

The Institute's WTM Hotel Programme

For the second year running the Institute of Hospitality organised and hosted a series of interactive hotel seminars at World Travel Market (November 2011). A prestigious line-up of panellists provided insights into investment, technology, recruitment, Olympic legacy and risk management. **Ben Walker** reports.

"Bargains still to come," says Sir David Michels

The optimum time to buy hotel property will be marked by a return to real estate investment by the major hotel brands, delegates heard during the Institute's WTM panel debate: *Emerging investment opportunities for the hotel market.*

"Twenty years ago all of the big brands sold their property. None of them have brought it back. I wouldn't invest yet. The bargains are still to come," said Sir David Michels FIH, the former group chief executive of Hilton International, deputy chairman of M&S and soon-to-be president of the Institute of Hospitality.

Europe had a reasonably good start to 2011 in terms of transactions, said Arthur de Haast FIH, global CEO, Jones Lang La Salle Hotels, but since the summer lending had tightened up and there was also more caution regarding investment. "Asian investors are more cautious about Europe and are holding back a little," he said.

Peter Anscomb, head of hotel finance, RBS added: "We haven't had great amounts of liquidity or lenders. There's no willingness to get into underwriting and no crossborder lending. Even in the UK it's very regional. The focus is more on structures being able to cope with another recession."

Through Michels & Taylor, his asset management company, Sir David said

he was working with 75 UK hotels that were in "deep financial trouble."

"Someone's problem is another's opportunity. It is very rare for hotels with more than 100 rooms to close; they usually can't get planning permission for a change of use. There are therefore definite opportunities for new companies, new investment and new brands," he said.

There is some evidence of major hotel brands investing in real estate again, albeit in a highly selective manner. Marriott International, for example, used its own money to buy the Berners Hotel in London from administrators for a reported £60m. Marriott is unlikely to hold onto the asset for long, however.

Investors are taking a long-term view on assets in key European cities such as London, Paris and Moscow, said de Haast. "People are prepared to buy prime assets at extremely low (2-3%) yields and it is the same in residential and retail and even prime office space in central London (4.5 to 4.75% yields). People recognise these as long-term investments because it's difficult to secure such sites. There are a lot of frustrated bidders. We [Jones Lang La Salle Hotels] had nearly 20 bids for a large European portfolio; that's a total of €17b being bid so there's no shortage of equity for the right product. Bonds are almost as risky as stock. Real estate is a favoured asset class," he said.

Looking beyond Europe, a bold approach was required in emerging markets, added de Haast: "Those who have invested in branded properties in Ghana, Angola and some Russian

cities, are getting very high room rates and getting their investment back in three or four years."

It was easy to sign new deals in emerging markets such as Nigeria because there is greater liquidity, but development can take much longer, highlighted Puneet Chhatwal FIH, chief development officer, Rezidor Group. "In Lagos we were seven years in construction compared to two in Sweden. The number of signings points to a very confident time but the actual opening schedule makes it a testing time," he said.

Nick Smart, Hilton Worldwide's vice president of development, UK, Ireland and Nordics, said in 2010 Hilton had had "a record year" for UK deals and 30% were under construction. "There is massive growth in franchising," he commented.

Technology investment is crucial

Investing in technology is just as important to a hotelier's profitability as spending on room furnishings, delegates heard during the Institute's WTM seminar: *Technology: improving service or diluting relationships?*

"I know there is only so much money to go around so the hotel with paint peeling off the walls but with really great



Marriott International used its own money to buy Berners after the London hotel went into administration in early 2010.



Investors are taking a long-term view on hotel assets in major European cities such as Paris.



More and more hotels will move all their IT functions off-site. The Glasgow citizenM's PMS is managed from a data centre in Munich.

technology is not common. But every decision a hotelier makes is based on return on investment (ROI)," said Rupert Gutteridge, EMEA regional sales manager, IDEaS.

"Do I buy a cheap mattress that guests don't like or do I buy a better quality one and get repeat business? The broadband service you pay for should be a simple ROI equation too. I know technology gets put into a bracket but to me it's no different from any other investment,"

A hotel with a slow broadband connection was actually worse than one with no broadband at all, added Casey Davey, UK sales manager, Rate Tiger.

Philippe Rossiter FIH, chief executive, Institute of Hospitality, who chaired the discussion highlighted that a frequent complaint from hoteliers in parts of Scotland was the lack of broadband and the most important infrastructure investment decisions needed to be made by governments and telecom companies, not hoteliers.

Huw O'Connor, co-founder of MOOW and former managing director of City Inn, added that future technology expenditure for hoteliers would centre on the need for greater bandwidth to allow guests to rapidly stream content and download large files.

"Charging guests for extra bandwidth is very contentious, but if I am trapped and there's a tiered bandwidth platform in the hotel, then I will pay for it," he added.

The panel was lastly asked to do some crystal ball gazing. What will be the major technological developments for hotels over the next ten years?

A computer will become part of the standard furniture of a hotel room, just as a television set is today, predicted O'Connor. Although business travellers would continue to travel with their laptops, O'Connor argued that for personal use, people preferred not to use a work-computer.

Cloud-based outsourcing of all technology functions would become more widespread, forecast Gutteridge. Such services make it less of a struggle for hotel operators to keep up to speed with the latest technology advancements, said Gutteridge: "Hotels will subscribe to a service and have all of their technology outsourced. They will probably pay on a subscription basis and will continually be updated with the latest and greatest." ■

Higher graduate salaries needed to win the talent war

Starting salaries for hospitality management graduates need to be higher if the industry is to win the talent war, says the head of an international luxury hotel brand. Guy Crawford FIH, CEO of the Jumeirah Group was speaking during the Institute's WTM panel discussion: *Leadership: human capital - a look at the changing nature of the hospitality labour force - managing the global labour market.*

"We've got to pay people properly if they are coming from university. We

need to start paying to get the best and the brightest. Start them at £30,000 and if they want to be a general manager at 24 and they're qualified, let them go for it," he said.

Starting salaries for hospitality management graduates range from £20,000 to £25,000, although there are examples of luxury brands offering initial graduate salaries above the £30,000 mark, said Liz Hartstone FIH, managing director, Profile Management & Specialist Recruitment.

In order for the hospitality industry to attract the best and brightest graduates, starting salaries in hospitality need to match other sectors such as banking, Crawford stressed.

Jumeirah was currently recruiting from New York City universities. "We're in New York now meeting with graduates who have nothing to do with hospitality. We have nine lawyers working for us and plenty of IT jobs. We

offer good career paths and we need to offer equitable salaries to other sectors such as banking. We can't take a lot on at these salaries but we can take a few and make them role models," he said.

This led Peter Lederer FIH, chairman, Gleneagles Hotels, to question whether industry-specific degrees from hotel schools were fit for purpose. The hospitality sector should be competing for graduates with other industries such as retail, banking and law. In some ways, hotel school training can be too narrow, he commented.

In defence of hospitality-specific degrees, Sean Wheeler MIH, area director of human resources, The Dorchester Collection, argued that there were plenty of examples of hotel school graduates being 'poached' by other sectors such as retail and banking because these industries highly value the customer relation skills that are part of hospitality curricula. ■



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