



Photographs by F. Carter Smith for The New York Times

At 32, Karim Alibhai has worked every job at his family's motel from the front desk to driving the van. Today, he runs Gencom American Hospitality, a \$200 million hotel group in Houston that operates Radissons, Sheratons and Hiltons.

Hospitality Is Their Business

Indian-Americans' Rooms-to-Riches Success Story

By EDWIN McDOWELL

In the quarter-century that people of Indian ancestry have been emigrating to the United States in sizable numbers, they have carved out a steadily bigger share of the nation's hotel industry. Starting with no-name motels, they soon graduated to Days Inn, Econo Lodge, Rodeway and other economy franchises.

Today, with more than 12,000 properties, Indian-Americans own 48 percent of America's economy hotels and 26 percent of the nation's total 45,000 lodg-

ings. "We used to be isolated in a few states in the South," said Ravi Patel, whose Charlotte, N.C., company, Sres Inc., owns 20 hotels. "Now we're almost everywhere."

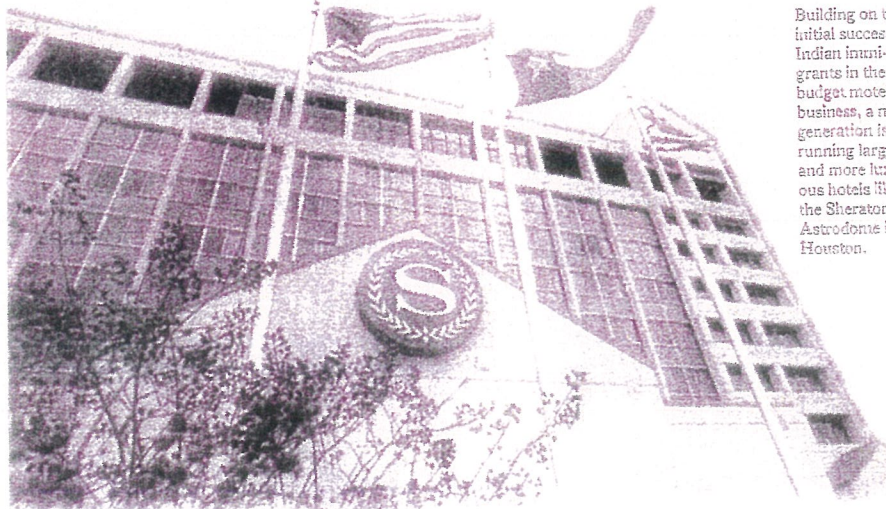
They are also moving up. A new generation is buying properties like Sheratons, Radissons and Hiltons, adding an upscale chapter to an immigrant success story.

The first wave of motel ownership was propelled by the Indian-Americans' strong family ties, close-knit communities and a willingness to invest years of sweat. This latest wave repre-

sents a break with tradition and a willingness to tackle bigger, more complex challenges. But the original community still provides the backing, as today's entrepreneurs pool the resources of extended families and borrow from fellow Indian-Americans, for whom a handshake is often sufficient collateral.

"These Indians are modern Horatio Algers," said Joel Kotkin, a senior fellow at the Pepperdine University Institute for Public Policy in Malibu, Calif. "They're willing to start in marginal and sometimes risky areas that native-

Continued on Page C16



Building on the initial success of Indian immigrants in the budget motel business, a new generation is running larger and more luxurious hotels like the Sheraton Astrodon in Houston.

American Hotels with a Touch of India

■ Percentage of hotel franchisees who are Americans of Indian ancestry
○ Others.



Source: Chaina Hotels International, HFS Inc.

The New York Times

Rooms-to-Richs Story Of Indian-Americans

Continued From First Business Page

born Americans are not interested in going into, and working incredibly long hours."

Ramesh Gokal, who bought a 26 room hotel in North Carolina soon after coming to the United States in 1976, is now president of Knights Inn, a chain of about 130 franchised economy hotels. Children of the industry pioneers are establishing their own companies and using newly acquired knowledge of capital markets to build budding empires.

"My parents' generation did business by having x dollars, buying y goods and selling for z," said Karim Alibhai, the kinetic 32-year-old president and chief executive of Gencom American Hospitality, a family-owned hotel group in Houston. "At the roadside hotels they ran, the management philosophy was get guests in and out, and have the maids clean the rooms."

But these days, "you have to know administration, management and how to use Wall Street to invest and to grow," added Mr. Alibhai, who was born in Kenya and majored in economics at Rice University. (Many Indian-American hotel-keepers came to America by way of Africa, where their families had lived for several generations in many cases.)

In Mr. Alibhai's case, the big plans are not just talk. In September, he co-sponsored a \$350 million initial public offering of a real estate investment trust, one of the largest in United States history. Paine Webber was the lead investment banker and Mr. Alibhai was initially the biggest individual shareholder.

Today Gencom affiliates, which began with a single Best Western that Mr. Alibhai's parents bought in 1979 after emigrating from Kenya, own all or part of 47 hotels in 13 states. Properties include the 759-room Radisson New Orleans, the 850-room Sheraton Astrodome in Houston as well as Marriotts, Hiltons and boutique hotels in Boston and San Antonio. Revenues are expected to exceed \$200 million this year.

Like his parents, Mr. Alibhai said, he "worked the desk, drove the shuttle van to the airport and learned to fix the sewer plant." In the three years after finishing college in 1984, years in which the Houston hotel industry bled red ink, he still did odd jobs at the hotel, but spent most of his time learning the business.

"Operating during that recession was my M.B.A.," said Mr. Alibhai, a trim, tennis-playing executive whose office is in a sleek Houston high-rise. In 1987, with the economy looking up but hotel values still down, Mr. Alibhai began buying distressed properties, often jointly with other Indian-Americans.

"That's when the real learning process began," he said, "not just acquiring the properties but convincing lenders who had tightened their purse strings to finance me. I had to change their perception of Indians as being identified with low-end hotels."

In many ways, Mr. Alibhai's world of revenue streams, variable inflation rates for assessing potential purchases and structuring deals with investment bankers is alien to the generation of his 89-year-old father, Akber, who is in charge of purchasing for Gencom.

"The older generation is still very cautious about sharing information, like the cost of hotels," said Jay Patel of Colorado Springs, a 43-year-old native of Zimbabwe who is part owner of seven hotels in Colorado and California. "The younger generation is much more forthcoming."

There are other differences. "When you come from India and Africa, your view of labor is very different," Mr. Alibhai said. "People are thankful just to have a job. That's their bonus. Here, employees also want to feel appreciated. I prefer this system." Most of Gencom's corporate employees are given stock or bonuses, he said.

In the early years, Indian-Americans had problems typical of many newcomers in trying to get financing and insurance. By their account, insurers in the early 1980's suddenly canceled property insurance to all Indian hotel owners, believing them to be part of an Indian conspiracy to buy properties and burn them down to collect insurance money.

"We were turned down by about 200 insurance companies, until we convinced underwriters that these immigrants were outstanding risks," said Ron Thomas, a vice president of United Insurance Agencies in Muncie, Ind., who is widely admired by Indian hotel owners for his early efforts on their behalf.

Discrimination also took other forms, including boasts by rivals that their properties were "American owned."

Much of the more blatant bias began to wane with the formation of an Indian hotel owners' association in 1989, vigorously supported by Henry R. Silverman, the chairman of HFS Inc., and Michael A. Leven, then president of Days Inn. Starting with about 100 members, the group now numbers more than 4,000 hotel-keepers.

"Indian franchisees have been the engine of growth for the entire economy-hotel sector," said Mr. Silverman, whose company's franchisees include Days Inn, Knights Inn and Super 8. "They were willing to build with their own capital when no one else was willing to."

For all their success, though, Indian-Americans have stayed away from luxury hotels and five-star resorts, and often from full-service hotels, mainly because of their cost but also for cultural and religious reasons.

"Most Indian hotel owners here are Hindus from Gujarat state and don't do well with anything involving alcohol and meat," said Mr. Patel of Colorado Springs. (Most Hindus from the western state of Gujarat are vegetarians, according to the Indian Embassy in Washington, and most Gujarati women do not drink.)

But younger Indians feel differently. "They realize you can offer meat and alcohol to your guests, because

Immigrant Niches

Some successful niche businesses serving the broad community carved out by recent immigrant groups in the United States:

PALESTINIANS Run many mom-and-pop grocery stores in San Francisco, Detroit and elsewhere.

KOREANS Already successful with small markets in big cities, they are opening bigger stores and dispersing to the suburbs and beyond, especially in Southern California.

VIETNAMESE Small store-front parlors for trimming and polishing fingernails, especially in the Los Angeles area.

BARBADIANS Short-haul trucking, especially in Brooklyn and Queens.

CHALDEANS Iraqi Christians, who own many convenience/liquor stores in the Detroit and San Diego areas.

CHINESE Started and remain at the center of the toy wholesale business in Los Angeles, and now employ many Vietnamese, Koreans and Hispanic people.

CAMBODIANS AND VIETNAMESE Doughnut shops, particularly scattered throughout Southern California. The suppliers to these shops are also Southeast Asians.

Sources: Paul M. Ong, professor of public policy at the University of California at Los Angeles, and Joel Katkin, author of "Tribes" (1993), a study of the global ethnic diaspora, the Chaldean Federation of America.

it's all part of the hotel business," Mr. Patel added.

"Within the next five years you'll see a lot of us owning luxury properties, like Ritz-Carltons," said Tushar Patel, the 31-year-old president of Tarsadia Hotels in Costa Mesa, Calif. About half of Tarsadia's 13 properties — including the 440-room Clarion Hotel at the San Francisco airport — are full-service hotels, with restaurants and bars.

Tushar Patel, by the way, is not related to Jay Patel of Colorado Springs, unless distantly, or to most of the thousands of other Patels who own hotels in the United States. Almost all Patels, even those from Africa, trace their ancestry to Gujarat, where hospitality is highly regarded.

In the United States, many Indian

A willingness to persevere and to take on tasks that others would shun.

immigrants turned to lodging because they could buy cheap motels, they could live rent free and the family could work the front desk, clean rooms, do laundry and make repairs.

When they stepped up to franchised properties, for as little as \$20,000 plus 8 percent of revenues, the Indians acquired not only toll-free reservation systems and the benefit of bulk purchases, but an education about prices, payrolls and bookkeeping.

"We'll soon have eight hotels and we're looking to open a 200-room one soon, and it's no big deal," said S. Jay (you guessed it) Patel of Alpharetta, Ga. "Now we're experienced enough to know we can handle it."

His father, J. K. Patel, left a 20-year career with Barclays Bank in Kenya to come to America in 1978, spending six months looking for a business before buying a hotel in South Carolina. The elder Mr. Patel

attributes the Indians' success in this country to "the way we were brought up."

Parents instilled the need for education and trust between families and among their own ethnic group. "In January I did a deal with an Indian partner in Dallas for two hotels," said Mr. Alibhai of Gencom. "We shook hands, and before the contracts were signed I wired him several million dollars."

Arvind Patel, who with his wife, Bhavna, owns a 39-room Days Inn in West Point, Miss., cites another factor — the willingness of extended families and acquaintances to provide financial help.

"We work together as a team," said Arvind Patel, a native of Tanzania. "A lot of families give you \$10,000, even \$30,000, without charging you interest and without any collateral. They figure one day you may help them."

But like many Indians, these Patels are branching out and moving up, building an 81-room Wingate Inn and a 58-room Hampton Inn elsewhere in Mississippi. Meantime, both continue working a full shift each day behind the desk of their Days Inn, with their 12-year-old son and 10-year-old daughter pitching in on weekends.

"And if our help doesn't show up," Mrs. Patel said, "my husband and I still clean the rooms."

Many of the older Indian-owned motels were long ago refurbished, if only to measure up as franchises — a method the Indians quickly saw as a route to financial independence. Some properties have been kept for the next generation, but most have been sold to a newer wave of Indian immigrants.

When Indian-Americans graduate from college, many have chosen to become doctors, engineers, lawyers and accountants. "But in most families at least one son or daughter will become hoteliers, because they realize it isn't the hard work it was for us," said J. K. Patel, the former Barclays banker. "The difference is, we used to man the desk ourselves. The new generation likes sitting in the office and delegating the work."