

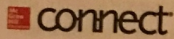
Rosen Hotels & Resorts



Assignment Questions

1. What impresses you about Rosen Hotels & Resorts? What has accounted for Rosen Hotels & Resorts success? What aspects of Rosen Hotels & Resorts do you find unimpressive?
2. What is Rosen Hotels & Resorts' strategy? Which of the five generic competitive strategies discussed in Chapter 5 most closely fit with the competitive approach that Rosen Hotels & Resorts is taking?
3. Is Rosen Hotels & Resorts' competitive strategy working well? What information from the case leads you to this conclusion?
4. What policies, practices, support systems and management approaches underlie Rosen Hotels & Resorts daily operations? Has Rosen Hotels & Resorts built an organization capable of good strategy execution?
5. What are the key elements of Rosen Hotels & Resorts' culture? Is Rosen Hotels & Resorts a strong culture company? Why or why not? How does the company culture support the execution of the Rosen Hotels strategy?
6. What is your assessment of the internal leadership of Rosen Hotels & Resorts? Does the company have the leadership in place to take the company to the next level of performance? [Download](#)
7. What issues do Harris Rosen and the management team need to address?
8. What recommendations would you make to Harris Rosen?

Rosen Hotels & Resorts



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"That's really what it's all about, isn't it?" said Harris Rosen, president of Rosen Hotels & Resorts. "Exemplary service. What we've discovered, and I'm sure that others have identified as well, is that there is a distinct relationship between enthusiastic, happy associates and the company that they work for." Rosen, 76, was the founder, president, and chief operating officer of Rosen Hotels & Resorts. Founded in 1974 in Orlando, Florida, Rosen began with the purchase of one hotel in June of 1974 during the 1970's OPEC oil embargo and a slumping tourist market. In 2016, he presided over a chain of seven hotels and two wholly owned subsidiaries in the greater Orlando, Florida, metropolis.

A special attitude and an infectious warmth seemed to exude from all of the Rosen Hotels & Resorts associates. "We have excellent leadership," said Sarah Sherwin, conference center sales manager at Rosen Shingle Creek, one of the seven hotels in the Rosen Hotels portfolio. "Having Mr. Rosen locally, he's just someone who's great to look up to. He takes care of his associates and he gives back to the community. It's nice to know I'm working for an organization such as ours," she said. Exhibit 1 presents an overview of Rosen Hotels & Resorts. Exhibit 2 presents a photo of Rosen Shingle Creek, the company's premier 1,501-guest room conference facility.

The Golden Rule really described the culture of the Rosen Hotels organization, according to Jonni Kimberly, director of human resources. "It's one thing for a manager in an organization to put their hand on your shoulder and say 'I understand what you're going through,' but it's another thing to say 'I understand what you're going through and we're going to help you go through

it,'" said Kimberly. This level of caring was reflected in real services for Rosen associates. There was an onsite health care clinic that associates could visit while on the clock and an outreach center to assist associates and their dependents with real-life situations, like the loss of a family member or a medical emergency.

Guests at Rosen Hotels & Resorts said they enjoyed a tremendous hotel experience. "I had the experience of my life at this hotel," one guest said, talking about Rosen Shingle Creek. "The staff were really friendly and professional. The hotel was very clean, beautiful, and peaceful. I love it!" Customers often spoke about the friendly staff, competitive room rates, and the spacious, clean, and comfortable rooms. Many Rosen Hotels guests were long-time repeat customers. Some, in fact, had been returning for 25 to 30 years.

The Rosen ethos was also reflected in the company's commitment to corporate social responsibility. In 1993, as it became clear that financial success for the Rosen organization was ensured, Harris Rosen had an epiphany and began to give back. The Tangelo Park Program, which was created out of that decision, ensured that every child living in the Tangelo Park neighborhood would have not only a free preschool education, but that each of them would be able to go to college, technical school, or a Florida public university, free of charge. This made Rosen Hotels & Resorts not only a terrific place to visit but also an active and caring member of the greater Orlando, Florida, community.

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Quotes by the staff and guests of the Rosen Hotels and Resorts:
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EXHIBIT 1

Rosen Hotels & Resorts—Locations and Subsidiaries

Hotel/ Subsidiary Name	Address	Target Market/ Subsidiary Focus	Website
Rosen Inn	6327 International Drive Orlando, FL 32819	Leisure Traveler	www.roseninn6327.com/
Rosen Inn International	7600 International Drive Orlando, FL 32819	Leisure Traveler	roseninn7600.com/
Rosen Inn Pointe Orlando	9000 International Drive Orlando, FL 32819	Leisure Traveler	www.roseninn9000.com/
Rosen Plaza Hotel	9700 International Drive Orlando, FL 32819	Convention Traveler	www.rosenplaza.com/
Rosen Centre Hotel	9840 International Drive Orlando, FL 32819	Convention Traveler	www.rosencentre.com/
Rosen Shingle Creek	9939 Universal Blvd. Orlando, FL 32819	Convention Traveler	www.rosenshinglecreek.com/
Clarion Inn Lake Buena Vista	8442 Palm Parkway Lake Buena Vista, FL 32836	Leisure Traveler	www.clarionlbv.com/
ProvInsure	9700 International Drive Orlando, FL 32819-8114	Health Care, Risk Management, Benefits	www.provinsure.com/
Millennium Technology Group	7657 Golf Channel Drive Orlando FL, 32819	Information Technology	mtg-fl.com/

Source: Rosen Hotels & Resorts.

EXHIBIT 2

Rosen Shingle Creek



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U.S. Hotel and Motel Industry

Companies in the U.S. hotel and motel industry provided short-term accommodations in hotels,

motels, motor hotels, and resort hotels and motels. Many establishments also offered other services such as food and beverages, recreation, conference facilities, laundry, and onsite parking. The industry was highly concentrated, with the top five companies earning approximately 42 percent of industry revenue. Exhibit 3 shows selected financial and operating statistics for the top five lodging chains in 2015.

Recent Performance

Following the global financial crisis of 2007–2008, growth recovered in the U.S. hotel and motel industry and had been strong from 2011 to 2015. Overall, the hotel industry had outperformed the broader U.S. economy and was driven by robust demand growth from both leisure and business travelers, as well as international business and leisure travelers visiting the United States. Over the five years to 2015, the industry was expected to grow at an annualized rate of 3.7 percent to reach \$166.5 billion in revenues.

EXHIBIT 3

Selected Financial and Operating Statistics for the Five Major U.S. Hotel Chains, 2015

Company Name	U.S. Market Share	Number of Properties	Number of Employees, 2015	Revenues, 2015	Net Income, 2015	Key Brands
Hilton Worldwide Holdings Inc.	13.7%	4,000	157,000	\$22.9 billion	\$748 million	Hilton, Hilton Garden Inn, Doubletree, Embassy Suites, Hampton, Homewood Suites
Marriott International, Inc.	13.5%	4,175	127,500	\$22.5 billion	\$859 million	Marriott, Ritz-Carlton, SpringHill Suites, Fairfield Inn, Residence Inn, Courtyard, Townplace Suites
Intercontinental Hotels Group PLC	7.5%	4,900	7,797	\$12.5 billion	\$391 million	Intercontinental, Crowne Plaza, Holiday Inn, Holiday Inn Express, Staybridge Suites, Candlewood Suites
Starwood Hotels & Resorts Worldwide Inc.	3.7%	1,207	188,000	\$5.8 billion	\$489 million	Sheraton, Westin, W, Four Points by Sheraton, St. Regis, Le Meridien, Element
Wyndham Worldwide Corporation	3.7%	5,700	37,700	\$5.5 billion	\$612 million	Ramada, Super 8 Motels, Travelodge, Days Inn, Howard Johnson, Amerihost Inn, Knights Inn, Villager, Wingate Inns

Sources: IBISWorld; Mergent Online.

Approximately 50 percent of industry revenue came from domestic leisure travelers. According to the U.S. Travel Association, about three out of every four trips were taken for leisure purposes. Business travelers accounted for about 30.5 percent of industry revenue. In the business segment, general business travel accounted for about 18.2 percent of industry revenue while meetings, conferences, and events accounted for 12.3 percent of industry spending. In general, business travelers spent more than leisure travelers, making them an attractive segment of the market for hotel and motel chains to pursue. International visitors to the United States accounted for about 19.5 percent of industry revenue. Major countries of origin for international visitors included Canada, Mexico, the United Kingdom, Japan, and Germany.

Hotel development had been sluggish following the global economic recession. Development of new hotels hit a low in 2011. As the economy began to accelerate from 2011 to 2015, demand for hotel rooms began to move ahead of room inventory, causing room rates to rise. In the hotel industry, the metric used to track this was called RevPAR, or revenue per available room. RevPAR was typically calculated

as the average daily room rate times the occupancy rate. In 2015, industry RevPAR had continued to rise, and hotel chains were planning for increased hotel expansions and new hotel and motel openings.

Online Hotel Reservations

The widespread adoption and increasing usage of the Internet had greatly benefited the U.S. hotel and motel industry. Hotel operators were increasingly using the Internet to gather information about prospective and future clients, target and focus their marketing campaigns, manage customer reservations, and purchase supplies for their properties, all while lowering costs. Guest rewards programs frequently used targeted e-mails to communicate with their members to drive repeat hotel business, particularly for frequent travelers.

Travelers were also increasingly using the Internet to connect to lodging providers. In 2015, the number-one channel by which hotel guests booked their reservation was the websites of the major hotel/motel chains. Fully 27.9 percent of all bookings in 2014 were via the hotel website. Hotel website bookings

were up 6.9 percent in fiscal 2014, almost double the growth rate of the industry. Online travel agents, such as Expedia and Priceline.com, were 14.9 percent of all hotel/motel bookings. Increasingly, hotel operators were selling a portion of their unsold rooms via these online travel agents, thereby increasing their revenues and occupancy rates. Exhibit 4 presents the channels for hotel room reservations in 2014.

The platform by which customers were purchasing online was also beginning to be increasingly conducted via mobile applications. Mobile technologies, including smartphones, tablets, and wearable devices, were an increasingly important technological gateway for room bookings. Adara Global estimated that two in three hotel guests had a smartphone, with 78 percent smartphone ownership for frequent travelers between the ages of 18 to 48. Hotel chain La Quinta Inn & Suites estimated that mobile devices drove 23 percent of its digital traffic in 2012. HotelMarketing.com was forecasting that mobile was poised to become the dominant method for online booking in the very near future, particularly for last-minute hotel reservations.

Orlando, Florida: The Number-One Tourist Destination

The number-one tourist destination in the United States was Orlando, Florida. In 2015, the greater Orlando metropolitan area hosted 66 million visitors, according to Visit Orlando. Many visitors to

Orlando, particular from outside the United States, arrived via the Orlando International Airport (Airport Code: MCO). Orlando International Airport handled 35 million passengers in 2014, up almost 3 percent for the year, according to the Orlando Economic Development Commission. The primary driver for hotel occupancy in Orlando was tourist attractions: Orlando boasted four major theme parks (including Walt Disney World, Universal Studios, and SeaWorld Orlando), as well as two water parks. Travel to Orlando was also heavily driven by trade shows and conventions hosted at the Orange County Convention Center. In 2014, the convention center hosted 1.1 million attendees, an all-time high.

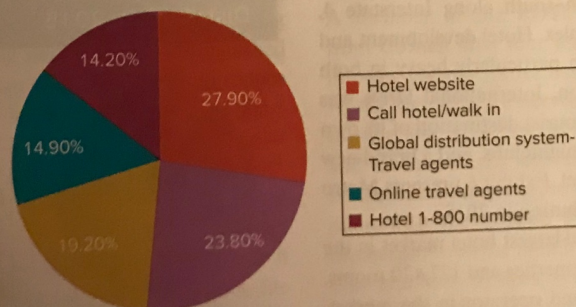
The 2015 demand in the Orlando market for hotel and motel rooms was very strong. Tracking national trends, hotel operators had been slow to expand or build new hotels following the 2007–2008 recession. As a result, room inventory in Orlando increased only 1.7 percent in the first half of 2015, while demand for rooms increased 5.7 percent. As a result, room occupancy rates, average daily rates, and revenue per available room (RevPAR) had all shown strong growth in 2015. Exhibit 5 shows metro Orlando hospitality statistics for 2012 to 2014.

Orlando Tourism and Lodging Patterns

The Orlando hotel market was divided into seven submarkets. Two of these markets, the Lake Buena

EXHIBIT 4

Share of Hotel and Motel Reservations by Booking Method, 2014



Sources: TravelClick; IBISWorld.

EXHIBIT 5

Metro Orlando Hospitality Statistics, 2012–2014**Average Daily Room Rate (\$)**

Rank	Submarket	2012	2013	2014
1	Lake Buena Vista	\$103.65	\$114.98	\$120.62
2	International Drive	\$109.03	\$111.84	\$119.02
3	Orlando South	\$ 98.00	\$ 99.13	\$104.76
4	Orlando Central	\$ 76.00	\$ 77.50	\$ 84.43
5	Kissimmee East	\$ 74.96	\$ 77.29	\$ 82.06
6	Orlando North	\$ 70.72	\$ 71.76	\$ 76.01
7	Kissimmee West	\$ 65.44	\$ 62.25	\$ 62.97

Hotel Occupancy Rate (%)

Rank	Submarket	2012	2013	2014
1	Lake Buena Vista	76.1%	77.1%	81.3%
2	Orlando South	70.0%	73.4%	76.2%
3	International Drive	70.6%	71.5%	74.5%
4	Orlando Central	63.0%	66.5%	70.1%
5	Kissimmee East	62.0%	62.9%	64.3%
6	Orlando North	57.3%	61.9%	63.9%
7	Kissimmee West	54.2%	55.0%	59.4%

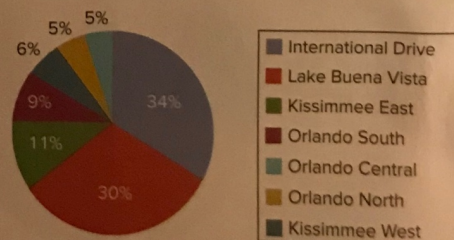
Source: HVS Miami.

Vista district and the International Drive district, accounted for approximately 64 percent of total hotel inventory. The Lake Buena Vista district represented hotels and motels that were adjacent or nearby to the Walt Disney World Resort, located to the southwest of Orlando along the Interstate 4 corridor. The International Drive district, located in the central or west central part of Orlando, was the area closest to the Universal Studios theme parks, Sea World, and the Orange County Convention Center. International Drive ran north-south along Interstate 4, north of the Disney complex. Hotel development and demand growth had been particularly heavy in both of these areas. In addition, International Drive was increasingly becoming a tourist destination of its own accord, with restaurants, nightclubs, and a brand-new 400-foot observation wheel. Exhibit 6 presents Metro Orlando Inventory Distribution in 2015.

Orlando was the second-largest hotel market in the United States, with 489 properties and 127,420 rooms. The largest hotel owner and operator in the market, with 19 properties and 24,432 rooms, was the Walt

Disney World Resort. Disney alone accounted for approximately 20 percent of the Orlando hotel market. Most of the Disney properties were located in the Lake Buena Vista district near the Walt Disney World Resort. All of the major hotel and motel chains had a presence in the Orlando market. Rosen Hotels &

EXHIBIT 6

Metro Orlando Hotel Inventory Distribution, 2015

Source: HVS Miami.

Resorts, with seven properties and approximately 6,300 rooms, held about 5 percent of the Orlando market. The majority of the Rosen properties were located on International Drive, near Universal Studios and the Orange County Convention Center, with one property in the Lake Buena Vista district near Walt Disney World.

Company History

"He came from a very humble family on the lower East Side of New York City," said Dr. Abraham Pizam, dean of the Rosen College of Hospitality at the University of Central Florida. "Whatever he achieved throughout the years, he achieved by his own sweat, tears, and brains." Harris Rosen traveled a long road to reach the current success of Rosen Hotels & Resorts. Rosen recalled when he did all of the gardening, and many of the other roles, by himself at his first hotel. "One has to sacrifice, I think," Rosen said, "Although living where you work for 16 years is a bit crazy. But it required that kind of attention." Exhibit 7 presents a timeline of key events in the Rosen Hotels & Resorts history.

At the age of 10, Harris Rosen worked weekends for his dad at the Waldorf Astoria hotel in New York City. His father was a security engineer and poster painter and earned extra money creating place cards for the hotel's fancy banquets. Harris's job (for which he was paid one penny per card) was to erase any pencil marks on the card and place them in a shoebox in alphabetical sequence. Then Harris and his dad would take the cards to the Waldorf ballroom. There they would meet with the banquet manager, who would have the cards placed around the appropriate table. To get to the ballroom, Harris and his dad would often have to take an elevator. One day as they were entering the elevator, Harris noticed a beautiful young blonde woman standing next to a tall, distinguished gentleman. Harris quietly asked his dad to introduce him to the young lady. His dad said, "First I will introduce you to the gentleman." Harris met Ambassador Joseph Kennedy (U.S. ambassador to Great Britain), who then introduced Harris to the young lady—Marilyn Monroe. Meeting Marilyn Monroe helped determine Harris's destiny because he thought if he could meet someone like Marilyn Monroe in the elevator of a hotel, then the hotel industry was really a business that he wanted to consider.

EXHIBIT 7

Key Milestones in the Rosen Hotels & Resorts History

- 1974: Harris Rosen purchases a Quality Inn, now known as the *Rosen Inn International*.
- 1975: Rosen purchases the International Inn, now known as the *Rosen Inn*.
- 1984: The Quality Inn Plaza, now known as *Rosen Inn at Pointe Orlando*, opens after construction is completed.
- 1987: Comfort Inn Lake Buena Vista, now known as *Clarion Inn Lake Buena Vista*, opens.
- 1989: GRSC Insurance Agency, now named *ProVinsure*, is incorporated and opens.
- 1991: Clarion Plaza, now known as *Rosen Plaza*, opens for convention guests.
- 1991: The first Rosen Medical Center opens adjacent to the *Rosen Inn International*.
- 1993: The Tangelo Park Pilot Program is launched, guaranteeing children an education.
- 1995: Rosen's second full-service convention property, *Omni Rosen*, opens. Now known as the *Rosen Centre Hotel*.
- 1997: *Millennium Technology Group* opens for business.
- 2004: The University of Central Florida Rosen College of Hospitality Management opens.
- 2006: *Rosen Shingle Creek* opens for convention business with 1,501 guest rooms and 462,000 square feet of meeting space.
- 2012: Brand-new 12,000-square-foot *Rosen Medical Center* opens.

Source: Rosen Hotels & Resorts.

Upon completing high school, Harris was admitted to Cornell University's School of Hotel Administration, where he majored in hotel management. A member of the ROTC program, he graduated from Cornell after four years and immediately went into the military. After basic training at Fort Bragg, North Carolina, he served as a first lieutenant for three years, including overseas assignments in Asia and Europe. Harris still returns to Fort Bragg, home of the 82nd Airborne, to do an annual 15,000-foot jump with the Golden Knights. After Rosen was discharged from the military he returned to New York City and went to work at the Waldorf Astoria.

The only job available at the Waldorf at the time was a file clerk in the Personnel department. In a relatively

short time, Rosen worked his way up to sales manager in the Convention Sales department and then was promoted to the Hilton Hotels Management Training Program. During the next several years, Harris worked in six Hilton Hotels throughout the United States. In Dallas, Texas, he was hired by an insurance company owner who had just acquired a hotel in Acapulco, Mexico. Harris moved to Acapulco to manage the hotel. After about a year there, the presidency in Mexico changed. The new government passed a law that prevented non-Mexican citizens from owning more than 49 percent of any real estate property. As a result, Harris's boss sold 51 percent of his equity in the Acapulco hotel. A Mexican group took over the hotel, and Harris was terminated.

Disheartened, he drove to California and quickly learned that the Walt Disney Company was planning a huge new development, Walt Disney World, in Orlando, Florida. Rosen applied for a job and was hired as an administrator of hotel planning for Walt Disney World. He spent about a year in California and then moved to Orlando, working as a planning and hotel management supervisor for several years. Walt Disney World opened in October 1971. In 1973, he was called in for a meeting with his boss. Harris hoped that the meeting was about a promotion and a raise. Instead, he was told that even though he did a great job for the company, he was not a good fit for the Disney organization. Harris was again terminated.

In October 1973, the Organization of the Petroleum Exporting Countries (OPEC) had declared an oil embargo. In the United States, gas prices spiked and supplies were being rationed. As a result, in Orlando, the tourism industry was in complete disarray. Many hotels were in serious financial trouble; some had declared bankruptcy and others were being foreclosed. Despite these circumstances, Harris believed that he could succeed. He started looking for a hotel to purchase. After months of searching, he found a small motel in Orlando on International Drive with frontage onto Interstate 4. He approached the owner of the hotel about a meeting.

The owner, desperate to get out of the hotel business, hugged Rosen tightly after hearing of Rosen's interest in buying the hotel. "He actually cracked one of my ribs," said Rosen. The financial condition of the hotel was stressed as well. The property was operating at 15 percent occupancy and was hemorrhaging

cash. The owner also told Rosen that he had not had a chance to spend any time with his wife and three children and was a mess both psychologically and physically. The owner regarded Rosen as a lifesaver.

After a series of meetings, Harris Rosen found himself in a room with the hotel owner and a representative from the hotel's mortgage company. The banker asked Rosen, "Harris, how much money do you have in the bank?" Rosen paused for a moment and then said, "Sir, I have about \$20,000 in the bank." The banker extended his hand and said, "We have a deal. \$20,000 down, and you assume the \$2.5 million mortgage."

The deal was struck right then and there on June 24, 1974. "Wow," thought Rosen, "I just purchased a hotel running at 15 percent occupancy. I must be crazy!" He walked into his office, sat down behind his desk, and cried. He thought that he had just done the dumbest thing in the world. However, Harris Rosen also had a plan. He began to aggressively market his property to the many motor coach companies along the East Coast, traveling (often hitchhiking) to court their business, and offering them dramatically discounted room rates to secure their business. "Motor coaches were still able to get gas," said Rosen. Eventually, the OPEC oil embargo ended and business began to slowly pick up. Rosen bought a second hotel a year later, and from there his business began to grow. "And that," said Rosen, "was just the beginning."

Organization and Leadership

In 2016, Rosen Hotels & Resorts consisted of seven hotels: Rosen Inn International, Rosen Inn, Rosen Inn Pointe Orlando, Rosen Plaza, Rosen Centre, Rosen Shingle Creek, and the Clarion Inn Lake Buena Vista. Each hotel had its own management team and staff. There were also two subsidiaries, the ProvInsure Insurance Company and the Millennium Technology Group. ProvInsure handled health care, onsite clinics, benefits, risk management and consulting both for Rosen Hotels and for outside clients. The Millennium Technology Group was involved with technology solutions including network security, technology compliance issues, IT staffing, videoconferencing, phone systems, and technology consulting.

In addition to the leadership of the seven hotels and the two subsidiaries, there were a number of centralized

functions. Human resources was centralized, as well as health services, reservations, and convention marketing. Harris Rosen's office was onsite at the Rosen Inn International, where he had been for 42 years. "We are not a stereotypical company," said Rosen, "For example, we have never had an organization chart. I don't like them. I don't believe they serve any real purpose and instead they can inhibit a free flow of ideas and suggestions crucial to the success of any company."

Sarah Sherwin at Rosen Shingle Creek agreed. "Everyone shares ideas with each other. It's a true open door policy. We do follow some form of organizational structure, I report to my director, associate director, and so forth, but if I do have an idea, I can go straight to Mr. Rosen, I can go straight to whom-ever the respective department head is, it's no problem at all. It's welcomed." Jonni Kimberly thought that this open approach to communication was a big part of what made Rosen Hotels not only an excellent place to visit, but a great place to work. "So, you can have an idea," she said, "and you can share the idea and see your idea implemented, and you can see all of that happen pretty quickly."

The company promoted heavily from within, and turnover was arguably the lowest in the hospitality industry. "We only recruit externally if we have to," said Kimberly, "When we opened what is now Rosen Plaza, it was our first convention facility and we recruited externally because we had to. That was 26 years ago and a lot of those folks are still with us."

Summarizing his leadership philosophy, Rosen said, "To be a leader, you must always set an example. Leading from the front is essential."

Strategy

The hotels within Rosen Hotels & Resorts competed in two sectors of the Orlando hotel market: leisure and convention. Rosen Inn, Rosen Inn International, Rosen Inn Pointe Orlando, and Clarion Inn Lake Buena Vista all competed in the leisure segment, with the location of three of these hotels on International Drive, putting them in close proximity to Universal Studios. International Drive had also become a destination itself, with dozens of restaurants, tourist sites, and attractions all along International Drive as well. The Clarion Inn Lake Buena Vista, the remaining leisure

hotel, competed with hotels near Walt Disney World. The International Drive hotels competed mostly in the economy price range, while the Clarion Inn hotel competed at a slightly higher rate.

In addition, Rosen had three convention hotels: Rosen Plaza, Rosen Centre, and the Rosen Shingle Creek. Both the Rosen Plaza and the Rosen Centre were located next to the Orange County Convention Center, and competed in the meeting convention and trade show markets. Rosen Shingle Creek, in addition to catering to the convention market, was a convention and meeting facility in its own right, with close to 500,000 square feet of meeting space. The Shingle Creek facility featured the second-largest column-free ballroom in America, with over 95,000 square feet of space. The convention hotels competed in the upper midscale to upscale price range.

The Rosen Hotels competed in the leisure and convention markets on a number of competitive factors, including location, facilities, amenities, food and beverages, price, and customer service. "The hospitality industry," said Rosen, "is an industry driven primarily by just one thing, great service!!!"

Yield Management and Pricing Strategy

Harris Rosen was generally credited with being a pioneer in yield management. "Most of us think that the airlines invented the process of yield management, but he was one of the first to adopt it officially in his hotels, more than 40 years ago," said Abraham Pizam, dean of the Rosen College of Hospitality. Simply put, yield management was hotel room pricing that reflected supply and demand, and that kept the hotel as full as possible. When times got tough, Rosen hotels would drop their prices. "You cannot generate revenue from an empty room," said Rosen. "We call it heads in beds," said Sarah Sherwin. "You know, as long as you have heads in beds, you're creating jobs for everyone; it's important to make sure that our hotels are occupied, so that our housekeepers have jobs, and they can feed their families." Other hotels, including Disney, had also begun to practice some type of yield management. However, very few hotels could compete with Rosen Hotels on price because recently constructed hotels

had been paid for in cash, leaving Rosen Hotels completely debt free.

Employee Benefits

"The benefits package, featuring our own onsite medical clinic, is probably among the best in the industry," said Harris Rosen. Rosen Hotels was self-insured, meaning that much of the company's health care was actually funded and run by the Rosen organization. And—it was affordable. "It's very affordable," said Sarah Sherwin, "Very affordable monthly and our co-pay at the clinic is \$5. Annual physicals are complimentary, bloodwork is free, co-pays for offsite visits are \$35, and hospital visits do not exceed \$750 per hospital visit for a maximum of two visits per year. After the second hospital stay, there is no charge. Hospital visits won't break the bank," she said, "We're really well taken care of." "Our health care plan 'RosenCare' has been analyzed by health care experts who have determined if America replicated the

Rosen Healthcare program as a nation we could save a minimum of \$1 trillion a year," said Rosen. Other associate benefits included generic prescription coverage provided by Walmart. "About 93 percent of our associates do not pay anything for their prescriptions," said Rosen.

Rosen Hotels also assisted with retirement planning, and had a family outreach center. "Our outreach center has a social worker and a psychologist, where we deal with helping people through the loss of a family member, emergency situations, housing, and child care," said Jonni Kimberly, "Whatever a person needs, there's a place at work for them to go to get help." Another notable benefit for associates was education scholarships. Dependents of Rosen associates were eligible for free tuition scholarships after the associate had been with the company for three years of service. Rosen associates received free tuition scholarships for themselves to attend college after five years of service. Exhibit 8 presents highlights of the Rosen Hotels benefits package. "If your associates

EXHIBIT 8

Rosen Hotels & Resorts—Associate Benefits

Medical Coverage and Insurance

Rosen Hotels & Resorts provides accessible and affordable health care for Rosen associates and their dependents. Primary care physicians are located in the Rosen Medical Center, located steps away from most Rosen properties. Associates can visit the Medical Center "on the clock." The Medical Center includes a fitness facility and an onsite physical therapy wing.

Prescription Coverage

Prescription coverage is included as part of associate medical benefits. Co-pays are inexpensive and in some cases free of charge.

Family Outreach Center

The mission of the Family Outreach Center is to help people help themselves. The center provides social service information, referrals and emergency support to Rosen associates and their dependents.

Day Care Supplement

The Rosen organization provides a supplement to day care costs for dependent children of associates under the age of four.

Retirement Planning

Rosen associates are encouraged to begin retirement savings by deferring a portion of their income to a 401K retirement account. Rosen Hotels & Resorts matches a portion of weekly retirement deferrals.

Career Training and Advancement

All new employees receive a full-day orientation session. Ongoing training includes certification courses, language classes, and professional development workshops.

Education

After five years of employment, associates receive a scholarship to attend a public or private college or attend a vocational school of their choice. Dependents of Rosen associates are eligible for educational scholarships after the associate has reached three years of employment.

are happy, and if they really love working for you, they will treat guests with the kindness and benevolence you've never, ever imagined," said Rosen.

Rosen Goes Green

Rosen Hotels & Resorts prided themselves on their green initiatives. "As a company, we've always been dedicated to environmentally sound practices and keenly focused on evaluating and improving green standards wherever possible," said DeeDee Baggitt, Rosen Hotel's director of engineering and facilities. Six of the Rosen Hotels carried the Two Palm Green Lodge designation under the Florida Department of Environmental Protection's Green Lodging Program. Rosen Shingle Creek carried a Three Palm designation, and engaged in a number of leading green initiatives, including converting used cooking oil from the hotel into biofuel to operate their golf course equipment. All three of the Rosen convention hotels also carried an APEX designation for meeting or exceeding sustainable meeting standards. The Rosen Medical Center, built in 2012, was a LEED Certified building. "We don't claim to be experts, but we can say that we have been practicing conservation efforts for many years and continue to look for ways to reduce, reuse, and recycle wherever possible," said Rosen.

Corporate Social Responsibility

In 1993, Harris Rosen was sitting in his office. "It was kind of like an epiphany," said Rosen. "I stopped what I was doing, and I heard my inner voice say it was time to say 'Thank you, God.'" Out of that moment was born Rosen Hotels's commitment to corporate social responsibility. Rosen explained,

Within a very short period of time we put together a program for the Tangelo Park Program (an underserved community), providing every 2, 3, and 4 year old in the Tangelo Park neighborhood with a free preschool education. After high school every youngster who is accepted to a community college, four-year public college, or technical school will have everything paid for—room, board, tuition, books, etc. In the 23 years we have been engaged with the Tangelo Park program we have sent 350 youngsters to college from

a neighborhood that was graduating 55 percent from high school. During the past 8 years our high school graduation rate has soared to 100 percent and about 70 percent of our kids go on to college; and 77 percent of them graduate either from the two-year program or the four-year program. Everything, of course, is paid for.

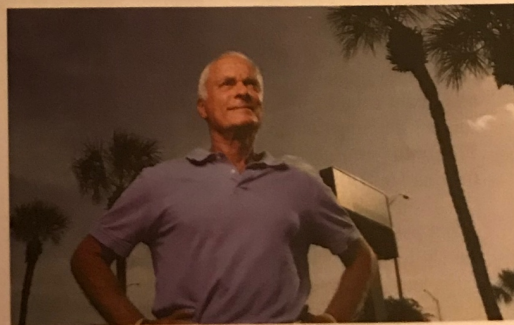
"This has been so good for the children of Tangelo Park," said Diondra Newton, principal at Tangelo Park Elementary. "You see a huge difference between kids who did the program and those who come from elsewhere." One of Tangelo Park's recent high school graduates, going on to college, agreed. "He has taken the burden off me and my entire family," said Arian Plaza. Exhibit 9 shows a picture of Harris Rosen. He was currently replicating the Tangelo Park program in an even more challenging downtown Orlando neighborhood, the Parramore district, which was five times the size of Tangelo Park.

For the past 20 years the Harris Rosen Foundation had been involved in relief efforts in Haiti, providing school supplies, health care supplies, and more than 250 water filtration systems capable of providing clean drinking water for approximately 200,000 people. A school was also under construction near Port Au Prince.

Approximately 15 years ago, Rosen had donated the land and funds for what was now the largest hospitality college in the nation. The Rosen College of Hospitality at the University of Central Florida had

EXHIBIT 9

Harris Rosen



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more than 3,500 students and was ranked the fifth best hospitality college in the world. Harris Rosen had created a \$5 million scholarship endowment at the college that provided more than 160 scholarships annually. The Harris Rosen Foundation had also recently assisted in the completion of a new auditorium at the Jack & Lee Rosen Southwest Orlando Jewish Community Center. The preschool at the center was considered among the very best in Central Florida.

"I realize that some people are a bit leery when I talk to them about my concept of 'responsible capitalism' but I absolutely believe that we have an obligation to offer a helping hand to those in need," said Rosen. "For me, an individual who has been blessed beyond anything I could ever have imagined, it is essential to demonstrate my gratitude."

Financial Performance

Rosen Hotels & Resorts was a private company. It considered itself a rather unusual private-sector company because the company was completely debt free. "If we are planning any refurbishing, renovation, or other capital initiatives or perhaps considering constructing new properties, we do not start until we have sufficient funds in the bank," said Rosen. "Recently, we had a rather extensive refurbishing program that lasted over five years and we spent close to \$200 million. We believe it is a significant advantage to be a debt-free company."

Rosen Shingle Creek was Rosen Hotels & Resorts's signature property. Rosen, discussing this property, provided insights on the financial management of the company:

In 2006, on my birthday, September 9, we completed the construction of Rosen Shingle Creek—a 1,501-room property with a beautiful golf course and about a half million square feet of meeting space. The construction was completed in about 18 months at a cost of approximately \$200,000 per room or \$300 million. We believe our cost was significantly less than what major hotels might spend per room primarily because we are so intimately involved with planning the architectural work, and of course the construction, enabling us to save a tremendous amount of money.

Another recent event offered a look at financial decision making. The company has recently opened

Zayde's kosher catering at the Rosen Plaza Hotel, offering kosher catering at both onsite and off-site venues. "One of our catering managers came to me and demonstrated rather clearly that he believed there was a great market for kosher foods," said Rosen. "We studied it, asked lots of questions, and without much fanfare made the decision to proceed. The cost? About \$3.5 million. The return on that investment if we are fortunate could be less than five years."

STR Analytics published comparative financial results for the hotel industry. Comparative hotel financial results for independent Orlando hotels in the economy class are presented in Exhibit 10. These financial results were comparable to the leisure hotels in the Rosen Hotel chain, such as Rosen Inn (which was Rosen's property closest to Universal Studios), Rosen Inn International, and Rosen Inn Pointe Orlando.

Future Outlook

"So here we are," said Harris Rosen, "42 years later, debt free, approximately 6,300 rooms, about 4,500 associates who work with us. Close to 6,000 covered lives, including dependents." Rosen believed that his hotel group would continue to grow. "I suspect that before I leave we'll add perhaps another 1,000 rooms," he said. Several hotels had recently gone through renovations, and plans were under way to add rooms at the three convention properties. "But we don't do any refurbishing or construction until we have enough money in the bank," said Rosen, "That in many instances is hundreds of millions of dollars."

Analysts are generally positive on growth in the hotel industry through 2020. Orlando also continues to lead the United States in tourism and in growth, particularly in leisure travel. Rosen, however, sounded a cautionary note. "Generally speaking, there is a lot of uncertainty in the world today," he said, "That is impacting every aspect of our business." Rosen was concerned about a number of markets that Orlando had relied on for many years, including Brazil and Puerto Rico. Rosen said that the strategy was to keep the hotels in top shape. "There's always something to do," he said. "If we're not building something, we are renovating or refurbishing, which we believe are critical for our success."

EXHIBIT 10

Orlando Comparative Hotel Financial Results for Independent Hotels—
Economy Class, 2013–2014

	2013	2013	2014	2014
	Amount per Available Room	Amount per Occupied Room Night	Amount per Available Room	Amount per Occupied Room Night
REVENUE				
Rooms	\$10,926	\$52.60	\$12,862	\$54.04
Food	1,316	6.34	1,615	6.79
Beverage	347	1.67	488	2.05
Other Food & Bev	10	0.05	23	0.10
Other Operated Departments	1,440	6.93	1,420	5.97
Miscellaneous Income	407	2.00	1,110	4.70
TOTAL REVENUE	14,446	69.59	17,518	73.65
DEPARTMENTAL EXPENSES				
Rooms	4,159	20.02	5,114	21.49
Food & Beverage	1,528	7.35	1,759	7.39
Other	617	2.97	644	2.70
TOTAL DEPARTMENTAL EXPENSES	6,304	30.35	7,517	31.58
TOTAL DEPARTMENTAL PROFITS	8,142	39.20	10,002	42.02
OPERATING EXPENSES	5,058	24.35	5,750	24.16
GROSS OPERATING PROFIT	\$ 3,084	\$14.85	\$ 4,252	\$17.87
EBITDA	\$ 1,949	\$ 9.38	\$ 2,931	\$12.31

Source: STR Analytics.

Guests at Rosen Hotels & Resorts continued to be amazed at the quality, customer service, and value at the company's Orlando hotels. "I would definitely stay here again," said one satisfied customer, "We felt

safe, and there was lots to see and enjoy." When asked about what made the Rosen organization unique, Rosen replied, "I think we care just a little bit more. We are driven to always try to do the right thing."