THE OVERVIEW

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New Editor from March for The Overview

Online Travel Agencies – The empire strikes back

Five things every revenue manager should be doing

Why finance managers must **respect online reviews**

Welcome to THE OVERVIEW

Dear members,

Katherine Doggrell
Katherine.doggrell@hospa.org

After six years as Editor of the BAHA Times and now The Overview, it is time to pass on the editorial baton and so I am delighted to introduce Katherine Doggrell as your new Editor to take forward the development of the HOSPA members' journal.

Katherine is a journalist with over 15 years' experience in hotels, technology and people who dress up like cowboys in Essex. A former editor of Hotel Report, she now freelances for Hotel Analyst and provides consultancy and content for a number of sector players. Prior to making her move into hospitality, Katherine worked for publications including the Financial Times, The Guardian, Business 2.0, Q and Mojo. She has just finished her first novel and helps to run an interactive story night in Brighton called Rattle Tales.

I would like to say a big 'thank you' indeed for all the support I have received from our wide range contributors, the HOSPA Editorial Board and of course all the feedback I have received from our readership. I am very confident that Katherine will continue to develop the journal, which is a core membership benefit for all our HOSPA members.

I look forward to staying in touch with HOSPA members at meetings and events and, of course, through our expanding HOSPA Education Programmes.

Best wishes to all,

Debra Adams

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In February's issue...

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BAHA Moving Forward

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The Overview online

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By Michelle Weiss & Christof Winkelmann, Aareal Bank

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Lending: More of the same?

The current lending environment is slowly improving, but transaction activity remains at a low level, with few quality assets on the market. Michelle Weiss and Christof Winkelmann of Wiesbaden-based Aareal Bank explain the reasons for this, and describe what they think 2013 will bring.

One year ago, we were in a situation where a great degree of uncertainty prevailed as a result of the Euro crisis, and in view of that, so was the state of the hotel investment industry. Twelve months later, it seems that there has been little change: the sovereign debt crisis in Europe still fills our newspapers and we are still confronted with political volatility, while overall confidence remains weak and markets are still illiquid. However, a more positive feature that seems to be different is the fact that the actual trading fundamentals within the hotel industry are positive and are holding up on a year-on-year basis.

The current status

We saw signs of recovery in the debt market in 2011, with activity picking up in terms of hotel transactions, even though investment volumes were still at a substantially lower level than during the peak years. The mood changed, however, in the second part of the year, with the return of the uncertainties linked to the Eurozone debt crisis, and all parties remained cautious well into 2012. Accordingly, global hotel investment volumes declined during the first six months of 2012 by 26% to USD 12.7 billion (source: JLL), with activities expected to catch up somewhat towards the end of the year.

The environment remains difficult; investors continue to face the challenge of illiquid markets and the lending world is experiencing substantial transformations. On the one hand, we see a withdrawal of more traditional funding sources with several banks exiting the market or tightening their budget with a predominant focus on their home country. A reason for this retreat is, among others, the uncertain regulatory environment following the global economic crisis. On the other hand, the introduction of policies such as Basel III, maximum leverage returns, and Solvency II puts pressure on the banks' capital ratios and consequently reduces the amount of funds available to lend. In addition, banks face further strain in refinancing availability with the continued weak market confidence and the economic crisis, making it also more expensive. Accordingly, many banks are busy shrinking their balance sheet to prepare themselves for meeting the new rules and regulations.

Then again, new alternative sources seem to appear, especially in Europe, with insurance companies and pension funds, but also some dedicated debt funds testing the hotel lending market. Competition on the lending side remains limited, though, giving lenders the chance to be selective and focus on quality assets in prime markets. This makes it difficult to find financing for hotels in secondary or even tertiary cities, with the exception of some secure income deals such as leased hotels in Germany. Transactions, however, do take place and there are currently two main approaches that can be observed: opportunistic investors acquiring properties at a discount to reposition them and to create value, and the low-risk / low-leverage buyers. The latter group is after trophy assets in prime locations, including London, Paris and New York. Investors possessing sufficient equity are currently dominating the hotel investment landscape, such as high-net-worth individuals from the Middle East, investors from Asia and increasingly the USA, who enjoy easier access to non-traditional debt sources. Examples include India-based Sahara India Pariwar's purchase of a 75% stake in the Plaza Hotel in New York and the Grosvenor House in London.

Time to invest - but where are the transactions?

The good news is that, apart from Southern European countries, performance in most markets has remained sound with RevPAR growing, though they are yet below pre-crisis levels. An additional aspect with a positive influence is the fact that the overall pipeline of new supply has decreased since construction financing is almost impossible to obtain. Also, hotels in some markets are selling at a lower price than construction cost. The lack of new hotel projects adds pressure on operators but also creates opportunities for the rebranding and repositioning of existing hotel properties, in general a healthy development. Operators are therefore more likely to be willing to offer some sort of guarantee or financial incentives such as key money or even mezzanine financing for projects that they perceive as key assets.

Because of the continued record low base rates (i.e. Libor or Euribor), overall all-in interest rates are currently fairly attractive, despite the scarcity of debt financing, low leverage ratios of 50%-55% and wider margins. Moreover, despite the decreasing trend in cap rates, they are still not back to their pre-crisis level and remain appealing.

This makes the current environment a good time to invest for parties with sufficient equity. Nonetheless, activity remains slow. One essential cause for this slowdown is the lack of quality assets on the market, of which only a few are in prime locations, making the others difficult to finance. Apart from that, there is still a considerable bid-and-ask spread present, preventing owners to put their hotels up for sale. Although numerous loans underwritten during the peak years at high leverages have been due to mature in 2012, and therefore it was expected that with today's lower leveraged and tightened lending conditions, more hotels would be put on the market, but this has not proven to be the case to the extent anticipated. Lenders were often willing to cooperate and extend at reasonable terms.

Another aspect that holds back activity is the fact that transactions are taking considerably longer to close compared to previous years, in some cases even up to one year. The problem does not lie in the financing, but rather the certainty of having a deal done. During the peak years in 2006/07 when activities where high, there was a large number of properties and strong competition on the market, putting pressure on all parties to close quickly Nowadays, however, the lack of quality assets, limited lending and only a few investors with considerable equity puts off pressure as there is no back-up. All parties are precautious and processes are characterised by a great deal of due diligence.

The 2013 outlook

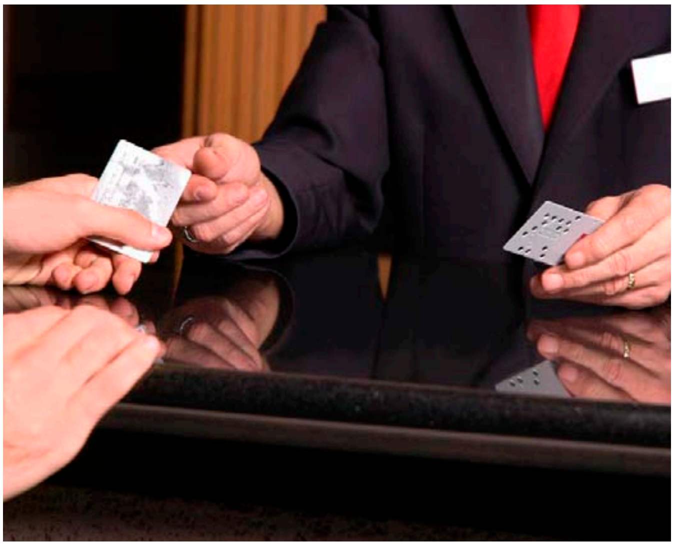
The current environment is still challenging and characterised by the yet unresolved sovereign debt crisis in the Eurozone, with continued uncertainty in terms of the political framework. However, with the continued volatility in the equity market, an investment in property presents a good alternative. We can see a few new players entering the market, with Middle Eastern, Asian and increasingly US high-net-worth individuals. Private equity investors and REITs are expected to continue dominating activities.

With the new regulations and the continued crisis, debt availability remains limited. This presents an opportunity for non-traditional sources, including insurance companies and debt-funds, to enter the European lending market, following the US model. Nevertheless, financing will remain at conservative terms, with loan-to-value ratios in the low 50s, higher margins, but at an attractive all-in interest rate. Focus will continue to be on existing quality assets in prime locations that feature a strong track record with yield-on-debt based on historical figures becoming ever more important.

On a brighter side, despite the continued economic slowdown and weaker sentiment, the fundamentals within the tourism industry are expected to remain robust. Furthermore, a few quality assets and some larger portfolios that are currently on the market are likely to close before long, which may create momentum for increased activities in 2013.

Overall, with little change in the underlying circumstances, 2013 will likely see more of the same, with parties pursuing a cautious investment and financing strategy. Nevertheless, the second half of 2012 was slightly more optimistic, with improved confidence for transactions for 2013. Ultimately, the pace of activity is being determined by the debt funding and especially by the availability of top properties in primary markets - or as Conrad Hilton once rightly put it: it is all about "location, location, location." And this is unlikely to change in 2013.

→ GROWTH PREDICTED FOR 2013



Positive 2013 supply & demand forecast for London & regional UK

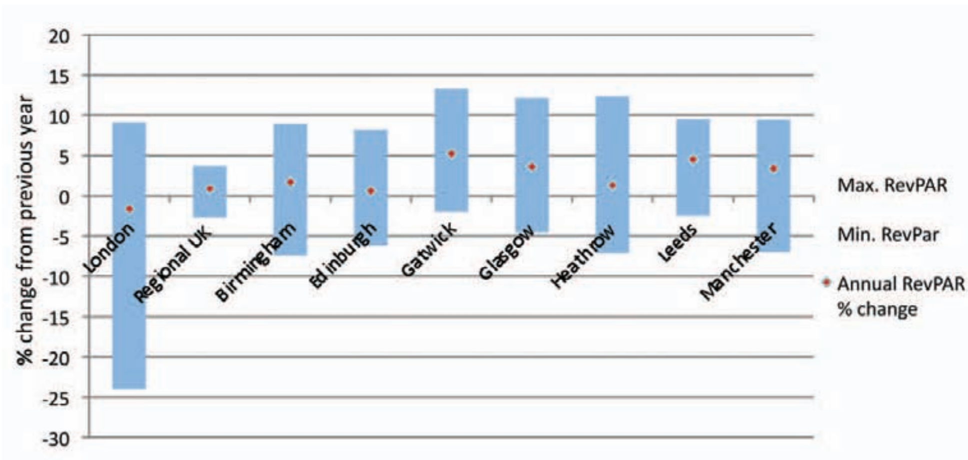
STR Global, the leading provider of market data to the hotel industry, in conjunction with Tourism Economics, is forecasting positive supply and demand growth across London and regional U.K. in 2013.

Supply in London is projected to increase by 3.5 percent, while demand will grow by 2.9 percent. The excess supply is forecasted to lead to an occupancy decrease of -0.5 percent in 2013. Revenue per available room (RevPAR) is expected to decline by -1.6 percent, primarily driven by a decrease in average daily rate (ADR) of -1.1 percent to GBP139.13.

“RevPAR is predicted to increase in June and July, driven by a surge in occupancy from the return of the regular summer guests”, said Elizabeth Randall Winkle, Managing Director of STR Global. “However, this will be offset by a drastic decline in ADR the following month, resulting from the 2012 Olympic Games being hosted in London during August of last year. Unfortunately, the continuing economic uncertainty across Europe makes forecasting a challenging task and subject to change.”

In London, across the hotel class segments, upper midscale hotels are the only segment to see an increase in occupancy and RevPAR. The 0.4 percent increase in RevPAR is because the upper midscale segment is the only segment where demand is forecasted to outpace supply. It is also the only segment in which occupancy is expected to exceed 80 percent.

Range of monthly RevPAR forecasts throughout 2013



In 2013, supply across regional U.K. is forecasted to grow 1.4 percent, exceeding demand growth of 0.6 percent and leading to an occupancy decrease of -0.8 percent. The decline in occupancy will be moderated by a 1.7 percent increase in ADR, resulting in a 0.9 percent increase in RevPAR to GBP41.54.

Across the U.K., monthly RevPAR percentage changes from the previous year are projected to range between -7.4 percent and 8.9 percent in Birmingham, with percentage ranges in Edinburgh (-6.2 percent to +8.2 percent), Gatwick (-2.0 percent to +13.3 percent), Glasgow (-4.5 percent to +12.1 percent), Heathrow (-7.1 percent to +12.3 percent), Leeds (-2.5 percent to +9.5 percent) and Manchester (-7.0 percent to +9.4 percent) illustrating similar patterns.

To find out more information regarding the contents of this article, please contact Naureen Ahmed, Manager, Marketing and Analysis at STR Global, on 0207 922 1965 or email nahmed@strglobal.com.

Size Matters

In 2013, size will matter even more for hotel chains, writes Nicolas Graf of France's ESSEC Business School.

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Hotel chains need to grow, and they need to grow fast

As this is being written, the advertising budget of the largest Online Travel Agency (OTA) by market capitalisation – Priceline.com – is over $900 million, representing half of the gross profit of the largest hotel company (by market cap), Marriott International. The gross booking revenue of Priceline in 2011 was $21.7 billion compared to $12.3 billion for Marriott. While this is already scary, more terrifying is the number of participating hotels Priceline.com possesses in its online inventory: 235,000 vs. 3,718 for Marriott, or 4,480 for Intercontinental Hotel Group (IHG). Because breadth of choice is one of the key features to attract consumers to online booking sites, and since booking costs represent 10% to 25% of room revenue, the battle for online market space is paramount for hoteliers. Are they ready for a fight? Not just yet. What they need is size, and they need it fast. Here are three growth engines that I believe will define 2013.

Three growth engines for 2013 and onward

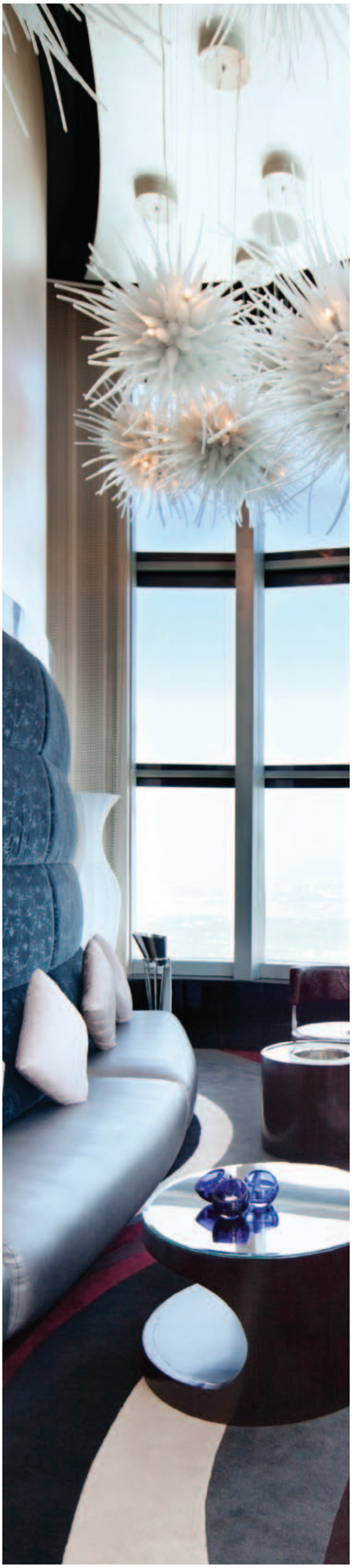
2013 and onward will be years of accelerating consolidation through conversions in mature markets, mergers and acquisitions (M&A) everywhere and online distribution "white labeling":

1) Fit for conversions

The first engine of growth in the year(s) to come will be about conversions in mature markets. While fast-growing markets such as Asia-Pacific and Latin America will continue to attract most hotel companies and will remain the markets with the largest pipelines, North America and Western Europe will experience an increasingly intense race for conversions.

Although we have witnessed several years of independent-to-brand conversions, in the coming year(s), we will see many more brand-to-brand conversions. Several hotel companies have already signaled their intents with the adoption of conversion-friendly brands, including Starwood Hotels & Resorts Worldwide with Aloft®, Even™ Hotels by IHG, or Ibis Styles by Accor.

I can see at least two reasons for speeding-up conversions in mature markets. First, emerging markets are not growing fast enough to cope with the need for size for hotel chains. Second, in the fight with OTAs, increasing market share in mature markets can provide chains with more bargaining power as they could control a significant share of the entire supply in a region. In this way, chains could compete in size with OTAs in a specific region since they cannot yet compete on a global scale.



2) M&A – when liquidity permits

The second growth engine will involve mergers and acquisitions (M&A). This engine has already warmed up this year. For instance, Accor acquired two medium-sized companies, Mirvac in Australia and Grupo Possadas in Latin America. In October 2012, Indian Hotels of Tata Group made a bid to take over Orient-Express. Over the past summer, the super-sized merger of Marriott International with IHG was rumoured and Marriott's CEO had to deny the story by saying they were already happy with the acquisition of Gaylord Entertainment Company's hotel brand and management company.

The typical drivers of merger waves are well known. First, an industry entering a wave of mergers is typically experiencing a slowing rate of growth which results in a need for consolidation to gain economies of scale and scope. While growth outlooks in emerging markets exist, it is clearly not sufficient for companies the size of Marriott, Hilton or Accor, who would need to add between 40,000 to 60,000 rooms each year to sustain double-digit growth (without considering the compounding effect).

Secondly, merger waves are usually triggered by the emergence of a disruptive technology that shocks an industry and ushers it into a new environment. For over 10 years now, the industry has struggled with third-party internet booking sites. At first, the industry was in denial and failed to commit sufficient resources to the technology. As discussed earlier, OTAs were quick to establish a dominant position in the market space, to a point that currently prevents hotel companies from gaining sufficient size by simple organic growth.

Third, mergers are also generally associated with times when liquidity is there and when financing is available. My argument here is that, while liquidity is not high by historical standards, the depressed levels from which we are emerging have prevented M&A activities, and the little improvements in liquidity we are witnessing will be sufficient to unleash appetites for larger acquisitions. Hence, as all of the ingredients are coming together, I would not be surprised if a very large merger occurred in 2013, possibly joining major hotel companies such as IHG, Accor, Marriott or Wyndham.

3) White labeling to speed-up size of inventory

The third prediction for 2013 is the emergence of what I call "white labeling" (for lack of a better term) of Internet booking engines by hotel companies. By this, I mean the sale of the hotel chains' own booking engine capabilities to independent hotels. In other words, I believe hotel companies will start to enroll independent hotels in their own systems, and sell their room inventory through a "white label" website. This is in a way very similar to what Marriott is offering with the Autograph collection, or what Best Western has been doing for years.

There are two main reasons to justify such a move. First, to compete with the advertising budgets of the OTAs, hotel companies must significantly and quickly increase their sales volume. If you imagine that a major hotel company, generating 6 billion Euros in yearly sales (about 300,000 hotel rooms, at 65% occupancy and an ADR of 85 Euros), dedicating 5% of total revenue to online advertising, it would only provide €300 million in budget. This is about one third of the budget of the major OTAs. Hence, the hotel chain would have to triple its room inventory to compete on a leveled playing field. Apart from gaining such a size by merging three major chains such as IHG, Marriott and Accor, the only other option I can think of to reach such a gigantic size is enrolling independents.

The second reason lies in the attractiveness of the chains' websites and booking engines. As breadth of choice is critical to drive consumers' preference, adding more choices through enrolling independents would not only benefit the volume of sales, but it would likely result in higher consumer preference for the entire system, thereby providing a positive network effect for existing branded properties.

While growth has been on the agenda of all large multi-brand hotel chains for a long time, what is different in the year(s) to come is the need for much more growth - and much faster growth. Will the three growth engines run at full speed next year? Maybe not. The battle for the online market space started years ago, and the OTAs are dominant. Yet the industry finally seems to be ripe for striking back – but it will require significant consolidation.

Chris Denison Smith
Director

For more information regarding the contents of this article, please email Chris Denison Smith, Director of FM Recruitment at chrisdenisonsmith@fmrecruitment.co.uk.

Why finance managers must **respect online reviews**

In the past, the life of a hotel finance director was so much simpler. Marketing did the marketing, and Finance — you — looked after the finances.

Then along came the internet, Google, reliable broadband, social media and travel websites that (gulp) encouraged hotel reviews by real, live customers.

'The lunatics have taken over the asylum'

Suddenly marketing was no longer solely in the hands of the marketing team. Customers were in control and they were writing about your hotel — good reviews and bad — whether you liked it or not. In this strange new world, the old certainties no longer applied, and it was enough to make many a finance director uncomfortable.

These hotel review and booking sites such as TripAdvisor, Qype, and Expedia do impact on revenues. According to independent hotel marketing consultancy Olery:

- ***49% of travellers won't book a hotel which is not reviewed.***
- ***46% of travellers post reviews.***
- ***81% of travellers find online reviews useful.***

The responsibility for the financial numbers still lies with you. For this reason you need to understand how these sites work; and the influence they have on sales.

Ye olde hotel trade

Ten years ago holidaymakers and travellers would flip through magazines, stopping to read adverts from time to time. They would browse printed brochures and visit travel agent intermediaries when planning hotel accommodation.

Hotels, like all service businesses of that era, spent a lot of money on 'above the line' marketing - advertising, direct mail, flyers and so on - to build brand awareness.

A new world order

Nowadays, the internet is the first port of call for most people researching a hotel stay. Google is almost always where the journey begins.

Try searching for your hotel name right now. If your hotel website has been optimised well, it should show up high on the first page of returns. However, your prospective booker won't click to your website first. He or she will most likely head to the review sites and third party directories (which make up the remainder of the search returns on page one of Google) to find out what others are saying about you.

Good old-fashioned word-of-mouth is still the best form of marketing. It's just that it has changed. Consumers are increasingly relying on online reviews.

For most people, planning a holiday, weekend trip or business accommodation can be a significant financial commitment, and will be a 'considered purchase'. They are determined to get their booking right, to make this one-time experience as enjoyable as possible. That's why reviews from independent travellers - 'people like me' - are so highly regarded.

"Ignore it... Has it gone away?"

The internet cannot be un-invented. It will only become more prevalent in peoples' lives over time. Smart filtering, clever algorithms, massive, hidden data-crunching and sophisticated personal settings for users will mean information will become increasingly richer and more relevant for individuals.

The explosion of travel websites with comments, rating and reviews is evidence people do want to hear about the experiences their peers are having. The number of online reviews has multiplied five-fold since 2008. People do read and care about these reviews. Contrary to popular belief, most customer reviews tend to be fairly well-written and genuine.

It is surely better to engage with the reality of a new online, social landscape than bury heads in the sand, and hope it will go away.

How to leverage value from online review sites

Yes, everybody in the hotel trade has heard stories about a shocking review that damaged a hotel's reputation. Was it falsified by a competitor? Worse, was the review justified? The answer is to be proactive and make a positive start to manage your hotel's reputation online. Here's how:

1. Respond. As the administrator of a TripAdvisor profile, you can respond to any customer reviews, whether negative or positive. A diplomatic, reasoned response to a less-than-glowing review; or an upbeat and genuine 'thank you' to a good one can go a long way with site visitors.

2. Update. Too many hotel profiles are left to wither on the vine. Schedule regular updates to your hotel's profile. Check and update your hotel's information and photos from time to time (photos work particularly well on these platforms and tend to be shared more than other content).

3. Tailor. Monitoring and measuring user-generated content and analysing the demographics of people contributing reviews means you can get closer to understanding your market. For instance, according to Olery's research, women write more reviews than men (53% to 47%) and tend to be more generous with their ratings (8.5 to 7.8 out of 10). These insights can also play into your hotels wider marketing messages too.

4. Offers. Many sites allow you to highlight special offers, which can be site-specific or across all your online properties.

5. Share. You run a good hotel and you are getting lots of positive feedback, reviews and ratings, right? Start 'sharing the love' wherever possible. Strong reviews are the perfect material for Facebook and Twitter updates.

Connected and social

Not everyone relies on the internet, but with every passing month and year, customers become more 'digitally native'.

The ubiquity of smart mobile devices and reliable, affordable Wi-Fi broadband means a large slice of the population is 'always on' (22% of smartphone owners read hotel reviews on their mobiles). And people tend to use social media more when staying in hotels. This phenomenon is known as 'social bragging', a kind

of ostentatious 'showing off'. We want our friends to know what a great time we're having, what a great place this is.

Investing in social media

If this article resonates with you, and your marketing manager is also 'on the same page', chances are he or she will be seeking budget approval to resource a social media programme.

Most managers quickly realise that, while most social networks are free to use, it takes time and skill to execute a social media strategy. To be truly social a brand must always:

- ***Listen for opportunities to engage with its market.***
- ***Devise suitable responses.***
- ***Deal with customer service issues with grace and diplomacy.***
- ***Maximise positive customer feedback.***

This work could be delivered by staff already in place. But make no mistake, the work takes time, and job descriptions will need to change.

A new breed of marketer has developed specialising in managing brands' online communities. Job titles such as 'Social Media Manager' and 'Community Advocate' were unheard of even five years ago. Yet they are common today and acknowledge the importance of social networks in the marketing mix.

Measuring returns

The measurement of ROI from social media requires executives to recognise that it will not be the same as measuring, say, a direct mail campaign. Building brand reputation on social networks should be regarded as a strategic move rather than a short-term campaign. The most useful metrics to measure here are 'size of network', 'true reach' and 'influence'. Many third party management and reporting systems and tools have grown up to help social media managers provide executives with clear reporting on these metrics.

Social media is not just for the marketing team

How many employees at your hotel have Facebook accounts? The open nature of social networks and blurring of professional and private communications means staff should know their rights and responsibilities. Develop a social media policy for all staff. This can be a short extra clause in existing employee contracts.

The key players in the market

TripAdvisor (www.tripadvisor.co.uk) is a very comprehensive and popular resource. Very well regarded for the high quality of reviews.

QYPE (www.qype.co.uk) is probably TripAdvisor's closest rival and a well-constructed site, easy and helpful for visitors.

Expedia (www.expedia.co.uk)

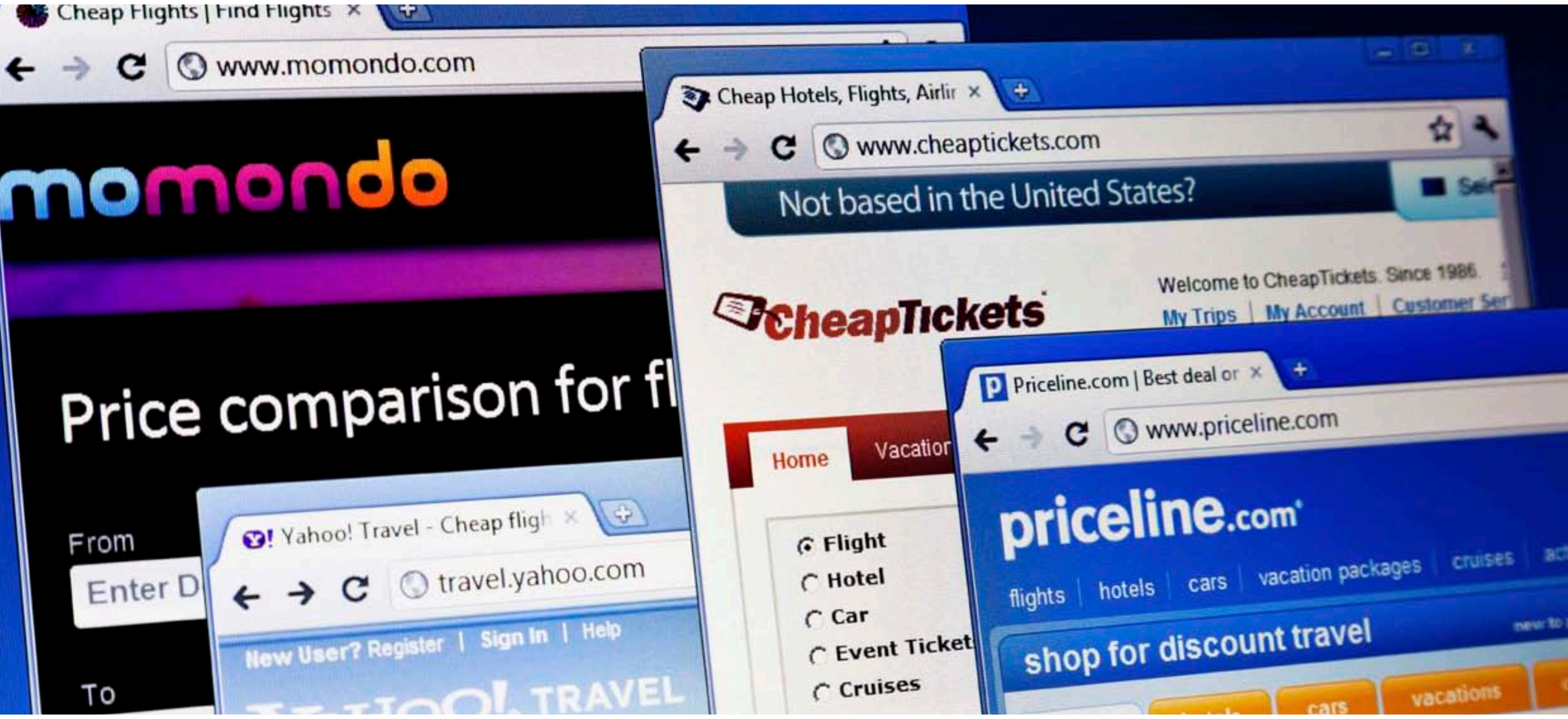
Trivago (www.trivago.co.uk) is a brokerage and price-focused.

TripTake (www.triptake.com) also leads on price and has a modest number of reviews.

Local listings can pay dividends

It is worth listing your hotel on local directories. Although local sites will have smaller readerships, and can be very general in coverage, they will almost certainly have 'travel' and 'hotel' categories.

Most major cities will have several such directories. As online search becomes increasingly localised, a small amount of time to get listed locally is a good investment.



By Professor Peter O'Connor, ESSEC Business School

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Online Travel Agencies: The empire strikes back?

What can the hotel industry expect to see in the rapidly evolving OTA arena in 2013? Professor Peter O'Connor, the Academic Director of the MBA in Hospitality Management at France's prestigious ESSEC Business School and a sharp observer of this market, provides his thoughts on the coming year's possible developments.

The hotel online distribution landscape has changed significantly over the past few years. Online channels have become vitally important, with the vast majority of today's customers making their travel plans online, and a corresponding positive effect on online booking levels. In the US hotel sector, online sales can now account for over 50% of a typical hotel's room revenue. Although other parts of the world lag considerably in terms of online penetration, figures of 35% of bookings flowing through online channels are not unusual for European hotels, with significant further growth certain in the short run.

However, a bone of contention for many hotels is the source of their online bookings. Within the highly consolidated US market, hotel chains have managed to leverage their brand power, technical expertise and deep pockets to ensure that the majority of electronic bookings flow through their direct "brand.com" websites. In Europe, where the market is more fragmented and global chains have much less presence, the proliferation of small and independent properties means that the majority of online hotel bookings flow not directly but through one or another of the various Online Travel Agents (OTAs).

Hoteliers have traditionally had a love/hate relationship with the OTAs. Although grateful for their business when times are bad, most hoteliers begrudge the "outrageous" commissions they pay for bookings, as well as complaining vocally about unfair competition as the OTAs skilfully position themselves between the hotel and the customer.

OTAs are good for you

To be clear: OTAs do add value. Using their electronic marketing expertise, they help hoteliers sell more rooms, allowing them to reach customers and markets that would otherwise be impossible. OTAs deliver heads-in-beds and do so on a totally pay-per-performance basis. In effect, they continuously market the hotel property (the so-called billboard effect) to a global audience, but only get paid if they manage to complete a sale by making a booking.

And even though OTAs are perceived as expensive, trying to drive similar levels of business directly would necessitate major investment on the part of the hotel in search engine positioning, website optimisation, not to mention booking engine and credit card fees – all of which would quickly make the 18% to 25% paid to an OTA look like peanuts.

Bigger and more powerful

The distribution challenge currently facing the hotel sector is therefore not the presence of OTAs per se in their online distribution mix. In fact, in today's highly competitive world, hotels need to accept OTAs as an essential partner in their distribution process. The real issue is that, as a result of accelerated growth and strategic acquisitions, certain OTA players have become so big that they have started to dominate the market, leveraging their market size to effectively dictate terms to hotel suppliers and customers alike.

At the European level, this is currently happening with industry giants Expedia Inc. and Booking.com, both of whom are major suppliers of business to the majority of European hotels. Recent analysis from Nomura claims that these two companies collectively control over 65% of European indirect online hotel sales, although certain other, more regionally focused, companies (particularly HRS/hotel.de) do have significant critical mass in particular markets (in this case Germany). If hotels want to profit from the phenomenal growth in the online sale of hotel rooms, they have to do business with one or more of a very small number of highly influential (or should we say "dominant") companies.

Unfortunately, abuse often goes hand in hand with dominance. Facing increased regulatory scrutiny in both the UK and the US in relation to allegations of price fixing, Expedia Inc. is trying to transform its previously precious merchant model by pushing suppliers into accepting an agency model even though ultimately, the hotel will end up paying a higher price for each reservation delivered.

Similarly, Booking.com, previously regarded as the most supplier-friendly of the OTAs, has started to dictate far more stringent terms and conditions to its hotel suppliers as it has grown in power. For example, the company has started recently restricting hotels' access to previously available guest contact details, in effect ensuring that the customer's relationship is with the OTA rather than with the hotel itself. In addition, Booking.com has now started retaining cancelled room inventory to ensure that these rooms are subsequently resold through the system and that it receives its commission.

However, it is regional player HRS that has so far been the most blatant in terms of (ab)using its market position. Shortly after its takeover of competitor hotel.de, which in effect gave it control over nearly two-thirds of the German online hotel market, the company calmly announced that not only would it charge hotels a higher commission in the future, but if a company wanted to be distributed through the system, it had to provide both best available rate and last-room availability. Anyone who was not willing to comply could take their business elsewhere.

Can we expect action in 2013?

As consolidation continues in the online travel space, with smaller companies being swallowed up by the major players, such dominant behaviour is likely to accelerate. How then can hoteliers battle this like-it-or-lump-it approach? Given their market power, the only way that OTAs will concede is if they are forced to do so. And there are basically two ways to accomplish this – industry pressure or regulatory action.

The hotel industry is far too fragmented, however, to be able to organise the concerted effort needed to pressure such powerful companies. Unlike the airline sector, for example, even when considered together, the hotel chains control much too small a percentage of room inventory to be able to challenge current business practices. In the extremely unlikely event of a boycott, the OTAs could simply bypass protestors and focus on those not participating in the action. Past experience has also shown that hoteliers are not good at cooperating for the common good – a fact evidenced by the lack of a global lobbying organisation on behalf of the sector.

And unfortunately, regulatory action also seems unlikely. Recent mergers in the OTA sector have been scrutinised by the competition authorities. Although subsequently allowed, some hope is offered by the closer examination that regulators seem to be paying to how the sector operates, with the aforementioned price fixing and anti-competitive behaviour cases are sure to have a long-term effect.

Tough love from the OTAs thus looks likely to continue, placing hotels in an increasingly hostile situation, particularly in 2013. To survive, hotels need to become much more proactive about managing their portfolio of distribution channels. In particular, they need to develop and cultivate relationships with not just the major players but with multiple alternative prospects. Smaller niche players need to be nurtured to avoid becoming overly dependent on any one source of business.

When it comes to distribution, hotels need to stop their short-term thinking and look at the broader picture. If they continue to endlessly feed the major OTAs with inventory and special rates, soon they will be left with no alternatives. A broader, more portfolio based, approach to distribution is needed to minimise risk and ensure hotel success in the long run.

The strategic role of the Revenue Manager

Debra Adams, Head of HOSPA Education Services, reflects on the importance of the hotel revenue manager and the contribution the HOSPA Revenue Management Education Programme can make to develop an organisation's revenue management strategy.

At the end of January we learnt that Britain could be on course for its third recession in four years after the preliminary figures released for GDP showed that the economy shrank 0.3% in the last three months of 2012. The figures were worse than expected and could put pressure on the government to consider a "plan B" that hopes to stimulate demand across the beleaguered economy.

This announcement came in the same week that the London stock market took a positive step forward with the FTSE 100 leaping 129.56 points to an 18 month high of 6027.37, adding £32.8billion to the value of Britain's leading companies. With such mixed results from the key indicators of economic strength it is no wonder that leading hospitality industry advisors are cautious when reflecting on what may lie ahead for 2013.

HVS London predicts that this year will be another challenging one for the UK hotels sector and while London will again experience strong demand, the capital's hotels are unlikely to achieve the premium rates they did during the Olympics and Paralympics. STR Global, one of the leading providers of market data to the hotel industry, in conjunction with Tourism Economics, is taking a more positive stance forecasting positive supply and demand growth across London and regional U.K. in 2013.

Analysing the business environment is an essential activity for any hospitality business wishing to successfully ride the waves of the economic conditions and maximise TrevPAR (Total Revenue Per Available Room) and overall profitability. Revenue Management is arguably the responsibility of every Head of Department in the hotel business but the specific role of Revenue Manager provides the catalyst for formalising and coordinating the revenue management activity with specialist analytical skills.

Whilst many roles in the hospitality industry have well defined routes for training and professional development, from chefs through to accountants and HR managers, for many the role of Revenue Manager has been a newly created position and the path for career progression is still evolving.

In September 2011 HOSPA launched an 18 month flexible learning programme in Revenue Management, having previously secured development funding from the Savoy Educational Trust and commitment to develop and accredit the programme from Oxford Brookes University. Now in February 2013 we are about to welcome our first graduates of the programme – those that have completed all three stages of the course – the first of its kind in the UK with university credit.

We are now recruiting for the next intake of the course which commences in March. There are three points of entry and candidates can join at any level depending on previous levels of study and experience.

What will you study:

Stage 1 ***Introductory Revenue Management: Research skills, Data analysis, Commercial awareness, Basic financial skills, E-commerce and channels of distribution***

Stage 2 ***Operational Revenue Strategies: Channel management, Forecasting and inventory control, Group management and overbooking, Pricing strategies***

Stage 3 ***Strategic Revenue Management: Scientific approaches to pricing, Conjoint analysis, Total Revenue Management, Customer profitability plus an industry project with tutor supervision***

Learners are supported throughout their studies by experienced tutors who provide guidance via our online classroom, hosted by arena4finance, which is full of resources and activities to complete. As student members of HOSPA, learners also have access to EBSCO which provides opportunities to download up-to-date articles from prestigious journals such as the Journal of Revenue and Pricing Management and the Harvard Business Review.

The course costs £750 per stage which includes course materials, tutor support, examinations and assessment, access to EBSCO and all the benefits of membership with HOSPA. Contact the Education Services Office on 01202 889430 to start your enrolment. For more information about all our education courses visit www.hospa.org.

Debra Adams will be speaking at the Revenue Management Society 10th Anniversary Meeting on Thursday 21st February at Centre Point, London. She will be updating members on the HOSPA Education and Training Programme in Revenue Management discussing what is on offer, how it works, the accreditations, who the course is for and the cost of studying.

Wi-Fi: If you don't have it, you're losing business

Why Wi-Fi is not a competitive advantage – it's a basic necessity

The explosion of mobile devices is clear to see. Smartphones, tablets, ultrabooks – consumers are increasingly taking devices on the move whether that's for work or pleasure.

But with those mobile devices comes a thirst for Wi-Fi. Travellers may not want to use expensive data, the customer's mobile network may not be fast enough or in the case of many tablets Wi-Fi is the only way for them to get online on the move.

HOTEL GUESTS WOULD RATHER HAVE WI-FI THAN BREAKFAST

Research indicates that Wi-Fi isn't just a nice to have, it's essential. In a survey by a leading travel website, most people in a poll said that free Wi-Fi was their biggest requirement. 38% said Wi-Fi is a 'must have' when choosing a hotel, with just 25% saying free breakfast.

That's one loud wake up call for the hotel industry.

Pubs meanwhile face heavy competition from coffee shops. In stats presented by a research consultancy to the Tenanted Pub Company Summit, ten times more go to a coffee shop to work than a pub. Wi-Fi availability is sure to be a key influence in location choice.

In short, consumers are making it very clear: Wi-Fi is a necessity for their daily lives.

WI-FI: ONE SIZE DOESN'T FIT ALL

With consumers laying their cards on the table, it's now up to hospitality venues to decide the best way to give their customers what they require.

Thankfully there are a number of options that can be considered, and Wi-Fi deployment does not have to be painful for any organisation. But it does offer some questions to consider.

Firstly you need to decide whether your Wi-Fi will be free or chargeable.

Whichever you choose, you need to ensure that the right system is in place to facilitate the Wi-Fi for customers. You need to ensure that access is secure and if required that an appropriate billing system is in place.

There is a third option – and that's to fund the Wi-Fi through something like advertising. In research by Cisco, 37% said they were open to the idea of free access with advertising.

Setup correctly, there doesn't need to be any burden on your staff – and customers can obtain their Wi-Fi through the use of a dedicated portal.

'PAYG' MANAGED WI-FI

You can pay for the deployment of Wi-Fi in the traditional way of a one-off CAPEX cost, then support costs on an ongoing basis.

But a new option is now available: managed Wi-Fi. With this you can pay a per-month cost to provide Wi-Fi to your customers. The physical setup of the Wi-Fi equipment, the login portal/billing mechanism and the ongoing support is all handled as part of a simple monthly fee.

In short, your business can have Wi-Fi on site quickly and with no high upfront costs with a company that looks after the whole Wi-Fi delivery rather than just one bit. Leaving you to get on with running your business, and your customers obtaining the Wi-Fi they require.

Klaus Kohlmayr
Senior Director of
IDeaS Consulting

To find out more information regarding the contents of this article, please contact Cheryl Hawksworth, Sales Director UK & Ireland at IDeaS, on +44 7887 486181 or email cheryl.hawksworth@ideas.com.

Five things every revenue manager should be doing

According to attendees at the HSMAI Revenue Optimization Conference in Baltimore, Maryland this June, revenue managers wear a lot of hats these days. When asked to define their roles before the keynote address, just a few of the many answers included, "forecaster, analyst, strategist, system designer, marketing guru, talent manager, social media expert, data miner, sales support and, channel manager."

With this many labels, it can be challenging for revenue managers to navigate the arena and decipher the best use of their time and energy. On top of this, faced with a seemingly endless amount of data to collect and analyse, it can also be easy to overlook the big picture, which is developing comprehensive, innovative revenue strategies that maximise profitability.

In order to help revenue managers stay on track and better position their organisations for long-term success, below are five high-level tips for raising the bottom line.

1 – Collect the Right Data

Amid today's high-speed, interconnected nature of business, one of the most important things revenue managers should be doing is collecting and analysing the right data - particularly data that is both historical and futuristic. For example, from a historical perspective, data should be collected on booking patterns for various market segments, market conditions, room types, and more. Revenue managers can then look at this information and use it to forecast future booking pace—typically about 90 days ahead. By doing this consistently, revenue managers can more easily compare current and predicted activity levels to the historical data and make adjustments to pricing strategies as needed.

However, collecting all of this data manually takes a significant amount of time and energy. Amid a flurry of flash sales, mobile marketing, and online travel agencies (OTAs), it can be tough for revenue managers to quickly recognise changes in demand and react in time to make a profit. In order to remain competitive, many hoteliers turn to revenue management software, which automatically provides executives with the data they need when they need it—often cutting their daily workload in half. Through a series of high-speed, complex algorithms, revenue management software automatically assesses hotel performance on a daily, weekly, monthly, and annual basis, allowing revenue managers to quickly compare rooms sold and revenue against data at the market segment and total hotel level. Automated revenue management systems also free up revenue managers' time for making more strategic, proactive decisions for their hotels.

2 – Deepen Customer Intelligence Processes

A key part of collecting the right data also includes customer intelligence. Hal Rosenbluth, former President of Walgreens Health and Wellness, once said about business, "There is only one boss – the customer. And he can fire everybody in the company, from the chairman on down, simply by spending his money somewhere else." As Rosenbluth points out, catering to the customer is critical to staying in business, and it isn't just for marketers and customer-facing staff. In order to truly optimise revenue amid today's uncertain and competitive economy, revenue management professionals must take the time to understand their organisations' customers in order to keep them.

One way revenue managers can do this and acquire increased customer intelligence is by working closely with their organisation's marketing team. According to a white paper from SAS, "Competing on Customer Intelligence", marketing has historically been guided by the four P's: product, price, promotion, and placement—and in that order. However, SAS states, "this product-centric business model reflects a company that is inwardly focused on what it wants to sell, rather than outwardly focused on what customers want to buy." By paying more attention to the wealth of data marketers collect on customer demographics, segmentation, and preferences, revenue managers can use it to predict future consumer behaviour and put together better packages and prices that will attract people to the hotel. In doing so, revenue managers transform choreographed customer data into insights that lead to better, more informed decision-making and profits for the hotel.

3 – Think Creatively

As pointed out above, the line is blurring between revenue managers and marketers. Increased transparency in business today—including unbiased customer reviews and prices displayed on internet websites—requires that revenue managers exercise creativity and innovative thinking to get ahead.

For example, many revenue managers panic during times of weaker bookings and start slashing rates in the hope that it will drive up demand. However, research has proven (over and over) that this technique rarely works. In fact, one of the worst things a hotel can do is offer a discount to beat out a competitor and then reduce one of their services to help accommodate for the price reduction—something that may differentiate the hotel from the competition in the first place. To overcome periods of weaker bookings instead of focusing solely on price, revenue managers should approach the lapse as an opportunity to reiterate what makes their property stand out for guests. This can be done by working closely with the marketing team to offer room upgrades, complimentary services—such as a spa treatment, an exclusive gift, free Wi-Fi in rooms—or another package that attracts customers.

4 – Start Learning 'Total' Revenue Management

There is little doubt about it—the future of revenue management is 'total' revenue management—optimising revenue from all of a hotel's available revenue streams (including rooms, food and beverage, spa, golf, retail, etc.). This has been repeatedly emphasised by several organisations and experts in revenue management, including The Cornell University School of Hotel Administration and, more recently, a panel of experts at HSMAI ROC.

Although it's not a new concept, hotels and resorts are spending more time and energy today refining their tools and processes in order to optimise total guest spend. And because it won't be long before technology evolves to accommodate this new approach, it's a good idea for revenue managers to begin familiarising themselves with 'total' revenue management and communicating its importance to senior leaders.

A good place to start is moving away from a "room-centric" approach and tracking revenue contribution by market segments. In an article titled "Optimizing Total Revenue Management," Bonnie Buckhiester notes that "hoteliers believe they know instinctively what segments produce better flow-through, but often this information is anecdotal in nature and, at best, is confined to the rooms and/or food and beverage divisions, not ancillary revenues." She notes that by tracking profits on a segment basis and really drilling down to understand each segment's revenue contribution, hoteliers can then better manipulate their business mix to drive profitability. Ultimately, by taking steps now to prepare for this shift in revenue management mindset, revenue managers can better ensure that their organisations will remain competitive later on.

5 – Serve as a Revenue Management Ambassador

In addition, as the industry shifts towards total revenue management, it's important that revenue management professionals be not only skilled mathematicians, but also effective communicators for their field. During his keynote address at HSMAI's ROC, Craig Eister—Vice President of Revenue Management for InterContinental Hotels Group—addressed this issue, saying, "We haven't told our story as powerfully as we need to tell our story to create a really strong revenue management discipline."

Although many general managers and senior leaders understand the importance of having a formalised revenue management process and culture in place within their organisations, still many others do not. And as revenue management continues its domain at the corporate and individual property level, revenue managers must work closely with the executive suite to build and instill a strong culture of revenue management to drive profitability. In addition, in order to practice 'total' revenue management and optimise profits from all hotel assets, revenue managers must obtain executive buy-in across multiple departments; including sales, catering, spa, food and beverage, and more. To do so, they must not only accurately forecast and analyse data, but also effectively communicate revenue management strategies and principles to senior leaders.

The New Face of Revenue Management

In summary, it's an exciting time for revenue managers. The industry is rapidly evolving, and revenue managers that are strategic, forward-thinking and entrepreneurially-minded can take the science and art of revenue management to new heights within their organisations. In addition, equipped with the right tools and data, revenue managers can serve as strategic partners to their organisations—driving up the bottom line through enhanced customer intelligence processes and a greater culture of revenue management.

Member's News

HOSPA New Year Honour
for Association's Head of Education Services

The recipient of the first ever special 'HOSPA Paragon Award' – for outstanding and exemplary work in the field of Hospitality Finance, Revenue Management and IT – is Debra Adams, HOSPA's Head of Education Services.

She was honoured for her ground breaking achievements in Education for BAHA (British Association of Hospitality Accountants) then its successor HOSPA, and for the highly efficient and inspirational way she has managed the Association's membership services for the past seven years.

Debra was presented with this very special honour by HOSPA Chairman Paul Dukes – also Chairman at Kew Green Hotels – and HOSPA Chief Executive Carl Weldon. Commenting on her award, Carl Weldon said: "The Oxford Dictionaries definition of a 'Paragon' is a flawless diamond; and the title is used figuratively to denote a model of excellence or perfection. Debra Adams is – and has been – such an exemplary model for first BAHA then HOSPA. So it is with great pleasure that HOSPA has chosen Debra to be the first recipient of this very special, prestigious award."

For her part, Debra commented: "I am overwhelmed and delighted to receive this award from HOSPA. I would like to share the recognition with my team at arena4finance – all of whom have contributed significantly to the success of BAHA then HOSPA, and our associated projects."

Amongst her many achievements for the Association, Debra began in 1998 the process of updating, modernising and obtaining funding for the popular BAHA Education and Training Programme (ETP) in Financial Management – with a research project to determine industry needs to inform the renewing of the syllabus.

A year later she co-ordinated a programme – involving the management of a team of course writers – to enable the launch of a revised and updated BAHA ETP in Financial Management, based on the strengths of the original programme. In 2000, she was instrumental in gaining accreditation for the BAHA ETP from the Chartered Institute of Management Accountants. Nine years later, she was pivotal in the Association gaining a further accreditation for the Financial Management ETP – this time from the Open University, enabling learners to get transferable university credit for their studies.

In 2004, Debra formed her own finance training and professional development company – arena4finance, focusing on delivering courses in finance for non financial managers; and a year later, she took on the role of Head of BAHA Administration. In 2006, she extended her BAHA responsibilities when she was appointed Head of Membership and Education Services, consolidating all of the Association's activities under one administration – based at arena4finance's Wimborne offices in Dorset.

Her most recent achievements have included the successful submission to the Savoy Educational Trust of a funding bid for the development of the HOSPA ETP in Revenue Management. This has resulted in the development of the programme, in partnership with Oxford Brookes University, and the commencement of the course in October 2011, which was well received and supported by the hospitality industry. A year later, all three stages of the HOSPA ETP in Revenue Management were made available to candidates.

Debra combines her role with HOSPA with running her own successful company – Dorset-based arena4finance, which delivers and designs programmes in financial education for clients both in the UK and overseas in a range of industry sectors. She currently holds visiting lecturer roles at Bournemouth University; a variety of Swiss hotel schools such as the prestigious Lausanne Hotel School; and in the Middle East at the Emirates Academy, Dubai. She travels extensively delivering financial management courses and advising on the development of in-house company training programmes – with recent and current projects in the Ukraine, South Africa, United Arab Emirates and Sri Lanka.

The Hospitality Show 2013

Written by
Wayne Gosden

The Hospitality Show 2013 enjoyed a successful run at the NEC in January, proving it takes more than snow to stop serious buyers and visitors in their search for new products and inspiration!

As in past years, HOSPA was present with its 'HOSPA Hub' providing an excellent networking and lounge area for members to stop for a coffee and muffin during their visit to the show. HOSPA also hosted a series of technology and commercial masterclasses at the Business Briefing Stage which featured presentations from STR Global, Mazars LLP and Chief Executive of HOSPA, Carl Weldon.

Exhibitors were impressed with the quality and quantity of visitors, despite the widespread snow and ice up and down the country. The show buzzed with excitement on each of its three days and visitors were rewarded with high quality content plus the chance to see new products demonstrated by over 300 exhibitors.

Toby Wand, Managing Director at Fresh Montgomery commented: "It's extremely heartening that despite the difficult weather conditions, the industry came out in force yet again to support the Hospitality Show. I would like to thank everyone involved for their determination and dedication to making the show such a fantastic success."

The show also witnessed the launch of rebranded 'Hotelympia', set for its new spring date of 28th April – 1st May 2014. Hotelympia 2014 will have a new layout with the entire show being staged in the South Hall and a single entry point for the whole event.

Hotelympia 2014 will be home to the largest collection of technology providers to the hospitality industry as well as the HOSPA Hub, creating a vibrant environment for visitors with a series of masterclasses and special events.

Keystep Provides VingCard™ Support for Red Carnation

When considering support options for the door locking facilities at Red Carnation Hotels, the IT department looked to external partners capable of providing the specialist knowledge required to support the existing expertise within the group.

Keystep Limited – a company experienced in supporting systems for numerous hotels in the UK and Europe – understands the highly competitive hotel industry and has a proven track record of stepping up to meet the demands of its customers by meeting response and repair times. It was for these reasons Red Carnation's IT Manager, Andrew Evers, selected Keystep to help.

VingCard™, the door locking system used at the Chesterfield Hotel in Mayfair, was the first site Keystep reviewed. Replacing the VingCard™ server and completely re-installing the Vision software left Red Carnation with a stable solution, and the confidence to award Keystep a contract to support and maintain all other locking systems for their London and Geneva based hotels.

This contract required Keystep engineers to visit each of the properties and carry out a system audit as well as a full back up. The result of this exercise paves the way for quick resolutions of any future hardware failures, allowing the systems to be replaced and restored quickly and easily.

Andrew Evers, Red Carnation's Group IT Manager comments, "With their obvious experience in such industries, our requirements posed no challenge for Keystep, who were easily able to provide the high standards we need in order to stay on top of our game."

Managing Director of Keystep, Andrew Evans adds, "We are delighted to have been awarded a contract to support an estimated 400 door locks within 4 hotels in London and Geneva. We accredit this to our reputation of expertise and excellence of service we provide to our customers."

Keystep celebrates its 9th year of trading and supports all types of EPoS and access control systems for hotels, hospitality and retail units in the UK and beyond. For more information, please go to www.keystep.org or contact Tanya Stadler, Marketing Officer at Keystep, on 08443-510805 (office), 07834-599768 (mobile) or email tanya.stadler@keystep.org

COFFER Peach **BusinessTracker** SALES TRENDS FOR THE UK EATING AND DRINKING OUT MARKET IN ASSOCIATION WITH KPMG, UBS AND THE COFFER GROUP

Restrained festive cheer for pubs and restaurants

- *Like-for-like sales up 2.1% on Christmas and New Year 2011*
- *New openings keep total sales ahead 4.7%*

Britain's pub and restaurant groups have reported better Christmas and New Year trading than a year ago – though not by much. Collective like-for-like sales for the six weeks up to January 6 were up 2.1% on the same period 12 months ago, according to latest data from the Coffer Peach Business Tracker, the industry's sales barometer.

Total sales for the festive period, which include the effect of new openings, were ahead 4.7% among the 24 companies in the Tracker sample.

"Operators will be pleased to be up on last year, but with both Christmas Day and New Year's Eve falling mid-week, and so not affecting normal weekend trading, they would have been expecting a slightly better sales performance than last year," said Peter Martin of Peach Factory, the business intelligence specialist that produces the sector Tracker, the sector's biggest and most comprehensive performance barometer, in partnership with Coffer Group, Baker Tilly and UBS.

"The figures reflect the essentially flat marketplace we have experienced for the past year or so, where any sales growth for the leading groups has come from new openings, which in turn has helped them increase market-share at the expense of independents," said Martin. "While there has been no big festive boost for eating and drinking out overall, neither has there been the decline some sections of the retail market have seen.

"However, behind these headline numbers, individual companies and brands have often performed quite differently as inter-brand competition also heats up," he added.

Overall, Christmas period trading was stronger in London than outside the M25, and, over the period as a whole, pubs performed better than restaurants, although both saw a like-for-like increase on last year.

"Although drink-led pubs generally edged pub restaurants in terms of Christmas sales performance, it was still the food element of their businesses that drove the uplift," added Peter Martin.

Looking at week-by-week trading, the Tracker data collected from operating groups shows a slow start to the festive celebrations with the last week of November and the first two weeks of December all down on 2011 in terms of like-for-like sales. Sales then picked up strongly in the week that ended on the weekend before Christmas, with restaurants in particular doing well. The week containing the New Year holiday also performed well, especially for pubs.

Mark Sheehan, Managing Director of Coffer Corporate Leisure, said: "Operators were generally expecting two full weeks trading pre Christmas last year and thus good like for likes were anticipated. These numbers are a little disappointing overall and to an extent reflect the very strong competition from independent and emerging brands especially in London. The bigger operators are not having it all their own way and innovative new operators are undoubtedly taking market share in the capital."

Ali Aneizi, Co-Head of Leisure & Hospitality at Baker Tilly Corporate Finance added: "The slow start to December, will in part, be due to the continued pressure on corporate budgets and a drop in traditional Christmas bookings identified by some operators. Record wet weather and flooding will not have helped matters. However, the UK consumer continues to spend on eating and drinking out as illustrated by the turn around in results for the latter part of the month and in the immediate build up to Christmas and the New Year.

"Like for likes in December 2011 of 9.9% was always going to be difficult to match, but many operators will be pleased to continue the upward trend posted in November 2012. London continues to outperform the rest of the country, with Inside M25 securing higher like for likes for the 5th consecutive month; and with many well funded operators aggressively seeking new sites in the capital the competitive landscape in London is set to rise even further. Trading in London will therefore continue to be a double edged sword."

Jonathan Leinster, Head of UBS European Leisure Research, said: "The figures show that like-for-like sales were stronger inside the M25. With the exception of a few months in summer this pattern was repeated in most of 2012. Total sales growth points to the multiples growing share, but site growth has clearly slowed since it averaged over 4% from September 2011 to April 2012 before starting to decelerate. The deceleration appears to be continuing and if like-for-like performance continues to be weak we would expect that to continue in 2013."

For more information please contact

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London hotels record third successive year of profit growth thanks to Olympics

Whilst the data suggests that London hoteliers would have just about managed a year-on-year profit increase without it, it was the Olympic-led 90% increase in profit in August which contributed to yet another significant increase in profit growth in the capital in 2012, according to the latest HotStats survey of approximately 560 full-service hotels across the UK by TRI Hospitality Consulting.

Although 2012 will go down in history as a remarkable year of events, which will undoubtedly go unmatched within a generation, London's hotel performance remained unpredictable throughout, as uncertainty remained about the impact of these events on headline performance.

The year started well enough with a strong performance across all measures in the first five months, but doubt started to creep in as the events got underway.

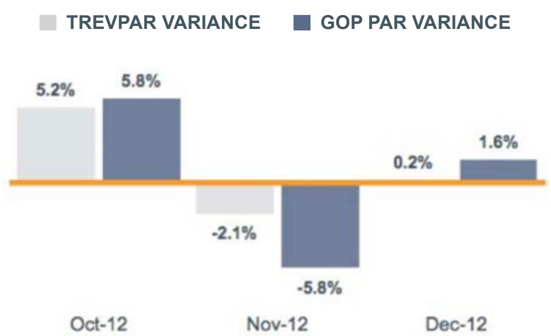
Overall, hoteliers in London recorded three months of year-on-year profit decline in 2012, in June (-9.3%), due to the celebrations associated with the Diamond Jubilee, during July (-3.1%) due to pre-Olympic jitters and November (-5.6%) as the post-Olympic hangover began to set in.

But it was the outstanding increase in headline performance levels during the Olympics in August, which has cancelled out these declines and enabled a 4.9% increase in profit per room in 2012 to £75.27 from £71.73 during the same period in 2011.

"Despite the last few years being one of the toughest trading periods in recent history, hotels in London have recorded yet another year of profit growth on the back of increases in 2010 (+13.9%) and 2011 (+4.7%). For London hoteliers it has been a breathless charge through 2012 and it now seems like a lifetime ago that the industry was discussing how bad the Olympic Games may be for business. How different our perspective is now, as, taking nothing away from the ability of London's hotel managers, the Olympics are the saviour of the year and we will take only positive memories away from 2012," said Jonathan Langston, managing director of TRI Hospitality Consulting.

In December, London hotels returned to profit growth (+1.6%), but it was not as convincing as during other months. As the city suffered a 0.8% drop in RevPAR (Revenue per Available Room) due to a 2.2% decline in achieved average room rate, growth in TrevPAR (Total Revenue per Available Room) was only possible due to increases in ancillary revenues, including food and beverage per available room (+5.4%).

London last 3 months year-on-year change



HotStats London Main KPIs

LONDON

	Dec '12	Dec '11	Var b/w	
Occ %	74.6	73.6	1.0	▲
ARR	125.42	128.22	-2.2%	▼
RevPAR	93.54	94.31	-0.8%	▼
TrevPAR	137.88	137.59	0.2%	▲
Payroll %	25.8	25.6	-0.2	▼
GOP PAR	66.14	65.08	1.6%	▲

	YTD '12	YTD '11	Var b/w	
Occ %	81.1	81.4	-0.2	▼
ARR	138.50	133.51	3.7%	▲
RevPAR	112.37	108.66	3.4%	▲
TrevPAR	154.09	148.48	3.8%	▲
Payroll %	23.5	23.7	0.2	▲
GOP PAR	75.27	71.73	4.9%	▲

ARR - Average Room Rate, RevPAR - Revenue per available room, TrevPAR - Total Revenue per available room, - GOP PAR Gross opertunity profit per available room.

Provincial hotels slump to fifth consecutive year of profit decline

The overall performance of hotels in the Provinces more accurately reflects the challenges which are being experienced by hoteliers throughout this economic recession, which have led to yet another year of rising revenue being outpaced by increasing costs, according to the latest HotStats survey.

The RevPAR growth picture in 2012 is much the same as in 2011, with Provincial hoteliers achieving a 1.4% increase this year against the 1.5% increase last year. Indeed, this is the third year in a row that Provincial hoteliers have managed to increase RevPAR levels with growth of 1.5% also achieved in 2010.

Furthermore, at an increase of 0.9% in 2012, the TrevPAR growth at hotels in the Provinces was above the increase in 2011 (+0.2%) and 2010 (-0.1%).

However, profit performance was impacted by an increase in payroll levels which were up by 0.2 percentage points in 2012 to 32.4% of total revenue. This is unsurprising as the adult rate minimum wage increased once again, by 1.8%, exceeding the growth in Provincial TrevPAR.

It is unsurprising then that hotels in the Provinces suffered a fifth consecutive year of profit decline. Whilst the decline was less in 2012 (-1.9%) than in 2011 (-3.2%), the trend of consistent cost increases means that growth in profit remains extremely challenging.

This is no better exemplified than in the cost of travel agent's commissions, which were once again a focus of concern for Provincial hoteliers in 2012 as this measure increased by 6.8% on a per room let basis, to £5.05, equivalent to 7.3% of rooms revenue.

"Whilst our RevPAR-focussed competitors will be telling you that hoteliers in the Provinces have enjoyed yet another year of growth, the truth is that the overall Provincial profit picture remains negative. After five years of decline, the keep calm and carry on mentality is wearing a bit thin and it is clear that the impact of the fundamental shift in the operating structure of Provincial hotels will continue be played out as the market anticipates further casualties in 2013," said Langston.

As always, it is important to highlight the winners and losers and in 2012 hotels in Liverpool bounced back with a 3.7% increase in profit per room. This was despite only achieving a 0.9% increase in RevPAR, suggesting that the recent tough trading conditions in the city have engendered a parsimonious mentality.

Hotels in Basingstoke were also on the winner's rostrum with a 6.4% increase in profit per room, which was led by the outstanding performance of the market during the Farnborough Air Show in July as demand was displaced out of London fuelling a 41.3% year-on-year increase in profit.

In contrast, those cities which witnessed a decline in profit per room include Newcastle (-10.4%), Nottingham (-12.7%), Bath (-4.7%), Manchester (-1.9%) and Leeds (-3.8%).

Provinces last 3 months year-on-year change

HotStats Provinces Main KPIs

PROVINCES

	Dec '12	Dec '11	Var b/w
Occ %	59.2	57.3	1.9
ARR	66.55	65.89	1.0%
RevPAR	39.39	37.77	4.3%
TrevPAR	92.54	89.52	3.4%
Payroll %	32.7	31.8	-0.9
GOP PAR	24.98	23.63	5.7%

	YTD '12	YTD '11	Var b/w
Occ %	70.3	69.7	0.6
ARR	69.72	69.39	0.5%
RevPAR	49.05	48.38	1.4%
TrevPAR	93.49	92.67	0.9%
Payroll %	32.4	32.2	-0.2
GOP PAR	26.56	27.09	-1.9%

HOTSTATS
Hospitality Intelligence

BRIEFING DATA
UK Chain Hotels - Market Review
Currency: £ Sterling

The month of December 2012

TOTAL UK	Dec '12	Dec '11	Var b/w
Occ %	64.7	63.2	1.5
ARR	90.70	91.97	-1.4%
RevPAR	58.65	58.08	1.0%
TrevPAR	108.67	106.79	1.8%
Payroll %	29.6	28.9	-0.7
GOP PAR	39.62	38.52	2.9%

LONDON	Dec '12	Dec '11	Var b/w
Occ %	74.6	73.6	1.0
ARR	125.42	128.22	-2.2%
RevPAR	93.54	94.31	-0.8%
TrevPAR	137.88	137.59	0.2%
Payroll %	25.8	25.6	-0.2
GOP PAR	66.14	65.08	1.6%

PROVINCES	Dec '12	Dec '11	Var b/w
Occ %	59.2	57.3	1.9
ARR	66.55	65.89	1.0%
RevPAR	39.39	37.77	4.3%
TrevPAR	92.54	89.52	3.4%
Payroll %	32.7	31.8	-0.9
GOP PAR	24.98	23.63	5.7%

The Calendar year to December 2012

TOTAL UK	YTD '12	YTD '11	Var b/w
Occ %	74.1	73.8	0.3
ARR	96.25	94.35	2.0%
RevPAR	71.36	69.67	2.4%
TrevPAR	114.85	112.38	2.2%
Payroll %	28.2	28.3	0.0
GOP PAR	43.73	42.85	2.0%

LONDON	YTD '12	YTD '11	Var b/w
Occ %	81.1	81.4	-0.2
ARR	138.50	133.51	3.7%
RevPAR	112.37	108.66	3.4%
TrevPAR	154.09	148.48	3.8%
Payroll %	23.5	23.7	0.2
GOP PAR	75.27	71.73	4.9%

PROVINCES	YTD '12	YTD '11	Var b/w
Occ %	70.3	69.7	0.6
ARR	69.72	69.39	0.5%
RevPAR	49.05	48.38	1.4%
TrevPAR	93.49	92.67	0.9%
Payroll %	32.4	32.2	-0.2
GOP PAR	26.56	27.09	-1.9%

The twelve months to December 2012

TOTAL UK	Rolling '12	Rolling '11	Var b/w
Occ %	74.1	73.8	0.3
ARR	96.25	94.35	2.0%
RevPAR	71.36	69.67	2.4%
TrevPAR	114.85	112.38	2.2%
Payroll %	28.2	28.3	0.0
GOP PAR	43.73	42.85	2.0%

LONDON	Rolling '12	Rolling '11	Var b/w
Occ %	81.1	81.4	-0.2
ARR	138.50	133.51	3.7%
RevPAR	112.37	108.66	3.4%
TrevPAR	154.09	148.48	3.8%
Payroll %	23.5	23.7	0.2
GOP PAR	75.27	71.73	4.9%

PROVINCES	Rolling '12	Rolling '11	Var b/w
Occ %	70.3	69.7	0.6
ARR	69.72	69.39	0.5%
RevPAR	49.05	48.38	1.4%
TrevPAR	93.49	92.67	0.9%
Payroll %	32.4	32.2	-0.2
GOP PAR	26.56	27.09	-1.9%

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Members' **Events**

Forthcoming events

Feb 18 **HOSPA Regional Members' Meeting - Birmingham**
This event is to be held at the Macdonald Burlington Hotel, Birmingham, on Monday 18th February 2013 from 6.00pm for refreshments with presentations beginning at 6.30pm.
Topic and speakers for this event are to be announced in due course.

Mar 18 **HOSPA Regional Members' Meeting - Glasgow**
This event is to be held at Jurys Inn, 80 Jamaica Street, Glasgow (G1 4QG), from 6.00pm with presentations beginning from 6.30pm.
Topic and speakers for this event are to be announced in due course.

April 15 **HOSPA Regional Members' Meeting - Manchester**
This event is to be held at the Q Hotels' Midland Hotel, Manchester, on Monday 15th April 2013 from 6.00pm for refreshments with presentations beginning at 6.30pm.
Topic and speakers for this event are to be announced in due course.

Registration is necessary to attend the above meetings: please visit the events section on our website or email wayne.gosden@hospa.org with your details. Non members welcome.

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