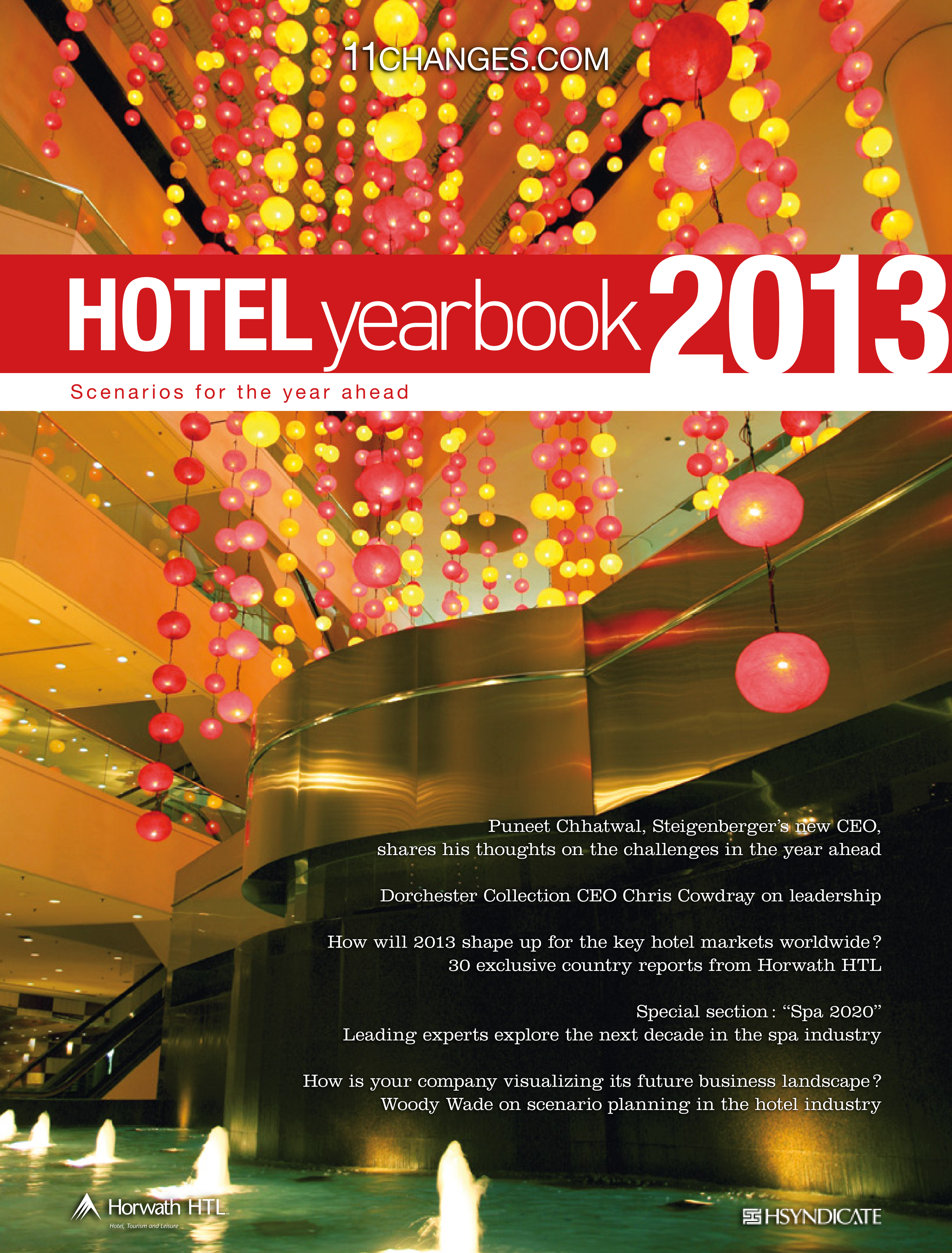

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HOTEL yearbook 2013

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Horwath HTL
Hotel, Tourism and Leisure

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This excerpt from the Hotel Yearbook 2013 is brought to you by :

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Wade & Company is a Lausanne-based consultancy that helps senior managers in the hospitality industry better understand how their future "business landscape" could change, affecting their competitiveness and creating new opportunities and challenges. Its scenario planning workshops give management teams a creative yet structured approach for envisaging alternative ways their future operating environment could realistically unfold over the next few years, depending on how current uncertainties develop. With these eye-opening insights, Wade & Company's clients can maximize the flexibility of their strategic plans and be better prepared for whatever future dies arise. More info is at www.11changes.com.

HORWATH HTL

Horwath Hotel, Tourism and Leisure consulting are the world's number one hospitality consulting organisation, operating since 1915. Horwath HTL are the industry choice; a global network offering complete solutions in markets both local and international. Through involvement in thousands of projects over many years, Horwath HTL have amassed extensive, in-depth knowledge and understanding of the needs of hotel & real estate companies and financial institutions.

Horwath HTL are the world's largest consulting organisation specialised in the hospitality industry, with 50 offices in 39 countries. They are recognised as the pre-eminent specialist in Hotels, Tourism and Leisure, providing solutions through a combination of international experience and expert local knowledge.

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

Better and better and better

TREVOR WARD, MANAGING DIRECTOR OF LAGOS-BASED **W HOSPITALITY GROUP,** HAS BEEN ONE OF *THE HOTEL YEARBOOK*'S PERENNIAL CONTRIBUTORS – TRULY "OUR MAN IN AFRICA". HERE ONCE AGAIN, HE CASTS HIS EYE FOR US ON THE CONTINENT'S PROSPECTS IN 2013.

With continued economic malaise in Europe, the African continent continues to receive keen interest from the international hotel investment community and from operators. W Hospitality Group's annual pipeline survey, conducted at the beginning of 2012, showed an increase in the number of rooms in the regional and international operators' development pipelines of 21 % on 2011.

But Africa's really difficult, isn't it ?

Yes, for many, Africa's difficult (and tell me, where's easy ?!), but it's a lot better than it used to be, with democratic elections the norm now in most countries, investment in infrastructure opening up the continents roads, railways and airports, and an increasing number of regional and international flights.

As important are a number of fundamental socio-economic and demographic trends that are taking place, and which are making the international community sit up and pay attention. Here are some :

- The IMF forecasts that seven of the top ten fastest-growing countries in the next five years will be in Africa, and that the average growth in Africa will be higher than the average growth in Asia.
- GDP per capita in Nigeria (on a PPP basis), the most populous nation on the continent, and the second largest economy, has increased from US$ 950 in 2000 to US$ 2,600 in 2011.
- Ten countries – Algeria, Angola, Egypt, Ghana, Kenya, Morocco, Nigeria, South Africa, Sudan and Tunisia – accounted for 81 % of private consumption in 2011.
- Forty percent of Africa's population live in cities – Africa has a greater proportion of its population living in cities than India (30 %). Spending by urban dwellers is increasing twice as fast as rural spending, and their per capita income is, on average, 80 % higher than the country average.
- While Africa has the world's fastest growing population, fertility rates are down from historic levels, which means that the working age population is growing fastest, which means further real increases in GDP per capita as well as a decline in the dependency ratio, which means a higher level of disposable income per capita, available to spend on consumer goods and services – including hotels.
- The largest 50 cities in Africa, with 13 % of the population, are forecast to contribute nearly 40 % of GDP growth in the next decade.
- Forty percent of the growth in spending power is forecast to occur in households with an average income above US$ 20,000.$

There are the key points, which provide the justification for optimism about Africa : the continent's population is young, with a low dependency ratio ; it is increasingly urbanized ; GDP growth is far higher than most of the developed world ; and the "spending" class is growing by leaps and bounds.
That is the environment in which the hotel industry is operating and growing.

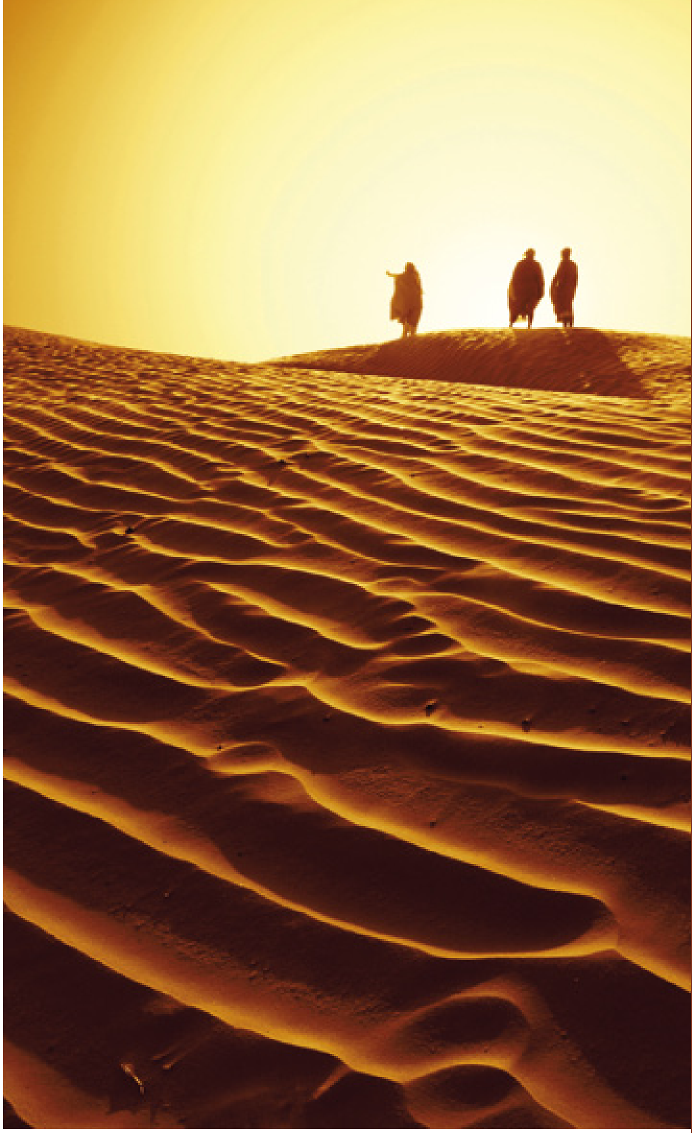
The table below shows the results of our 2012 pipeline survey :

HOTEL DEVELOPMENT IN AFRICA 2012 REGIONAL SUMMARY

	2012		2011		2010	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
North Africa	79	17,449	75	17,038	72	16,909
Sub-Saharan Africa	129	20,625	84	14,521	80	15,223
TOTAL	208	38,074	159	31,559	152	32,132

Of the total 38,000 hotel rooms in the regional and international chains' pipelines, only just over 10,000 or about 25 %, are in what could be classed the budget and mid-market categories. The main focus was on the upscale and upper upscale categories.

The main player in the budget and midscale segments is Accor, which is rolling out its Ibis and Novotel brands, mainly in North Africa. Carlson Rezidor is signing deals for its Park Inn by Radisson brand, and newcomer Onomo is developing "eco-friendly" economy hotels in Francophone West Africa.



easyHotel, in a deal with Lonrho Hotels, is working out a plan for 50 hotels throughout Africa, and Premier Inn, conqueror of the UK's budget hotel sector, is making noises about entering the African market.

The regional brands are also making moves – Protea are expanding fast in Nigeria, with 10 hotels open at the time of writing, and at least five under development, and City Lodge have finally taken their category-busting brands out of their South African comfort zone, signing a deal in Kenya.

Is this where the future hotel development opportunities lie, in the budget and mid-market segment? Absolutely. Is enough being done to exploit those opportunities? Absolutely not.

Take Nigeria, a federation of 36 states plus the Federal Capital Territory. Between them, there are 37 state capitals, and with a few other major conurbations, that makes around 45 decent sized cities where hotels are needed. Of those, fewer than ten have a branded hotel under development.

It's the future. African consumers value brands and quality. For the most part, rightly or wrongly, local brands are considered second-best to an international brand. Local brands are often lower priced, but people don't necessarily want to be seen by family and friends to be opting for the cheaper option – international brand equals quality. But affordability is, of course, extremely important, especially in economies where consumer credit is scarce, and it is not culturally appropriate to borrow for consumer spending.

Not everywhere is going to see the international and budget brands riding in and dominating the market. Like it or not, there are some small African countries, particularly those that are landlocked, that will not benefit very much from the increase in spending power, and the increased urbanization of the population. For hotel industry investors, there are six countries in sub-Saharan Africa that I believe they should focus on – Angola, Ghana, Nigeria, Ethiopia, Kenya and Tanzania. These countries all have the scale that is required to develop multiple hotels, and the economy to support them. South Africa is experiencing oversupply, and at the same time has low economic growth, a rapidly growing total population, and structural economic challenges, so the industry consensus is that there's not that much to accomplish there, at least in the short term.

In North Africa, all five countries have potential, with Egypt and Morocco probably the most promising.

The Economist magazine's 2000 headline, "Africa - The Hopeless Continent", became "Africa Rising" in 2011. It is projected that, by 2020, more than 50 % of African households will have money to spend on discretionary goods and services, up from 85 million to almost 130 million.

A recent and fascinating survey conducted by McKinsey, "The Rise of the African Consumer" (from which many of the statistics quoted in this article are sourced), found that 84 % of those surveyed (13,000 people in 15 cities in ten countries) believe that they will be better off in two years time. Wow! ■


Luxury Hospitality needs
commitment, passion and
the right attitude...