. Much of the continent is expecting to make GDP growth targets of between 5% and 7% this year, and predictions are for this to prevail in 2014. We believe bringing Marriott International and Protea Hospitality Group brands together will enable us to grow that much faster, which will in turn contribute to local economies and job creation."

The proposed terms of the transaction are not being disclosed at this time. The parties stated that they plan to sign definitive agreements by year-end 2013, and the transaction could close in the first three months of 2014.