

AccorHotels: A study in innovation and transformation

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Background

AccorHotels describes itself as “a world-leading travel & lifestyle group and digital innovator offering unique experiences”ⁱ. Its portfolio has expanded from a single hotel (Novotel) in France in 1967 to more than 4,000 hotels, resorts and residences and more than 2,500 private homes in 95 countries. The current portfolio of 570,000 rooms is comprised of:

- 23% (131,100) of rooms in the luxury and upscale segment (Raffles, Fairmont, Sofitel Legend, SO Sofitel, Sofitel, onefinestay, MGallery by Sofitel, Pullman, Swissôtel).
- 34% (193,800) of rooms in the midscale and boutique segment (Novotel, Grand Mercure, the Sebel, Mama Shelter, adagio premium).
- 43% (245,100) of rooms in the economy and low cost segment (ibis, ibis Styles, ibis budget, Mercure, adagio access, hotelF1, Jo&Joe).

After nearly a decade of leadership turmoil, Sébastien Bazin was named Chairman and CEO in late 2013 and in three years has established the company’s strategy based on several fundamentalsⁱⁱ:

- Relentless innovative drive to establish a presence in new territories through acquisitions and partnerships (see Exhibit 1).
- Determination to wow guests by bringing about new hospitality products and services, an all-new food & beverage strategy, and unprecedented digital services.
- Repositioning with a new name, AccorHotels, and a new promise, Feel Welcome, expressed through an updated visual identity (see Exhibit 2).
- Reorganize into two fields of expertise: operating and franchising hotels (HotelServices) and owning and investing in hotels (HotelInvest). (see Exhibit 2)
- Expanded portfolio of hotel brands covering the full spectrum from luxury to midscale to economy (see Exhibit 3).

Challenges facing hoteliers

For most of the 20th century, travel and hospitality was an industry dominated by family-owned properties and in cities boasted iconic properties managed by European trained hosts. The foremost principle was building at the right address (location, location, location) while serving a consistent market. Over the past twenty-five years, the industry has evolved from high touch, low tech, and inward-looking enterprises into complicated business concerns engaged in local and global commerce.

Now represented by global corporations and publicly owned structures with multiple brands serving a heterogeneous market and managed by well-educated professionals responsible for an ever-improving bottom line. The transformation into the business of hotels with age-old rules being discarded or rewritten, i.e., multiple brands share space in one building. Financial and analytical methods and revenue optimization models are the driving concerns for brands large and small. Location is still an essential driver of success but equally important to the

bottom line are a consistent customer experience, variable pricing strategies and manipulation of distribution channels.

The advance of technology has up-ended the buying process by placing the consumer firmly in control and providing in-roads for disruptors (online travel agencies and peer-to-peer short-term residential lodging). Long-held, core principles of the industry are being challenged elevating decision-making based on a proper blend of analysis and information with gut instinct and experience relegated to a minor role.

Hotels in an Age of Disruptionⁱⁱⁱ

The hotel industry is grappling with ongoing consumer, technological, economic and organizational change that Harvard business professor, Clay Christenson, views as a time ripe for disruptive innovation. Disruption, whether a result of technological advances or changing ideas about an established product, service or organizational practice, can cause chaos or create opportunity within a business.

When innovation changes thinking (guest room don't need actual keys) or interferes with outdated processes and norms (auditing no longer needs to be an overnight event), or challenges the status quo (a phone can be mobile, no longer anchored to a desk) or plays havoc with traditional thinking (only one brand per building) it creates opportunities or threatens potential. Generally disruptors are from outside the industry able to see gaps in current service offerings causing guest frustration and decreasing satisfaction. The disruptor will not only see an opportunity but also will understand how a new technology could be used to attract more customers, lower costs and/or provide increased convenience.

In times of disruptive innovation, leaders must consider possibilities even if they sound absurd for ignoring change can lead to loss of market share, revenue and control and may lead to outright failure. Organizations that face disruptive innovation and accept that past and current processes are not necessarily the roadmap of the future are far more capable of constructing a better future.

Travel, Technology and the Global Marketplace

A recent report by PhoCusWright^{iv} summarized the impact of advancing technology since the 1960's: *"Over the past fifty years, the world has become increasingly interconnected, global economies are intermingled, information flows instantaneously and more people than ever before have the ability to travel. Globalization is spurring development in emerging economies, and a growing, upwardly mobile population of travelers is venturing abroad for the first time. By 2030, emerging markets will welcome 57% of international tourist arrivals, compared to just 30% in 1980."*

The interconnectivity needed to meet the rising demand for travel is rooted in many technological advances but truly everything changed in 1996 when Microsoft Corporation established Expedia, the first online travel agency (OTA). From this an avalanche of disrupting start-ups (Priceline, TripAdvisor, OpenTable, Airbnb) with new ideas about the availability of travel information shifted the axis of power placing the buyer in the driver's seat. For some

within the hotel industry, it mimicked a bloodless coup. Business was caught unaware as customers took control of the keys to the kingdom with a keystroke rather than a sword. The belief hotels controlled information was so engrained in the psyche of the hotel professional that any notion that information would be available, transparent and immediate was incomprehensible and threatened traditional and conventional thinking.

Once buyers understood that technology was a means to an end, travel moved beyond the realm of possibility. In short order, ensuing innovations placed all aspects of the travel journey in the palm of the traveler's hand. PhoCusWright reports *"The shift to online booking channels continues [with] a range of factors influenc[ing] growth rates in individual markets, including online penetration, technology infrastructure, credit card adoption and macroeconomic conditions. In mature online markets (U.S., Canada, Europe) where online travel penetration is 45-50%, online growth has leveled....Emerging regions (Asia Pacific, Eastern Europe, Latin America, Middle East), still have significant room for additional online booking gains....By 2017, all regions except Latin America will have reached or exceeded 35% online travel penetration."*

Due to the multitude of channels available, it is increasingly a self-directed buyer journey that occurs in a non-sequential, non-structured fashion. Buyers' aspirations are now based on a global experience rather than local norms (no more keeping up with your neighbors now we aspire to be like people we have never met). Each time a buyer engages, the individual or group contacted for advice may be different, depending on the desired product or experience. The ability to connect to seemingly endless possibilities has heightened the casual and impromptu aspects of consumer nature in ways that challenge conventional thinking.

Brief History of AccorHotels'

The very DNA of AccorHotels is awash in innovation, risk-taking and change. Beginning in 1967 two individuals, Paul Dubrulle and Gérard Pélisson, turned vision into reality by ignoring the status quo. Combining knowledge gained while studying in America and recognizing changes in the U.S. hotel industry stemmed from advancing consumer behaviors, the two men rewrote hotel development, design, marketing and service traditions long-held in France and throughout Europe.

The foundation of the company was Novotel, a three-star brand that broke with the past and established the modern hotel industry in France. Their first Novotel had a private bath in every room (unheard of at the time) and was located near the airport in Lille, France, a secondary city some 140 miles from Paris. Subsequent builds were located on the outskirts of a city, along roads or near airports, and featured unusual amenities and services such as a working desk, a phone with a direct outside line, a swimming pool, and free breakfast. By 1974 there were 45 Novotels throughout France, with growth a combination of wholly-owned and franchise.

Breaking convention again, the founders developed Ibis hotels, a two-star brand in the mid 70's. The chain was conceived as a simple solution for investors, franchisees and travelers. Using 30% as the baseline (rooms priced 30% less than Novotel, measuring 30% smaller than Novotel and with 30% lower building cost than Novotel), all rooms had a bathroom but without a bidet, a move that was consider improper for the time but a cost saving measure that

acknowledged changing norms. To secure a positive future Ibis was built near an established Novotel, the first steps toward a customer-centric business strategy that addressed a broad spectrum of traveler needs. In 1984 the first one-star hotel brand in the portfolio, Formule 1, was developed and again broke tradition as it was designed to function without any employees and quickly became the standard across Europe for low cost hotels.

In the 1980's recognizing that yesterday's success did not secure the future, leadership decided to add a third growth tactic, acquisition of brands, to complement the existing methods of ownership and franchising. The first major acquisition was the purchase of the Sofitel chain, a move that expanded the portfolio into the upscale and luxury segment. Buying established, successful luxury brands continues to the present with the purchase in July 2016 of the Raffles, Fairmont, and Swisshotels brands from FRHI Holdings.

In current times the founders' philosophy of consistent change to further growth has resulted in a reorganization into two divisions (see Exhibit 2):

- HotelInvest. A real estate investment business focused on owning and leasing hotel assets. As of October 2016, the portfolio had 1,183 hotels with 87% located in Europe and 90% in the economy and midscale segments, and 2015 EBIT margin was 7.8%, nearly double of 2013.
- HotelServices. An operating business specializing in managing hotel operations for both Accor-owned and other-owned properties. The goal is to maximize fees, speed up CRM and loyalty-building drives, shift the group deeper into the digital realm, and roll out a strategy in each segment to bolster the brands.

Described throughout the industry as an "asset-light" strategy, the reorganization frees capital to redefine the business of AccorHotels and produced record profit in 2015 (see Exhibit 4).

HotelServices has two strategies -- an expansion of branded hotels and private residences and the advancement of technology capability to accomplish a digital transformation at every step of the traveler journey -- which are the foundations of what the company will become.

HotelInvest is to reposition the owned portfolio, reducing exposure to leases and generate new capital sources. After completing the purchase of FRHI in July 2016, Bazin announced the timeline for offering outsiders an opportunity to invest in HotelInvest's share capital would be accelerated. The project, designated "Booster" has a twofold purpose: to provide increased financial resources to speed up growth in all areas of the company and to decrease ownership of HotelInvest by AccorHotels to less than 50%.^{vi} Ultimately HotelInvest will become a subsidiary.

Building for tomorrow

In just five decades, AccorHotels transformed into a global corporation with a capacity for unearthing opportunities in compatible sectors, an essential element of the organization's success. Today horizontal and vertical diversification is being employed to incorporate new businesses to generate prolonged and dynamic growth (see Exhibit 1).

Over the past three years, AccorHotels has employed horizontal integration by outright purchase of or investment in seven hotel brands (Mama Shelter, Raffles, Fairmont, Swisshotels, 25hours Hotels, Huazhu Hotels and Banyan Hotels), one private residences brand (onfinestay)

and two home rental platforms (Squarebreak and Oasis Collection). The ten additions extend their product offerings within the luxury midscale and economy segments, further their development in China, and expand the organization into residential lodging.

To further their digital strategy, the company purchased Wipolo, Fastbooking, and John Paul to vertically shift into related but different stages of the travel journey. The addition of the three digital service companies provides the additional products and services needed to move beyond the book and stay portions of the traveler journey. Wipolo is a mobile app that provides one-stop shopping allowing traveler to book flights, hotels, rental cars, and make restaurant reservations and then manages their bookings. Fastbooking is a B2B online platform that provides a website builder, a channel manager, digital marketing campaigns, and business intelligence software. John Paul is a 21st Century concierge service that provides B2B2C service using advanced CRM and exquisite personalized service to secure a deep relationship with guests by expanding the number and level of touch points.

By rethinking and incorporating digital technology wherever and however it will strengthen the guest experience, improve services offered to investor partners and consolidate the company's distribution market share. The growth strategy is anchored by an infusion of digital capabilities aimed at the very heart of the organization's transformation (see Exhibit 5). Expanded digital capabilities are necessary to success in:

- Total guest engagement leading to an ownership position in acquisition
- Using OTAs as acquiring channel and learning channel
- Expanded CRM activation and retention

Redefining the company included a transformation of identity accomplished through a name change (from Accor to AccorHotels), redesigned visuals, and a new philosophy. The logo (see below) incorporates the Brent Goose and the philosophical tag line "Feel Welcome" with the new name as the connection for all (guests, employees, franchisees, investors) across the brands. The Feel Welcome promise, according to the company, *captures the generosity and the very essence of hospitality. It is a promise addressed to all our audiences: customers, employees and partners, so that they feel expected, unique and privileged.* The identify transformation enriches the bond between the company and its brands, linking all to the digital platform (accorhotels.com), the mobile app and the spirit and determination of employees.



A Bold Vision: Taking on the disruptors

CEO Sébastien Bazin has gone "all in" and declared, "We will build the hospitality of the future around a bold and innovative vision of our businesses." Further, in an interview with USA Today he claimed, "The digital space where you have seen the OTAs and Expedia and Booking and Kayak and Trivago and TripAdvisor and Airbnb and Google, I want Accor to

participate in that field. Any new services provided to travelers--Accor should be thinking about it as either a partner or an acquirer.”^{vii}

With the CEO proclaiming the organization will not sit on the sideline watching disruptors but will actively take the offensive to fashion a stronger, more successful future. Bazin’s vision and strategic plan are anchored by an unconventional, transformative and straightforward strategy described as “Leading Digital Hospitality”. It is designed to make AccorHotels “*the world’s benchmark hospitality player offering guests, employees and partners a unique experience*”^{viii}. To back up his words, the company has committed at least EUR225m (US\$239m) over five years, ending in 2018, to strengthen their digital capabilities and become more than a hotel company.^{ix}

The centerpiece of AccorHotels digital strategy is an online marketplace offering travelers a wide-ranging digital shopping experience that includes a select group of independent hotels looking for wider access to potential guests placed along side Accor’s branded hotels. The reason for creating the marketplace is to strengthen AccorHotels ability to control and complete the sale and to add value and reward loyalty. While taking an open, transparent approach AccorHotels is becoming an intermediary, adopting a “if you can’t beat ‘em, join ‘em” philosophy. In November 2016, it was estimated that the marketplace offered 6,000 hotels and private residences of which one-third were independent hotels^x. The marketplace, an online distribution network, is available on the AccorHotels company website and their mobile application. It is a major growth initiative and possible game-changer, aimed at bolstering the Group's position in the digital distribution landscape and adapting to modern travelers' needs and time constraints when researching and booking accommodations online (see Exhibit 6).

A recent article in tnooz.com stated that beginning in 2017 the platform would be available to independent North American hotels with the objective to add 200 hotels in ten key American and Canadian cities.^{xi} But being open does not mean standards go by the wayside. Multiple criteria for inclusion in the platform must be met to be included in the marketplace:

- The hotel must have a 3.5-star TripAdvisor rating if it is an economy hotel, a 4-star rating if it is a midscale or upscale hotel and a 4.5-star rating if it is a luxury hotel;
- The hotel must have sufficient rooms to make sense to add to the platform;
- The hotel must pass an inspection conducted by AccorHotels.

To strengthen the attractiveness to independent hotels the company is offering a better deal than other OTA’s with commissions a third to half less -- 14% per booking if you are not a customer of [FastBooking](#) and 12% if you are. The option to participate in Le Club, AccorHotels loyalty program, costs a 5% per booking fee for the property.

Bazin views the digital strategy as additive “.... [we are] not against the OTAs as they have given us customers we would not have got otherwise.... We are happy to pay for the customer, but only once.” During an analyst presentation in November 2014 he went on record indicating AccorHotels must [reverse the direct-versus-indirect booking percentage](#) from the current 60/40 figure favoring OTAs.^{xii} To date AccorHotels has decidedly expanded their sphere of influence by at the very least thinking outside the box. Whether the company will be

able to take full advantage of their innovative and revolutionary changes is yet to be answered. If the past is any indication, the desire to transform will propel the company to new levels of growth and existence. A quote from 2015 Annual Report by Vivek Badrinath, Deputy Chief Executive Officer, Marketing, Digital Solutions, Distribution and Information Systems affirms the commitment: *"To reinvent digital hospitality, in 2015, we modernized our guests' booking and hotel-stay experiences; equipped our teams with shared digital tools; streamlined relations with our partners, and launched innovative trials...more than one thousand AccorHotels employees worked on these issues... Our digital presence has been strengthened, and this is just the beginning of our transformation!"*^{xiii}

Recognizing the need to disrupt their own thinking, Bazin established what he termed a "shadow Executive Committee" of managers between 25 to 35 years old who have worked at least 5 years at AccorHotels. The rationale for the shadow committee is to inject diversity into the thinking of the older senior executives who lead the organization, to bring the millennial point of view forward to leadership. The 13 members of the shadow committee are from all areas of the company operationally and geographically and were selected by the executive committee. The shadow committee receives targeted coaching and mentoring as the expectation is for them to provide feedback on the agenda and decisions facing and made by the actual executive committee. Each shadow member prepares recommendations on issues facing the board in a direct effort to change the mindset and culture of the organization. Bazin believes *"The ability of these young people to predict the world of tomorrow is finer than ours. In particular on the subjects at the heart of the group's current problems: the expectations of new customers in terms of services and, more generally, the customer experience."*^{xiv} The newest AccorHotels brand Jo&Joe reflects the injection of diversity of thinking and engagement of younger employees in decision-making. It is an economy brand blending aspects of private rental experience with the hostel and hotel frameworks. A recent press release describes the brand as *"...the properties will include the bar...will focus on a flagship product (wine, beer or cocktails), with a unique selection promoting local and craft products; local, affordable craft cuisine and restaurants with a...grill, open flame barbecue, wok or wood fired pizzas; the collaborative kitchen, where guests can cook meals; and The Happy House, a private area to relax, work, cook or wash clothes. Room types vary: "Together," the essence of the brand, offers a modular sleeping area guests share [with] beds, private lockers, reading lights, USB ports [and] access to shared recreation areas and bathrooms. "Yours" is rooms and apartments for two to five people with a private bathroom and...a kitchen space. "OOO!" (Out of the Ordinary) accommodations for people traveling alone or in groups of up to six people. These original formats include yurts, hammocks and caravans. Rates start at \$28 a night."*^{xv}

Recognition by outside organizations is one of the better indications of the success. Each year, *Fast Company*, an online business magazine, identifies the most innovative companies in the world that tap heartstrings and purse strings and use the engine of commerce to make a difference in the world with impact as the key criteria. In the February 13 issue, AccorHotels was included as one of the most innovative travel companies because it *"is breaking out of the shadow cast by its larger rivals by building a portfolio of bold—and boldly differentiated—brands"*.^{xvi}

Exhibit 1 Far-reaching Growth Strategy (source: pressroom.accorhotels-group.com/en/), accessed daily from 12/23/16 01/03/2017). Note: AH = AccorHotels

2014

Vertical Acquisition

- Mama Shelter (*French boutique brand, creates & choreographs lively accommodation & restaurant facilities*) Cost: Undisclosed, 35% ownership. Purpose: AH expand & enrich its offer with a different type of hotel

Horizontal Acquisition

- Wipolo (*a web & mobile platform, lets users plan trips - booking flights, hotels and restaurants, to share information about their trips, manages trip itineraries, linking them with Facebook & Twitter*). Cost: Undisclosed. Purpose: Provide users with seamless & mobile buying journey. Enrich AH mobile app with new services managing every aspect of a trip, like a personal assistant.

2015

Horizontal Acquisition

- Fastbooking (*provides digital solutions to independent hotels to increase their direct sales via electronic channels*) Cost: Undisclosed. Purpose: To accelerate the implementation of AH digital strategy. Booking engine, distribution manager, GDS, optimization tools, traffic acquisition.

Vertical Acquisitions

- FRHI (*luxury and upscale brands Fairmont, Raffles and Swisshotels*). Cost: US\$2.9B (\$840M cash, remainder in stock to Qatar Investment Authority (10.5% equity stake) & Kingdom Holdings (5.8%)). Purpose: Accelerate transformation & positioning of hotel portfolio & geographic footprint as a leading player in luxury hotel market; & enhance luxury as a key part of strategic plan.
- Huazhu Hotels (*hotel management company*) Cost: No cash. AH 10.8% stake in Huazhu & Huazhu 29.3% non-controlling stake in AH. Purpose: Strategic alliance to accelerate development of AH mid-scale & economy brands in China & combine loyalty programs & dual-platform distribution system. Annual target of 50 economy and mid-scale hotel brands for ibis, ibis Styles, Mercure and Novotel across mainland China under Huazhu alliance over the next three years.
- Banyan Hotels (*operator & developer of premium 43 hotels/resorts, 64 spas, 77 retail galleries, three golf courses in 28 countries.*) Cost: ~US\$16.5M Provides a 5% stake in Banyan, option of 5% more. Purpose: Complement current luxury offerings especially in Asia. Partnership to develop & manage Banyan Tree-branded hotels around the world.
- 25hours Hotels (*individual, design-oriented boutique hotels primarily in Germany*) Cost: 30% stake. Purpose: To add another product thereby furthering “cradle to grave” strategy.
- Onefinestay (*London-based high-end residential rentals offering a hotel-like service, more than 2,500 properties*) Cost: US\$170M with additional US\$70M to be invested over next 5 years. Purpose: Expansion into vertical - private rentals for high-end stays. Follow clients’ needs to remain relevant.
- Oasis Collections (*digital platform offering apartments & personalized services to leisure & corporate guests*) Cost: undisclosed sum. 30% stake. Purpose: Provide complement to upscale brands.
- Squarebreak (*upscale French villas-resort-hotel digital platform*) Cost: undisclosed sum. 49% share. Purpose: With onefinestay, Oasis Collection realizes leadership position in luxury residential rentals.

Horizontal Acquisition

- John Paul (*high-end worldwide concierge service firm with proprietary CRM software application and management platform*) Cost: US\$150M. 80% stake. Purpose: Further strategy of placing customers at the center of everything & to generate new revenue streams from services.

Exhibit 2 Guiding Principles (source: Adapted from AccorHotels' Strategic Vision www.accorhotels-group.com/en/group/accorhotels-strategic-vision.html, accessed 12/20/2016)

We express our personality through a strong identity. Two words "Feel Welcome" expresses and positions the Groups greatest strength: its passion for hospitality and for the hotel industry professions.

We bring complementary fields of expertise into play. To ensure its long-term expansion, AccorHotels re-organized in 2013 into two separate divisions:

- **HotelServices Division** (operation and franchising) 4,100 hotels/570,000 rooms operating under the Group's 19 brands. Mission is to manage hotel operations and provide the best choice of services for partner hotel owners including a powerful distribution system. 67% of hotels are franchised and 33% are under management contract.
- **HotelInvest Division** (ownership and investment) mission is to streamline and manage the existing asset portfolio through disposals and acquisitions based on three criteria: margin, cash generation and location. The goal is to establish the leading hotel investor in the economy and midscale segments in Europe, focus on cash-flow generation and reduce result volatility, optimize CAPEX allocation strategy and support AccorHotels' development by investing selectively in properties.

We leverage innovation to increase our operational excellence. Uses significant distribution clout to offer distribution and digital services to partner hotels. With 329 million visits a year, AccorHotels.com is now open to independent hotels. Le Club Accorhotels (loyalty program) is free of charge, covers every Group brand and every country worldwide, and boasts around 25 million members.

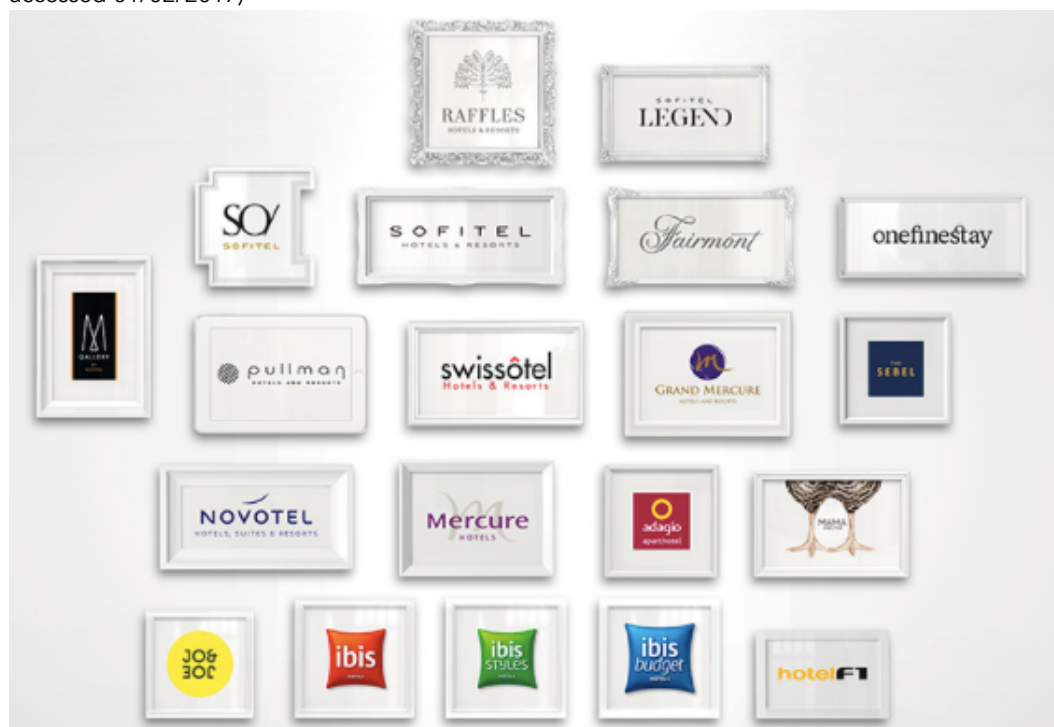
We think big when it comes to the Group's development. Our development strategy has two main fronts: cementing the Group's leadership in Europe and swiftly developing its presence in emerging countries. Still significant growth potential in Europe, especially in economy hotels due to low penetration rates in many countries. Increase our presence in emerging countries in general and in high-potential countries such as Brazil, India and China in particular. The Group is leveraging its expansion by:

- Investing selectively in high-margin projects in prime locations, especially in the economy segment in Europe
- Ramping up franchise development in the midscale and economy segments
- Harnessing external growth opportunities thru partnerships or acquisitions to consolidate the Group's leadership in the most attractive markets with asset-light operations.

We develop our in-house talent. With an active training program, the Group has more than 170 courses and an 18-strong Academy global. Building professional management skills (encompassing revenue management) and sales skills and shaping the jobs that hotels will need tomorrow, creating new business lines, and building a pool of professional talent that will keep us in the lead on the market.

We reinvent hotels sustainably. Sustainable development and solidarity are key priorities for AccorHotels. PLANET 21 is taking its sustainable development agenda to the next level by establishing 21 commitments, with specific targets that every hotel will be required to achieve this year.

Exhibit 3 AccorHotels by Brand* (source: www.accorhotels-group.com/en/brands/brand-portfolio.html, accessed 01/02/2017)



*In September 2016, the launch of a new brand, JO&JOE to round out the economy-brand portfolio, providing a made-to-measure solution for the Millennial-minded. To be developed in 50 city-center locations close to public transport and major points of interest.

Exhibit 4 AccorHotels Financial Results (source: 2013 Business Review. www.accorhotels-group.com/fileadmin/user_upload/Contenus_Accor/Finance/Pressreleases/2014/UK/pr_annual_results_2013.pdf, accessed 12/28/2016); 2015 Business Review. www.accorhotels-group.com/fileadmin/user_upload/Contenus_Accor/Finance/Pressreleases/2016/UK/pr_accorhotels_results_2015_vdef.pdf, accessed 12/28/2016; AccorHotels Press Release www.accorhotels-group.com/fileadmin/user_upload/Contenus_Accor/Finance/Pressreleases/2017/UK/ah_pr_2016results_final_en.pdf, accessed 02/26/2017)

<i>(millions of euros)</i>	2012	2013	2014	2015	2016
Revenue	5,649	5,536	5,454	5,581	5,631
EBITDAR (1)	1,788	1,759	1,772	1,780	1,781
EBITDAR margin	31.70%	31.80%	32.50%	31.90%	31.6%
EBIT	526	536	602	665	696
Operating profit before tax & nonrecurring items	468	446	578	605	571
Net profit before profit (loss) from discontinued operations	80	125	227	246	266
Profit/(loss) from discontinued operations	-679	1	-4	-1	(0)
Net profit/(loss), Group share	-599	126	223	244	265

(1) Earnings before interest, taxes, depreciation, amortization and rental expense

Exhibit 5 AccorHotels Digital Transformation (source: www.accorhotels-group.com/fileadmin/user_upload/Contenus_Accor/Finance/Pressreleases/2014/UK/20141030_pr_accor_digital_day.pdf)

1. Making IT tools and systems even more robust and agile. To achieve this objective, the following programs will be implemented in 2015:
 - “Infrastructure Transformation” will focus on optimizing systems to speed up the rollout of new services and keep pace with rising transaction volumes.
 - “Business Intelligence & Analytics” will ensure that operational decisions are increasingly based on analyses of the large volumes of data collected, particularly in hotels.
2. Existing robust tools:
 - TARS, The Accor Reservation System, is a powerful distribution tool, today centralizes 59% of bookings and over five million inquiries per day.
 - accorhotels.com is a multi-brand booking portal, which manages an average of 45,000 reservations per day. Available in 32 local versions and 16 languages (18 planned by 2015) and now offers a new trip planning service (My Trip Planner) that enables customers to prepare their stays in 70 destinations around the world.
 - Le Club Accorhotels is the Group's multi-brand loyalty program, which added over 3 million new members in 2014 and increased its generosity. It is the only hotel loyalty program in the world that allows customers to redeem points with no time or availability restrictions.
3. Initiatives have already been launched at each stage of the customer journey, including:
 - Increased personalization of e-mail campaigns through SMART, an exclusive self-learning recommendation tool that will generate over 14,000 e-mail campaigns in 16 languages.
 - The worldwide rollout of “Welcome by Le Club Accorhotels”, a digital solution that revisits hospitality and aims to make customers' stays easier through smartphone exchanges. It will be up and running in 1,000 Group hotels by the end of 2014.
 - A complete makeover of the photo and video images available online, with more than 2,500 new shoots currently in progress.

Exhibit 6 Four steps for a simpler, more personalized hotel welcome (source: www.accorhotels-group.com/fileadmin/user_upload/Contenus_Accor/Presse/Pressreleases/2014/UK/welcome_pr_ven_20140428.pdf)

1. Two days before their hotel stay, guests are invited to prepare their check-in online if they have booked directly with Accor or if they are loyalty card or subscription cardholders.
2. On the arrival day, guests receive a welcome message by SMS, confirming that their room and key are ready and offering very useful practical information to simplify their trip (transport services to the hotel, car park access codes, etc.).
3. When guests arrive in the hotel, their key has been prepared and is handed over immediately without the usual administrative formalities. The hotelier is even more available to greet guests and cater for their requests.
4. On the departure day, guests can leave rapidly. To check out, they simply have to hand in their key to indicate that their room has been vacated. The invoice is sent to them by email.

Endnotes

- ⁱ About AccorHotels. www.pressroom.accorhotels-group.com/accorhotels-finalizes-acquisition-of-john-paul-the-world-leader-in-the-concierge-market%E2%80%8B/, accessed 01/02/2017.
- ⁱⁱ Adapted from AccorHotels' Strategic Vision www.accorhotels-group.com/en/group/accorhotels-strategic-vision.html, accessed 12/20/2016.
- ⁱⁱⁱ Adapted from the *Evolution of Sales* White Paper by Dr. Lalia Rach. Published by HSMAI Foundation.
- ^{iv} PhoCusWright Global Online Travel Overview Fourth Ed by Lorraine Sileo and Cathy Schetzina Walsh. Published November 2016.
- ^v Adapted from *Accor, Reaching for the Impossible. 40 years of history 1967-2007*. www.accorhotels-group.com/en/group/history.html, accessed 12/27/2016.
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