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HOTEL yearbook 2013

Scenarios for the year ahead

Puneet Chhatwal, Steigenberger's new CEO,
shares his thoughts on the challenges in the year ahead

Dorchester Collection CEO Chris Cowdray on leadership

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30 exclusive country reports from Horwath HTL

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Leading experts explore the next decade in the spa industry

How is your company visualizing its future business landscape?
Woody Wade on scenario planning in the hotel industry

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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.



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“We have to meet the demands of future generations”

FOLLOWING A METEORIC CAREER IN DEVELOPMENT AT REZIDOR, **PUNEET CHHATWAL** WAS NAMED THE NEW CEO OF GERMANY'S RENOWNED **STEIGENBERGER HOTELS AG** IN SEPTEMBER 2012. THE HOTEL YEARBOOK CONTACTED PUNEET JUST AFTER HIS APPOINTMENT WAS ANNOUNCED AND ASKED HIM TO SHARE HIS THOUGHTS ON THE OUTLOOK FOR THE HOTEL BUSINESS AND HIS PLANS FOR THE COMPANY, IN BOTH THE SHORT AND LONG TERM.

Puneet Chhatwal



THE HOTEL YEARBOOK: Puneet, tell us a little about your background first, and how your new appointment came about.

PUNEET CHHATWAL: I was born in 1964 in New Delhi, India. I was fortunate to get a great high school education, and later hotel school and university training as well, plus instruction in languages like German and French in the respective cultural institutes. That was a solid foundation for my transition to Europe, which happened on a scholarship to IMHI in 1989.

After getting my MBA in Hospitality at IMHI, I started working

for the Feuring Group in hotel consulting and development, based out of Mainz, Germany. In 1998, I transitioned to Carlson Hotels as their Director of Development for EMEA to help propel the growth of Carlson's brands in the region. This was a good innings, as it exposed me to the American way of doing things: German discipline and quality coupled with American packaging and marketing is a great combination to learn from!

After September 11th, Carlson decided to consolidate its business, so in 2002 I transitioned to Rezidor as Director of Business Development. I was subsequently promoted to Vice

“We have to meet the demands of future generations” cont.

President Business Development in 2004, then to Senior Vice President and Chief Development Officer in August 2007 (also becoming a member of Rezidor's Executive Committee at the same time), and then to Executive Vice President and CDO in April 2011.

Without undue modesty, I can say that the Rezidor portfolio grew to over 74,000 rooms in operation with a further 20,000 under development during my years. In 2008, 2009 and 2010, Rezidor had three consecutive years of record growth in terms of rooms opened. During this period, Rezidor became the fastest growing hotel company in the world.

HYB: Which leads us up to 2012 – truly a banner year for you.

CHHATWAL: That's right. In August 2012, I was awarded the prestigious Carlson Fellowship Award and was also selected as the Honorary President of the Alumni Association of IMHI.

But I also went back to being a full-time student in 2012! I attended the Advanced Management Program (AMP) at INSEAD outside Paris. I think these were the best four weeks I spent in the last few decades! Not only did I have an opportunity to spend the time, intellectually and personally, with people of more than 50 nationalities, but I also had the chance to spend quality time with myself – no work and no family to distract me. This experience helped me regain the drive to do something new.

And the next challenge followed. In September 2012, the opportunity came to become the CEO of Steigenberger Hotels AG. I accepted and started working in this capacity on the first of November. That makes me the first immigrant to head a European hotel company on the continent.

HYB: Something to be very proud of...

CHHATWAL: Thanks, but I don't see this point as a destination; I see it, instead, as a milestone on my journey, both on a personal and a professional level. This fascinating

company has been enjoying its success story for more than 80 years, with two excellent brands, Steigenberger Hotels and Resorts and InterCityHotel. Steigenberger is synonymous with German hospitality and excellence, and the group is well poised to extend its influence beyond Europe – mainly in the emerging markets of the world.

HYB: Looking at Steigenberger's segment of the hotel industry, what are your key expectations for 2013?

CHHATWAL: The company is present in two segments. Steigenberger has its roots in the luxury hotel business, and for more than 80 years, the name has stood for individual top hotels. In the meantime, the Steigenberger Hotel Group has grown to include more than 80 hotels in six countries under two brands. Steigenberger Hotels and Resorts currently comprises 48 luxury, deluxe and grand hotels. InterCityHotel is the Group's other brand, with 33 hotels in the upper mid-scale segment.

As for my expectations, I believe the first half of 2013 will be challenging for the industry. However, I'm optimistic about the second half of the year.

InterCityHotel is an established brand, and will continue to do well due to its low fixed cost structure. Steigenberger Hotels and Resorts, on the other hand, should perform better than prior years, as some of the key assets that were under renovation are now coming back on the market with a very nice and competitive product. This should help drive revenues and customer loyalty, as a lot of our peers have cut investments during the downturn. However, our company's presence is mainly in the German-speaking countries, and in those markets, the extent of the downturn in RevPAR was not as severe as it was for some of our competitors, with their geographic spread in Southern Europe and provincial UK.

So for Steigenberger, we are expecting that 2013 will be characterized, first of all, by a net growth of the portfolio, especially in international markets. Second, we expect growth in revenues and EBITDA. And finally, we'll be making a continuous

“We have to meet the demands of future generations” cont.

commitment to what we call “German Operational Excellence” – in our German as well as international markets.

I also think we will witness in 2013 and the short term a new definition of customer loyalty. It will go beyond the rewards and use of cards, more in the direction of recognition.

HYB: What trends are you following that could have an impact on how 2013 develops? Are there two or three uncertainties that you think could be critical for shaping how the next year or two turns out for the hotel business in Europe?

CHHATWAL: The global financial and economic crisis does not seem to be ending, and as I mentioned before, I am more optimistic about the second half of 2013, but not the first half, where I expect RevPAR growth to remain sluggish.

From our perspective, the three most challenging issues facing our industry are, first, the continuous uncertainty about the political situation in the Middle East, including the recent events in Egypt (where we have a lot of hotels), Syria, Bahrain, Libya and Israel. This makes all of us quite nervous.

Second, if you look at some European economies, you see that the rate of growth in hotel supply has exceeded the rate of growth in hotel demand. The resulting low levels of room occupancy are jeopardizing returns on investment there.

And finally, due to demographic trends, it's becoming increasingly difficult to find and bind employees – especially young professionals. We are particularly seeing growing competition for talent from other industries like airlines or banking houses.

HYB: Looking at the longer term, say to the year 2020, when you think about how the hotel business might develop, is there anything that keeps you awake at night? Is there anything still on the far horizon that you are keeping an eye on?

CHHATWAL: What keeps me awake at night is finding the balance between continuous brand building and profitable growth, especially on the international front.

Steigenberger is standing at a critical point today: the company is ready and supported by its Board to take the leap into some of the world's emerging markets, and export our German Operational Excellence. However, the costs and barriers to entry in new markets are huge – be it from a language, tax or competition perspective, on one hand, or a lack of local knowledge or local partner on the other hand. And as the markets remain under pressure, it's also not prudent to make too extensive use of current resources on new businesses – that could be a very risky approach.

HYB: Is there anything that you think has the potential to take the hotel industry by surprise in the next few years – in a positive or negative way? How different could the future business environment for the hotel industry be compared to today?

CHHATWAL: A look into the crystal ball would be helpful! In general, I think technical development will progress even faster than before. The impact of social media will also continue to grow. Communication between people around the world will simply be faster than ever.

At the same time, the demand for rest and relaxation and preventive health programs will grow. At the end of the day, the hotel industry has to make sure to meet the demands of the future generations.

HYB: Thank you, Puneet, and best of luck to you as you steer Steigenberger into this exciting future. ■



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