

Robert E. Kennedy

Entry Mode (C): Super 8 Goes to China¹

Super 8 was founded in 1974 with one modest motel in Aberdeen, South Dakota that offered rooms for \$8.88 per night. The business grew rapidly through franchising as a new Super 8 opened every 18.25 days.² More than thirty years later, the Super 8 chain had grown to include more than two thousand motels across North America. All franchises agreed to provide the same standard amenities at each location, including the SuperStart continental breakfast, free high-speed wireless Internet access, hairdryers, and coffee makers. All locations were independently owned and operated. In 1993, the Super 8 franchise was purchased by Cendant Corporation (Cendant).

In the early 2000s, Cendant was world's largest, but perhaps least-known, hotel franchiser. The Cendant name did not appear on hotel façades and the company did not own a single piece of real estate, but it franchised some of the best-known brands in the industry, such as Howard Johnson, Days Inn, and Ramada.

In 2004, Cendant announced that it would begin franchising Super 8 motels in China. Cendant had been franchising its Howard Johnson brand in China since October 1998 through the Shanghai-based Berrate Development Group. Cendant's strategy for Chinese expansion involved three lodging tiers:

- Two- to three-star hotels under the Super 8 brand;
- Three- to four-star hotels under the Days Inn brand;
- Four- to five-star hotels under the Howard Johnson brand.

Steven A. Rudnitsky, chairman and chief executive officer of Cendant's hotel group, said the lack of quality economy, mid-scale, and first-class hotels presented a "substantial opportunity" for franchising the Super 8 brand in China.

"Other major hotel companies have focused principally on developing luxury hotels," Rudnitsky said. "Our business will be based on serving the growing middle class, especially domestic consumers who have discovered the benefit and flexibility of traveling the country on its growing network of highways."

A key component of Cendant's expansion plan was finding an investor/developer that met its criteria for a master franchisee. Tian Rui Hotel Corporation, a privately-held company based in Hong Kong, committed to develop more than fifty-five Super 8 motels over five years under a master license agreement. In February 2008, the company had sixty-seven properties open and operating in more than forty cities across China.

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