

# HOTEL yearbook 2011

What to expect in the year ahead



Four Seasons CEO Kathleen Taylor  
on the evolving concept of luxury

The post-crisis outlook in key markets:  
20 exclusive situation reports from Horwath HTL

Best Western CEO David Kong describes the key issues  
US hoteliers will have to tackle in 2011

The industry's most progressive approach to operations:  
our interview with citizenM's Michael Levie

Plus ideas, expectations and insights for 2011  
from the Chief Executives of 8 hotel groups

# This excerpt from the Hotel Yearbook 2011 is brought to you by :



## **ECOLE HÔTELIÈRE DE LAUSANNE**

The Ecole hôtelière de Lausanne (EHL) is the co-publisher of The Hotel Yearbook. As the oldest Hotel School in the world, EHL provides university education to students with talent and ambition, who are aiming for careers at the forefront of the international hospitality industry. Dedicated to preparing tomorrow's executives to the highest possible level, EHL regularly adapts the contents of its three academic programs to reflect the latest technologies and trends in the marketplace. Since its founding in 1893, the Ecole hôtelière de Lausanne has developed more than 25'000 executives for the hospitality industry, providing it today with an invaluable network of contacts for all the members of the EHL community. Some 1'800 students from over 90 different countries are currently enjoying the unique and enriching environment of the Ecole hôtelière de Lausanne.



## **HSYNDICATE**

With an exclusive focus on global hospitality and tourism, Hsyndicate.org (the Hospitality Syndicate) provides electronic news publication, syndication and distribution on behalf of some 750 organizations in the hospitality vertical. Hsyndicate helps its members to reach highly targeted audience-segments in the exploding new-media landscape within hospitality. With the central idea 'ONE Industry, ONE Network', Hsyndicate merges historically fragmented industry intelligence into a single online information and knowledge resource serving the information-needs of targeted audience-groups throughout the hospitality, travel & tourism industries... serving professionals relying on Hsyndicate's specific and context-relevant intelligence delivered to them when they need it and how they need it.



Cornell University  
School of Hotel Administration

## **CORNELL UNIVERSITY SCHOOL OF HOTEL ADMINISTRATION**

Founded in 1922, Cornell University's School of Hotel Administration was the first collegiate program in hospitality management. Today it is regarded as one of the world's leaders in its field. The school's highly talented and motivated students learn from 60 full-time faculty members – all experts in their chosen disciplines, and all dedicated to teaching, research and service. Learning takes place in state-of-the-art classrooms, in the on-campus Statler hotel, and in varied industry settings around the world. The result: a supremely accomplished alumni group-corporate executives and entrepreneurs who advance the industry and share their wisdom and experience with our students and faculty.



## **WATG**

Over the course of the last six decades, WATG has become the world's leading design consultant for the hospitality industry. Having worked in 160 countries and territories across six continents, WATG has designed more great hotels and resorts than any other firm on the planet. Many of WATG's projects have become international landmarks, renowned not only for their design and sense of place but also for their bottom-line success.

# After the vuvuzelas are put away...

2010'S FIFA WORLD CUP IS HISTORY. FOR SOUTH AFRICA, THE EVENT WAS A RESOUNDING SUCCESS. BUT WHAT ABOUT NEXT YEAR? IS A POST-WORLD CUP HANGOVER IN STORE FOR AFRICA'S HOTEL INDUSTRY? **TREVOR WARD** OF LAGOS-BASED **W HOSPITALITY GROUP** LOOKS AT THE CONTINENT'S PROSPECTS FOR 2011 – AND LIKES WHAT HE SEES.

The FIFA World Cup in South Africa ended on a decidedly high note for the continent. For one, it confirmed, despite considerable doubts, that Africa is capable of organizing and hosting an international event without major glitches. The infrastructure was superb, crime was down, and visitors met a peaceful, orderly, unified South Africa. What comes next is a stock-taking; at least as far as the hospitality industry is concerned, to know how South Africa, and Sub-Saharan Africa as a whole, fared upon conclusion of the sporting event, and to draw possible conclusions on how the hospitality industry will do in 2011 and following years.

Inevitably, South Africa has experienced a downturn in occupancies since the final match was played, consistent with the experiences of other cities that have hosted large sporting events such as the World Cup and the Olympics. From Los Angeles to Madrid, there have been severe spikes in the supply of rooms – investors building in expectation of the increase in visitors for the event and ever afterwards. History shows that, in most host cities, there is a small reduction in occupancies just before the event (the lull before the storm). During the event, there is an increase in demand and in rates, followed by a reduction in occupancies immediately afterwards. Before the Beijing Olympics in mid-2008, visitor numbers were down 20% year-on-year; immediately after the event, hotel occupancies crashed from 100% to about 30%.

According to the European Tour Operators' Association, «There is no evidence that, post-Olympic Games, any city sees a surge in tourism arrivals.» Perhaps this is true for immediately after the event, but in the long run, the signs are extremely positive. Beijing, for instance, saw a 50% increase in rooms sold in September 2009, one year after the Olympics. This was made possible by employing pricing tactics that served to stimulate occupancies.

South Africa experienced the addition of more than 10,000 rooms in the past two years, of which 30% were in the five-star segment. This expansion in supply occurred mainly in Johannesburg and Cape Town, with the former seeing 4,390 new rooms in 19 hotels. In Cape Town, industry observers say


that the supply of hotel rooms in the city expanded 20% in the past three years, while the figure for Durban is 36%. Part of this growth can be attributed to optimism from the World Cup, but it is also thanks to the general upswing in the tourism industry in these cities.

STR Global data show that, at least for the hotels in their samples, Cape Town's occupancy was 67% for the period of the World Cup and 79% on match days, with an increase in RevPAR of 220% for the period. Room occupancies in Johannesburg increased 27.1% to 80.6%, and rates rose 101.9% to US\$201.09. With June being in the middle of winter season in South Africa, the World Cup brought about an additional high season.

Johannesburg is most likely to be the highest gainer from the event (it hosted a third of the activities). Occupancies during the period ranged from 85% in Sandton CBD, to 83.5% in Greater Johannesburg area and 79% in the O.R. Tambo airport area. For the period of the World Cup, Johannesburg area RevPAR was up an amazing 260%, and tripled to ZAR5,000 (approx US\$700) on match days.

STR Global figures show stable room occupancies year-on-year (YTD September 2010), with room rates up by at least 20%. But not all hotels are in the STR sample, and there are reports of many areas of the country with severely depressed occupancies, and anecdotal evidence of almost-suicidal discounting, to fill beds at any price.

On the (extremely) positive side, transportation infrastructure has greatly improved; there are better roads and public transport networks – such as the Rea Vaya rapid bus system and the new Gautrain line, upgraded airports and improved connectivity. South Africa's tourism industry will also continue to benefit from the higher tourism service standards, youth development and enhanced workforce skill in the long run. A survey conducted by African Response found that 96% of World Cup visitors would return and 92% would recommend the city to family and friends.



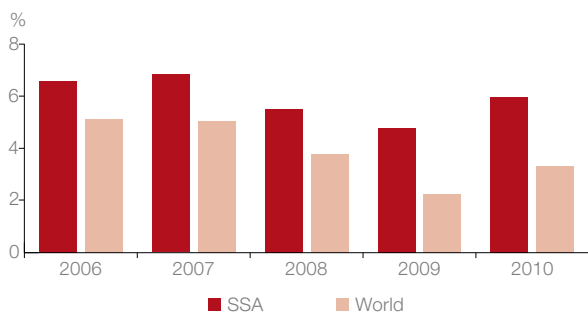
The South Africa tourism authorities have devoted some

US\$25 million of their advertising and marketing budget to promoting the country as a place to visit because of the benefits accruing from the World Cup – and just like Beijing, an upturn in demand is expected during the course of 2011.

#### AND THE REST OF SUB-SAHARAN AFRICA?

Africa as a whole is proving that it can buck the depressing global trend. While the so-called advanced economies were reeling in 2009 during the economic downturn, Africa carried on almost regardless, with GDP growth of 3%, compared to a 3% contraction in the «developed» world.

#### REAL GDP GROWTH



Source: Renaissance Capital, IMF

Africa was the only region to show positive growth in 2009 while the rest of the world saw negative growth. According to statistics from the World Travel and Tourism Council, the travel and tourism industry in the region contributes 8% of GDP and accounts for 6.6% of total employment. Tourism is expected to grow by 4.7% annually between 2007 and 2016.

For many cities across the region, there has been rapid economic growth and increased business interest from foreign investors in the past decade. South Africa's successful hosting of the FIFA World Cup lends goodwill and credibility not just to that country, but to Africa as a whole. Lagos, Nigeria for instance currently sees about 7,500 visitors daily and in the past 18 months has seen the addition of almost 1,000 hotel rooms by the international brands. Little-known destinations such as Bujumbura, Burundi is also the subject of interest from major hotel chains. A Hilton franchisee has recently signed a buyout contract worth US\$6 million to take over the Novotel in the city center. Zambia will see its fourth Protea Hotel opening by the end of 2010. Kenya recently opened nine new tourism offices in locations like Russia, Czech Republic, Austria, Dubai, Australia and Sweden in order to drive marketing efforts and to reach the country's goal of receiving 3 million visitors annually. Even Zimbabwe is set to grow its stalled tourism industry over the next decade.

The WTTC predicts that the industry in Sub-Saharan Africa will grow 9.2% in 2010 and continue to grow 8.2% annually over the next ten years.

In terms of air transport to enhance connectivity, to help facilitate all of this predicted growth and improve competitiveness, there needs to be improved quality of air and land-based infrastructure. The air transport industry is growing at a robust rate of 5.76% annually (measured in seat-kilometers).

#### INTERNATIONAL BRANDS ARE RUSHING IN

And many international brands are racing to establish a presence in key cities across the region. Currently in the development pipeline for Sub-Saharan Africa there are 80 planned properties, numbering 15,223 rooms.

# After the vuvuzelas are put away... cont.

<b>HOTEL BRAND DEVELOPMENT PIPELINES IN SUB-SAHARAN AFRICA 2010</b>				
	<b>Hotels</b>	<b>Rooms</b>	<b>Pre-construction (planning)</b>	<b>Rooms on site (construction)</b>
Angola	4	994	37 %	63 %
Cameroon	1	150	0 %	100 %
Cape Verde	1	268	100 %	0 %
DR Congo	1	197	0 %	100 %
Equatorial Guinea	3	431	23 %	77 %
Ethiopia	3	482	0 %	100 %
Ghana	6	1,094	26 %	74 %
Kenya	1	244	0 %	100 %
Madagascar	1	150	100 %	0 %
Mauritius	3	466	43 %	57 %
Mozambique	3	468	68 %	32 %
Namibia	2	353	100 %	0 %
Nigeria	26	5,632	55 %	45 %
Rwanda	2	492	100 %	0 %
Senegal	3	427	82 %	18 %
Seychelles	1	76	100 %	0 %
South Africa	11	2,005	16 %	84 %
Tanzania	5	750	67 %	33 %
Uganda	1	272	0 %	100 %
Zambia	2	272	0 %	100 %
<b>TOTAL</b>	<b>80</b>	<b>15,223</b>	<b>45 %</b>	<b>55 %</b>

Source: W Hospitality Group Research March 2010

Marriott is scheduled to open its first hotel in sub-Saharan Africa in 2011. The 209-room hotel, located in Accra, Ghana and owned by African Hospitality Ltd, is within minutes of the Kotoka

International Airport, a hub of increasing importance in West Africa. On the heels of this opening is a scheduled opening of a similar size in Kigali, Rwanda by 2013. Accor currently operates more than 100 hotels in Africa, and is planning to grow this number, especially in key destinations, with Nigeria a major focus. There are plans to open three Novotel hotels in Cameroon, Ethiopia and Madagascar, as well as Ibis hotels in

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Nigeria, Equatorial Guinea and Senegal in 2011. Hilton has plans to open five hotels in Kampala, Lagos, Cape Verde, Accra and Malabo between 2010 and 2012, with a total of almost 1,200 rooms. They are also actively looking at deals in Tanzania, Mozambique and Angola to grow their Doubletree brand. The company also believes that the high growth in business tourism in the region will serve to increase demand for mid-market hotels such as Garden Inns.

Best Western is another brand that has started to make inroads in the region with the opening of four hotels in the West Africa in 2010, two in Lagos, one in Port Harcourt and the fourth in Accra. InterContinental has eight properties planned for Nigeria, Angola, Senegal and South Africa scheduled to open between 2010 and 2013, with a total of 2,186 rooms.

South Africa's successful hosting of the World Cup brought much needed recognition and glory to the country and to the continent as a whole. It has helped to facilitate improved infrastructure, favorable government policies and attention to the tourism industry, and increased interest from domestic and foreign investors.

For Sub-Saharan Africa, 2011 looks bright. ■

