



## What you need to know about the Avendra sale



By [Jeff Weinstein](#) on 10/18/2017

After Monday's announced deal of food, facilities and uniforms provider Aramark acquiring for US\$1.35 billion hotel procurement service system, Avendra, the more than 8,500 hotels currently working with Avendra should benefit from better supply contracts as the two companies leverage a newly combined US\$11 billion in spend on products and services.

Avendra, owned by founding shareholders Marriott International, Hyatt, Accor, ClubCorp and IHG, will continue to operate on its own with no plan to change its name or approach to business, according to Avendra President and CEO Wolfram Schaefer, who also told HOTELS it is still too early to make projections on the savings related to procurement contracts. "We will be looking at details like that once the transaction closes," he added.

While savings will become more apparent in the mid-term, the news has been well received by at least one hotel owner representative. Chad Crandell, managing director and CEO, CHMWarnick, Beverly, Massachusetts, an asset management company representing numerous branded hotels who procure products via Avendra, said his initial understanding is that Marriott International (the largest Avendra stakeholder at 55%) has promised their net proceeds from the sale (estimated at US\$650 million) will come back into the Marriott system to reduce chain/system expenses that would have occurred regardless of the Avendra transaction. "That would be awesome news," he said. "As we plan for next year, there appear to be revenue challenges in many markets trying to grow ADR and maintain positive RevPAR," Crandell said. "If there are ways to have some cost savings and efficiencies as a result of this transaction making their way to the properties that would be welcome and appreciated."



Crandell added that volume rebates, which hotels currently receive from Avendra, will continue post the transaction. “Hopefully, with larger volume spend when combined with Aramark, these rebates will only get better,” he added. “Additionally, post the transaction, Marriott has entered into a five-year contract, which will provide for lower purchasing fees charged by Aramark and lower costs to hotel owners of Marriott managed hotels. So, at first blush, we see no downside to the Avendra transaction from a hotel owner perspective.”

If there is any downside, Crandell said he wondered if consolidation could create even close to a purchasing monopoly. “But I don’t see that here. Avendra ran it course,” he said. “Competing brands worked together to benefit each other – something we haven’t seen in the hotel industry. In this case it worked well and it would be nice to see more hotel disciplines work together to benefit all participants, as opposed to everyone doing everything on their own.”

A spokesperson for Marriott International said the Avendra sale profits could result in savings to individual hotels. But since Marriott doesn’t yet know what investments it might make, it would be speculative to estimate future impact, if any, to individual hotels. “The funds do indeed go ‘back’ to the owners in that the money will be used for the benefit of the system (e.g., improving reservation systems, revenue management systems, etc.).”

The Marriott spokesperson added it has been communicating directly with the owner community about the deal news. “We said that we have confidence that the proceeds from the sale and the continuing relationship with Aramark will provide enhanced value for participating Marriott hotels as the company leverages its size and scale to drive meaningful cost savings and efficiencies.”