Edition 2008

European Hospitality Report

The most comprehensive study of the European Hotel Industry

MKG HOSPITALITY

Feasibility studies, valuation and database

MKG Hospitality : market reports, CDEC,evaluations, and audits
www.mkg-hospitality.com

Hotel Sector

Market reports: site surveys, hotel creation reports, and feasibility reports. **CDEC impact reports:** assistance and consultation for obtaining hotel operation authorisation fromthe Commission Départementale d'Equipement Commercial. **Valuations, evaluations,** and audits: marketing, operations, and organisation. **Destination assessments.**

MKG Qualiting : customer satisfaction, quality control inspections, product audits
www.mkg-qualiting.com

Tourism, Hotel, and Services Sector

Image surveys: gauge the name-recognition of your brand and your competition; assess the differences between the values that you would like to provide, and those that are perceived by your potential customers. **Customer satisfaction:** assess and follow changes in how your level of Quality is perceived. **Technical product audits:** validate, after an announced methodical examination, the conformity of the supply and the process of producing a service that meets predefined norms. **Service quality control inspections:** by visits or mystery calls, verify that the level of service provided conforms to the quality standards of the company. **Quality action plans.**

HotelCompset : 20 years of European hotel activity data
www.hotelcompset.com

A unique database

Competitive Sets : compare the performance of one's establishment to its market. **Ad hoc reports and statistics:** custom-made reports and statistics charts. **Thematic reports.** Models and forecasts of hotel performace.

MKG Hospitality Database

The MKG Hospitality database, a unique decision support tool

The MKG Hospitality database is a unique decision support tool in a heavily competitive hotel market, where notions of 'fair price', optimization of revenues and minimization of room oversupply are central to hotel chains' strategies.

The database has existed for 23 years and contains all of the hotels in France, hotel chains in Europe, as well as almost all of the privately owned hotels in the major European markets (UK, Germany, Italy, Spain, and Benelux). Contact details and supply features for these hotels are held on the database with as many fields filled in as possible allowing for advanced exploratory data analysis. MKG Hospitality's database is therefore unique in its extremely developed applications.

With a sample of 10,000 hotels and around 1,000,000 rooms, MKG Hospitality's hotel database also follows activity month by month and hotel by hotel. These hotels are part of more than 200 different brands which communicate each hotel's results every month to MKG Hospitality.

Hotelcompset

In September 2004, MKG Hospitality launched Hotelcompset, a daily monitoring tool for the results of the hotel industry. The 2008 edition of this review contains results from this program (occupancy rate, average daily room rate and RevPAR in week versus weekend, impact of events, etc.).

Vast geographical coverage

MKG Hospitality's Europe database is rich in hotel business statistics, located in 32 European countries. These countries are:

- France
- Germany
- Andorra
- Austria
- Belgium
- Bulgaria
- Denmark
- Spain
- Estonia
- Finland
- Greece
- Hungary
- Ireland
- Italy
- Latvia
- Lithuania
- Luxembourg
- Malta
- Monaco
- Norway
- Netherlands
- Poland
- Portugal
- Czech Republic
- Romania
- UK
- Russia
- Serbia-and-Montenegro
- Slovakia
- Sweden
- Switzerland
- Turkey

Of course, MKG Hospitality's database development is variable depending upon the country but in all of the major countries (France, Germany, UK, Italy, Spain, etc.); sample groups are important and enable close analysis of the hotel industry situation. In the short term, MKG Hospitality is aiming for 70% representation in Europe. In the medium term, the objective is simultaneous development in Asia and Africa providing the profession with worldwide coverage.

MKG Hospitality, official supplier of statistics in Europe

During its 23 years, MKG Hospitality has formed some very close links with the principal European and worldwide hotel groups. Statistics in the database are supplied directly by the headquarters of these groups or, in some cases, by the hotels themselves. With the most extensive and responsive database in Europe, MKG Hospitality is also the official supplier of hotel chains' statistics in Europe.

MKG Hospitality guarantees total confidentiality of the information handed over by the chains. The hotels' business indicators are not disclosed to third parties, hotels, brands or groups.

Competitive Sets, sector-based studies and econometric forecasts

MKG Hospitality's database department carries out numerous ad hoc studies on a daily basis (supply and demand market share, customer mix reviews, business activity reviews etc). In addition, three product types are often suggested by MKG Hospitality.

Competitive Sets allow for the assessment of a hotel's results in comparison to a 'set' of rival hotels. The definition of the competitive area is made in close collaboration with the operational managers so that they accurately reflect the market as closely as possible. The indicators reviewed are as follows: occupancy rate, average price of accommodation, RevPAR, penetration rate, performance rate, market share for supply and market share for demand. It is one of the most powerful tools with a view to maximising RevPAR for hotels given the response time.

Sector-based studies all focus on the hotel industry. They provide data on operators and an in-depth insight into markets and trends. The 'Who is Who' Worldwide edition give suppliers and companies useful information about all existing chains. The CHRRI (Hotel Chains' Rack Rate Index) provides companies with a strategic tool for pricing. The current review, 'European Hospitality Report', forms the annual benchmark review for the hotel industry's decision-makers.

MKG Hospitality's **econometric forecasts** are possible because the database is based on 23 years of data. For more than 17 years, their projected business forecasts have been proven accurate year after year; testing the impact of economic indicators on the hotel business per segment and creating forecast models per country. These models combine miscellaneous, explanatory variables which strongly impact upon business (GDP, exchange rate, road and air traffic, etc).

MKG Hospitality's database team

MKG Hospitality's database department is made up of 10 consultants who are experienced in quantitative analysis techniques. Backed by training in statistics, economics, data processing or the hotel industry, all consultants are well versed in the IT systems developed by MKG Hospitality. They also have in-depth knowledge of the worldwide hotel industry.

The 2008 edition of the 'European Hospitality Report'

The assessment for the hotel industry in Europe is an essential observation, assessment and review tool for sector trends per market. Since its first edition in 1995, it has been updated every year, making it easier to obtain a more complete and accurate analysis of each of the reviewed market trends.

The 2008 edition of the 'European Hospitality Report' marks a turning point in the history of this annual report. For easier reading, this edition is divided into two books. In the first part, the **analysis book** very accurately details sector trends covering Europe and France, as well as for each market in Europe reviewed.

In the second part, the **statistics book** features the costed detail of the sector's features per market which is published annually in MKG Hospitality's report.

For all projects, please contact:

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Detailed analysis by market

Corporate operated chain supply
The top 10 brands in number of rooms
Occupancy rate, average price and RevPAR

Prelude and Methodology

Every year in this Annual Assessment, MKG Hospitality presents the statistical and marketing analysis for the hotel industry sector in Europe and France, and more specifically for the corporate operated chains and consortia segment.

At the end of 2007, our review covered a total of:

- 230 brands of corporate operated chains in Europe
- 90 brands of consortia in Europe
- 90 brands of corporate operated chains in France
- 42 brands of consortia in France

Agreements

Just as in our previous files, the 'European Hospitality Report' takes into account all calculations and actual hotel opening dates, which means that the hotel operating periods are taken into consideration.

In all countries reviewed, results of segment breakdowns for corporate operated chains are based on actual market positions of each hotel. Segment breakdowns from the global supply are taken from MKG Hospitality's database and from information provided by statistics or hotel industry institutions (e.g. associations, unions) for the countries concerned.

Some supply data for 2007 has been corrected by operators or by statistics or hotel industry institutions (associations, unions) for the countries concerned, which may explain the slight differences in numbers previously published.

In this review, national business results (Occupancy rate, Average daily rates, RevPAR) for each country are calculated on a variable scale (by taking into account openings and closings). This reflects the reality of supply.

However, business results by city, type of site and hotel size are presented on a like-for-like basis. Due to the restrictions of some of these samples (the supply itself is restricted) the slightest movement in supply (openings or closings) is likely to generate differences which strongly impact upon results.

For supply indicators, supply is established as at 1 January each year.

Definitions

- A hotel chain is said to be operated if it meets the following conditions:

In the majority of its hotels, the chain presents a consistency in brand image, name of hotels, signage and products (accommodation, food and beverage service, miscellaneous).

The hotels operated under the brand are generally:

- subsidiaries of the group,
- or franchise contracts,
- or management contracts,
- or hire-management agreement contracts.

Franchise operators benefit from decision support.
The network has a reservation centre, a hotel guide, usually a purchasing pool, loyalty tools, training tools, a sales service, a marketing service, etc. The brand provides global promotional campaigns and activities in each hotel.

- A hotel chain is known as a consortium when its structure depends upon a privately owned hotel association, members of a network.
- Chains supply = capacity in number of rooms
- Rooms available = capacity x number of days of opening
- Rooms sold = capacity x number of days of opening x occupancy rate
- Constant sample group: results for 'constant samples or areas' concern the activity of a supply of open and full hotels every month, without a break in the years considered.
- Variable sample group: results on a 'variable scale or area' include the new hotels which open every year. These results also take into account supply change, which is the segment breakdown of the supply for the results of all segments, but also the internal variations of each market segment
- RevPAR = occupancy rate x average price or Room Revenue divided by available rooms
- RevPAC = global Room Revenue divided by number of people accommodated or rooms sold x double occupancy rate
- Market share supply (MSS) = number of rooms available in the segment considered divided by number of rooms available in total reference segment
- Market share demand (MSD) = number of rooms sold in segment considered divided by number of rooms sold in total reference segment
- Penetration index = market share demand divided by market share supply

- Privately owned hotel industry = unbranded hotel industry + consortium hotel industry
- City = City centre reviewed
- Urban area = City centre reviewed + outskirts
- For convenience, the segment called 0*, is officially named the ‘no star’ segment according to 1986 ranking standards. Results in this segment are consolidated with segment 1*.
- All rack rates, average daily rates and RevPAR are expressed in euros inclusive of tax throughout the review.

Sources

In addition to MKG Hospitality's Data used to build the statistical analysis of European Hotels Market, External sources are also collected to enrich this anual report and ensure the reliability of the study.

- **General Sources**

Anholt Brand Index
EIBTM Industry Trends & Market Share Report
International Congress & Convention Association
Organisation de Coopération et de Développement Economiques
The Economist
Union of International Associations
World Tourism Organisation

- **France**

Institut National de la Statistique et des Etudes Economiques
Office de Tourisme et des Congrès de Paris

- **Germany**

German National Tourist Board
Statistisches Bundesamt Deutschland

- **United-Kingdom**

British Association of Conference Destinations
International Passenger Survey
Marketing Birmingham
Marketing Manchester
National Statistics United Kingdom
Visit Britain
Visit London
Visit Scotland

- **Spain**

Asociacion Empresarial Hotelera de Madrid
Asociacion de Palacios de Congresos de Espana
Ciudad de Madrid
Frontur
Instituto de Estudios Turisticos
Instituto Nacional de Estadisticas

- **Italy**

Federalberghi
Fiera Milano
ISTAT

- **Netherlands**

CBS Statline
Destination Holland
Netherlands Board of Tourism & Conventions
Visit Amsterdam

- **Belgium**

DGSIE Belgique
Observatoire du Tourisme à Bruxelles
OPT Wallonie Bruxelles

- **Austria**

Statistiks Austria
TourMIS
Vienna Convention Bureau
Vienna Tourist Board
Wirtschaftskammern Österreichs

- **Portugal**

Instituto Nacional de Estatistica Portugal
Turismo de Lisboa

- **Northern European countries**

Helsinki City Tourist & Convention Bureau
NUTEK
Stockholm Visitor Board
Tourism Helsinki
Visit Copenhagen
Visit Norway
Visit Oslo

- **Eastern European countries**

Czech Tourism
Estonia Statistics
Estonian Tourist Board
Hungarian National Tourist Office
National Statistical Institute Bulgaria
Poland Central Statistical Office
Romania National Insitite of Statistics
Statistical Office of the Republic of Slovenia
Statistical Office of the Slovak Republic
Statistikos Departamentas Lithuania

Summuary Analysis

Hotel industry in Europe

A very volatile 2007

- Europe has the largest worldwide hotel supply, with 6 million rooms. Yet the Old World no longer has a monopoly over hotel investments, as it is outstripped by North America and Asia.

5.1 million rooms in the 27 countries of Europe

- The 27 countries in Europe total 148,000 hotels and 5.1 million rooms. Nearly 90,000 rooms were built in Europe in 2007, a similar volume to the previous year. Two thirds of these new rooms were built in Spain, UK and Italy.
- London and Paris remain the top cities for hotel supply, with room volume equal to countries such as the Netherlands or Portugal. With the approach of the Olympic Games, London is attracting substantial hotel investment.

26,000 rooms built in 2007, half of which are 4*

- Europe has a total of nearly 11,000 hotels and 1.3 million chain rooms in 2008. Penetration rate has increased to 25.3%.
- Nearly 26,000 chain rooms were built in 2007, of which around half in segment 4*.
- New concepts were launched during the year. Brand creations are a genuine trend in the hotel industry, and are widespread in all segments. There is a real upsurge in range.

Volatile 2007: conceptual deployment, creation of brands, significant deals, etc.

- There were several key events in 2007. Hilton Corp. was at the core of the sector's consolidation, with the sale of Scandic followed by its takeover by Blackstone. Accor redefined its brand portfolio, as shown by several new brands. Spanish groups are increasing their foothold in Europe.
- Hotel industry deals have also been in the news, with high numbers of sales in the major European markets (UK, Spain, France, etc.). A lull is expected, as groups launch asset sale programs in the future and with the repercussions of the sub-prime mortgage crisis.

RevPAR: +7.1%

- Hotel industry results have surged, with RevPAR up 7.1%. Segment 3* has come to the fore (+8.3%), boosted by sharp increases in average daily room rates.
- Hotel industry business revenues were buoyed by major sports events.
- Growth of results is widespread for almost all European markets. Central and East European markets especially are not very advanced in the cycle, pointing to a bright outlook for growth.

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Hotel industry in France

Sustained growth in results

- France suffered a slight downturn in economic growth in 2007, with GDP growth of 2.2%. However, the tourism market is still strong, remaining the largest worldwide destination with about 80 million international tourists.

Global supply: +1.2% in 2008

- French hotel supply is made up of 20,000 hotels and nearly 672,000 rooms. Supply grew by 1.2% in 2008.

Return to growth in privately owned supply

- After several years of decline, privately owned supply is increasing in 2008, boosted by an upswing in mid and upmarket segments. However, privately owned budget hotels are still finding it hard to stay afloat.
- Hotel residences are positioning themselves as serious rivals to the traditional hotel industry, due to the steady development of urban residences and the large number of brands.
- Nearly 3,300 hotel chain rooms were built in 2007, mostly in the super-economy segment (70% of supply built).

Penetration rate for chains: 40.4%

- There is no real link between the increase in corporate operated chains and the fall of privately owned supply in France, since most of deals and moves are taking place in divergent geographical regions.
- Group leaders in France are in tough competition over budget hotels: new concepts and/or brands for Accor and Groupe du Louvre, and acquisition strategies for B&B and Dynamique Hôtels.

Revenue for corporate operated chains of €8.2 billion in 2007

- Total revenue for corporate operated chains increased to €8.2 billion in 2007. Occupancy rate increased by 1.8 points to 69.6% and the average price was up 6.4% at €82.3. Following these changes, RevPAR grew 9.1% in 2007 to €57.3.
- Growth of RevPAR, which was very buoyant for the upmarket segment in 2006, was widespread for all segments in 2007. All markets benefited from this growth, with very high RevPAR growth rates in certain secondary cities like Lyon (+10.8%), Marseille (+10.3%) and Lille (+8%).

2007 results

OR: +1.8%
ARR: +6.4%
RevPAR: +9.1%

- Major events' activity has boosted the results of the French hotel industry with the Bourget Airshow, the Rugby World Cup, Batimat, etc.
- The French hotel industry is at the peak of its cycle, and strong results are expected in 2008, unless there are serious repercussions from the credit crunch in the general economy.

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Report by Country : ☐ France ☐ Germany ☐ Spain ☐ Belgium ☐ United Kingdom ☐ Italy ☐ Nederlands	January 2009	250 €	250 €		€
☐ The "WHO'S WHO" of the Worldwide Hotel Industry (containing the addresses of nearly 1,500 hotel managers throughout the world)	Update 03/2009	930 €	700 €		€
☐ European Hospitality Report 2009	Available on April 2009	4040 €	3030 €		€
☐ Europe Report: The Major Trends in Europe (90p.)		1300 €	975 €		€
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