

HOTEL yearbook 2010

What to expect in the year ahead

Sir David Michels on the shape
of the coming recovery

The outlook for 20 key markets,
from China and the USA
to Germany, Brazil and Libya

Is it time to change in-room
technology standards?

How the crisis
will affect luxury in 2010

Editorial input from 25 hotel
industry CEOs

This excerpt from the Hotel Yearbook 2010 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.



Boutique DESIGN New York

Boutique DESIGN New York, a new hospitality interiors trade fair, will coincide with the 94-year-old International Hotel/Motel & Restaurant Show (IH/M&RS). Designers, architects, purchasers and developers will join the hotel owners/operators already attending IH/M&RS to view the best hospitality design offerings as well as explore a model room, exciting trend pavilion and an uplifting illy® networking café.



Hospitality Financial and Technology Professionals (HFTP)

HFTP provides first-class educational opportunities, research and publications to more than 4'800 members around the world. Over the years, HFTP has grown into the global professional association for financial and technology personnel working in hotels, clubs and other hospitality-related businesses.



Bench Events

Bench Events host premier hotel investment conferences including the International Hotel Investment Forum; the Arabian Hotel Investment Conference and the Russia & CIS Hotel Investment Conference. Bench Event's sister company, JW Bench, is a benchmarking company that has launched the Conference Bench and the Productivity Bench. An industry first, the Conference Bench, measures performance data for conference space in hotels throughout Europe.



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.



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.



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.

elevation



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Timeshare forecast : trends to watch in 2010

CRAIG M. NASH, Chairman, President, and CEO of **INTERVAL LEISURE GROUP**, reviews the outlook for shared ownership in the coming year. He urges more adaptability – not just in developing new products but especially in using the new tools of online marketing.

Ask most financial pundits to forecast the near-term economic future, and you're likely to get some sort of a dodge: « Well, I'm not really in the business of fortune-telling... » Something along those lines.

I don't blame them. In the last few years, the financial world has witnessed unpredictable swings, unprecedented upheaval, and the collapse of institutions once considered invulnerable. It's no wonder that even the most seasoned trend watchers are wary of putting their professional necks on the line.

But when talented business leaders put their collective heads together, necks needn't be threatened. Experience and wisdom generally yield projections that are surprisingly accurate.

Roots in adversity

As is the case with my industry: Timesharing's no stranger to economic downswings. In fact, we trace our roots to a recession in the real estate sector in the 1970s. Enterprising developers took empty condominiums and offered an affordable way for travelers to enjoy the benefits of owning a vacation home.

Since then, shared ownership has experienced remarkable growth and expansion, and – like all new concepts – some growing pains throughout the nearly 40 years of its existence. But with the current clog in the lending pipeline and lack of liquidity, the industry's ability to thrive during this downturn has been put to the test. The credit crisis and reduction in consumer spending have had a measurable impact. As a consequence, developers are evolving their business models in response to the new realities of the market.

This « new normal » made for interesting discussion when, in the last half of 2009, more than 500 delegates from around the world met for the Vacation Ownership Investment Conference in Orlando, Florida. Over the course of three days, professionals gathered to rethink the past, evaluate the present, and proactively shape a new and upward direction for the future.

A guest moderator at the conference, Howard Nusbaum, president and CEO of the American Resort Development Association (ARDA), spoke to the challenge – and to the



opportunity: «The downturn in our economy has hit the tourism industry particularly hard. The timeshare segment, however, due in part to its pre-paid nature, is better equipped than most to weather a downturn. The good news is that timeshare owners are still vacationing, and occupancy remains strong.»

Indeed, vacation owners continue to use the product: According to a 2009 study from ARDA's International Foundation (AIF), timeshare properties reported an 81.6% occupancy level in 2008 – an increase from the previous year – while U.S. hotel occupancy dropped to 60.4%.

Other research suggests similar positive indicators: Most owners are current on their monthly payments. Sales are resulting in a higher value per guest (VPG), a figure that indicates the amount of revenue per guests toured. Owners who have the exchange option continue to visit other resorts. And some areas hit hardest by drops in tourism are finding that timeshare activity has helped offset losses in their transient visitation.

Take Hawaii, for example. Even though the overall number of

visitors slipped during the first half of 2009, according to the Hawaii Tourism Authority, the number who spent their vacation in a shared ownership property increased by 4.7%.

As we go to press, experts are saying some signs suggest that the world economy may have passed through the eye of the economic storm. We all know by now, though, that it doesn't pay to be complacent. But thought leaders at the Vacation Ownership Investment Conference presented critical assessment, shared optimism, and educated insights as to where our industry is heading in 2010.

Product evolution

You don't need a crystal ball to know that the days of easy borrowing are over. But the sun may have set on the era of unchecked growth – only to shine on new horizons.

Timeshare companies are rethinking the way they do business. And in the year to come, we're likely to witness many businesses revisiting, recalculating, recalibrating, and redefining themselves. ►



They'll be even more focused on new ways to increase their cash sales. They'll be building strategies to run their business more efficiently. They'll place more importance on profitability, less on revenue and growth. And they'll be listening closely to what the consumer has to say.

A goldmine of solid research has cast a fairly clear picture of the timeshare owner and future buyer: And, in 2010, the developer will be responding to these data more and more, shaping their services and products based on consumer feedback. In the next year, we might expect to see the following from shared-ownership developers:

- More affordable products in order to augment traditional sales;
- Short-stay products and points programs, allowing greater flexibility for owners;
- Adoption of more trial products;
- Increased marketing to existing customers; encouraging upgrades or purchase of additional products.

Conversion trumps construction

While today's tight credit market has added a host of challenges and discouraged new development, one of the outcomes – as in the 1970s – is plenty of existing and unused real estate.

Our industry leaders foresee developers buying up whole ownership condos – in some cases a floor or a wing of a structure – and repurposing them into vacation ownership projects rather than chasing money for new construction. Additionally, we might expect to see new entrants into the industry, as developers of other forms of real estate reevaluate and convert to shared ownership.

Innovations in technology

No doubt about it, the Internet has revolutionized the way we do business. While I can't predict what new products will be announced in 2010, I believe we're likely to see significant changes in the manner in which visitors use mobile devices to plan, purchase, and share information about vacations.

Research supports the growth of that trend. According to the 2009 National Travel Monitor, from Ypartnership, Inc., some 85 % of travelers now use the Internet or a combination of Internet and a conventional travel agent when planning airline or hotel reservations. And 25 % of NextGEN travelers intend to use a phone or PDA to make or change travel plans in the next two years. The writing's on the wall: In order to do business more efficiently, you will soon need to reach people through their increasingly sophisticated mobile devices.

Customer demand for information access and booking functions at their fingertips means that vacation ownership companies will continue to invest in technology and realign their marketing strategies to use these devices to provide more information to prospects when planning vacations, and immediate access to visitors who have actually arrived in their destinations.

Peter C. Yesawich, CEO of Ypartnership, cites the marked increase in use among NextGEN travelers, a term he uses to define the six out of ten active leisure travelers who actively use the newest technology. « This trend will accelerate as Internet-enabled communications become more commonplace in the general population. Mobility will no longer be just about voice and text messages. Rather, these devices will be used for everything from watching live television, to ordering pizza... even comparing timeshare sales tour offers. »

Our industry sages foresee even greater use of social networking as a communication and promotion vehicle for timeshare companies, and the growing importance of « conversational marketing » as a result. From Facebook to Twitter, businesses will tune in to such channels to build relationships in new ways.

Total transparency

The open nature of the Internet means that virtually anything about anything can be shared and spread with a single click. The result? Consumers have access to more information than ever when making purchase decisions. Consider programs such as Kayak, which can search more than 140 travel sites to



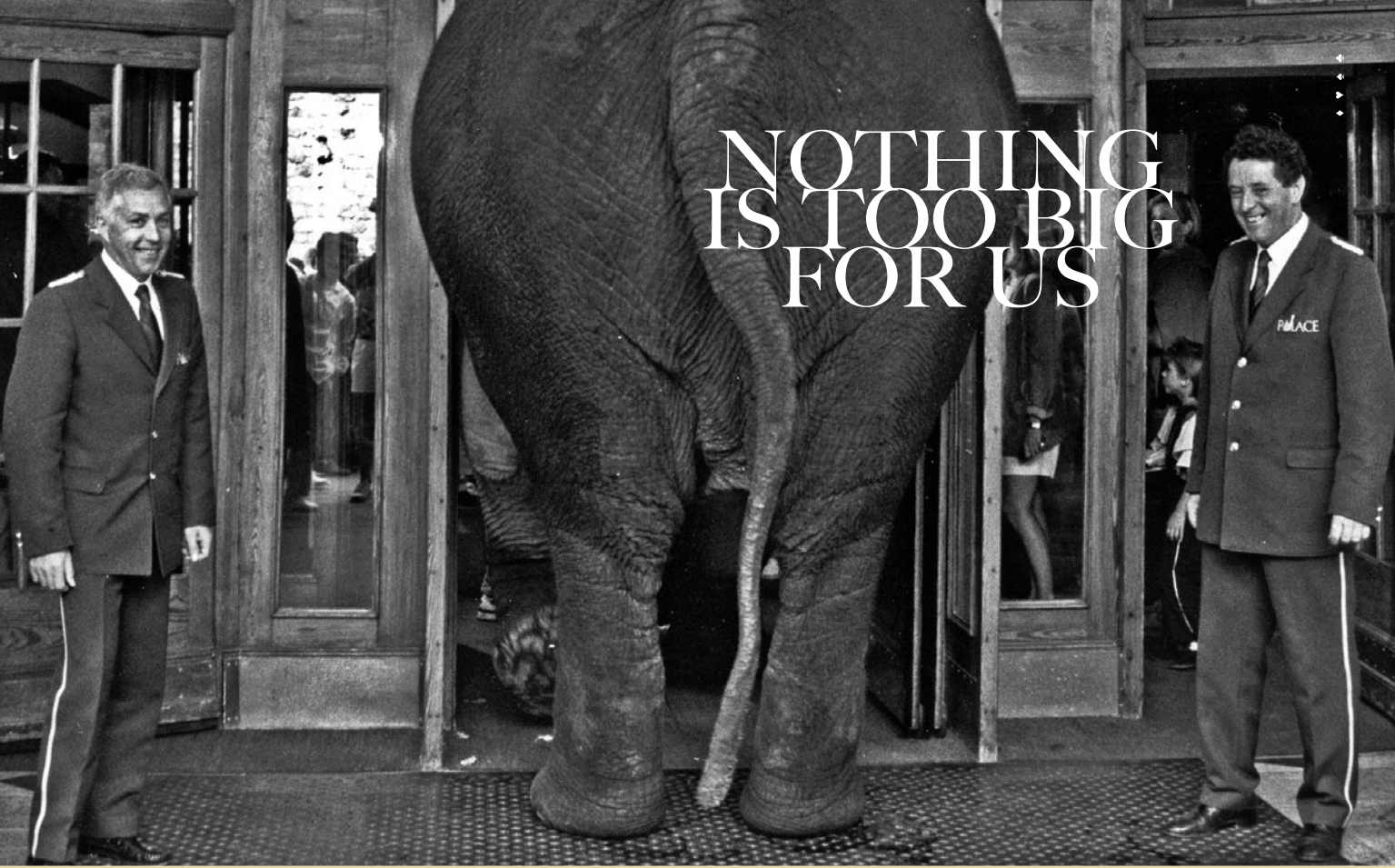
bring up price comparisons for airline tickets and hotel rooms in seconds. Or YouTube, where destination and service reviews present a perspective that brochures and tourism Web sites will never reveal.

Travelers are taking advantage of this transparency. According to the National Travel Monitor, consumers cite some of the most important features in Web sites that promote travel services, including: the ability to check lowest fares and rates (87 %); an easy-to-use booking feature (74 %); photos of rooms and amenities (72 %) ; destination maps (66 %) – and user-generated reviews for travel services or suppliers (46 %).

Savvy operators will pay increased attention to online reviews and public information, as the sentiments expressed in these online postings begin to exert a greater influence on consumers' choices. As travelers continue to rely on

the Internet to access information and comparison-shop, businesses will begin to embrace conversational marketing as a new dimension of their overall marketing effort and use the related insights to both craft and refine future programs.

Although 2010 may be shaping up into another challenging year for many in the travel and hospitality business, the delegates at the VOIC conference reflected on hopeful signs. The leading edge of the Baby Boom generation (78 million adults) is just beginning to turn 62, and the number-one activity they want to engage in is travel for leisure. The 75 million Millennials (typically defined as those born in the 1980s and '90s) place an even greater value on their time away from work. In fact, they view vacations as a birthright. These market forces suggest that the vacation ownership industry will rebound once again as we emerge from the current economic malaise. ■



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