

# ASIAN HOTEL & CATERING TIMES

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**TOO MANY  
VACANCIES**  
Regional skills  
shortage



**THE MAIN SQUEEZE**  
Popular, healthful juices

**SHANGHAI SUPPLIES**  
Too many rooms long-term?

Hong Kong SAR	HK\$50
China	RMB50
Singapore	S\$15
Malaysia	RM30
Thailand	฿300
Rest of Asia	US\$10

**HULLETT HOUSE**  
History in its making

A roundtable event recently convened by IDEaS looked at challenges and opportunities facing hoteliers, *AHCT* reports

Mandarin Oriental Hotel Group's Michael Hobson says confidence varies from Bangkok to Beijing

# DYNAMIC PRICING KEY TO RECOVERY

**H**ow is the Asian hotel sector recovering from the global economic downturn?

Whether it be recovering from over-discounting during the economic crisis, new properties opening across the region fostering an increasingly competitive marketplace or keeping talented staff members in place – the Asian hotel sector faces a variety of challenges.

As part of the recent Travel Distribution Summit in Singapore, global revenue management provider, IDEaS – a SAS company – worked to gather some of the most influential figures within the Asian hotel sector together for *AHCT* for a high level discussion on the state of the current market, including what opportunities are present for Asian hoteliers over the next 12 months, and any inherent risks to look out for.

With the worst of the financial crisis having past, there does appear to be a renewed sense of optimism about the state of the hotel sector in Asia, with a few caveats. Simon Pearson, Vice President Marketing and Business Development, Marco Polo Hotels commented that, “With the majority of Asian hotels relying on the Asia Pacific market for over 65 percent of their business, I see a fairly positive outlook for the hotel industry over the next two years, however the current state of the European economy, the growing concern on

the Korean Peninsula and the recent riots in Thailand may potentially cause a downturn in the Asian economy.” This view was reflected by Grahame Tate, Managing Director Asia Pacific, IDEaS who said, “While I am fairly positive about the future, I think there are still some scenarios that need to play out to truly put behind us what we saw come to the surface in 2009. Current issues with Thailand and Greece as well as some of the volatility we are still seeing in the United States due to various financial management issues that are yet to come to a conclusion.”

## Growth factors

Michael Hobson, Chief Marketing Officer, Mandarin Oriental Hotel Group highlighted that it was difficult to speak about market confidence for the region as a whole given that market dynamics differ significantly from Beijing to Bali. He said, “The demand and supply of hotel rooms in any destination is seldom in perfect synch, and currently cities like Beijing, Bangkok and Jakarta are over-supplied. Over the past few years, the region has been experiencing good tourism and corporate travel growth. China has been a large contributor towards this growth, with outbound traffic making up almost 70 percent of Hong Kong’s arrivals. This large base of mainland hotel customers for Hong Kong and Macau is also rapidly

Hoteliers discuss trends and challenges



spreading to other parts of the region. The result is that the Asia Pacific region is currently very active and competitive, and in general is the 'flavour of the industry'.

Demand for the hotel sector in Asia would be strengthened in the future at the mid-to low scale segment, according to Michael Sengol, Chief Executive Officer, Meritus Hotels & Resorts who said, "With the cost of travel decreasing and domestic travel increasing, I see a substantially greater demand for the mid- to lower scale hotel segment. As for the luxury hospitality sector, it will also keep gaining momentum amidst the following influencing factors:

- Growing population of more affluent and savvy international travellers (particularly from China, India, and Russia)
- Globalization and relaxation of business restrictions in countries like Taiwan and China
- Sustained levels of economic growth combined with relatively low inflation and interest rates continue to give rise to a wealthy population
- Decreasing cost of international travel (phenomenon of low cost carriers) contribute to increased economic activity"

The ability to attract and keep quality staff was identified by media roundtable participants as being amongst the biggest challenges faced by the Asian hotel sector today. Hobson commented, "The major pitfall (for the industry) is attracting and retaining motivated employees. This is probably the biggest challenge affecting our industry today, together with inexperienced governments that have no adequate tourism plans in place." Sengol went further saying, "The potential pitfalls that the industry should be aware of include: attracting and retaining qualified staff/talents, inconsistency in branding and delivery of service standards and experience, dwindling focus of hotel companies on training and developing staff, and careless dilution of rates and underperforming segments due to lack of effective Revenue Management."

But it's certainly not all doom and gloom. One of the key opportunities for hoteliers in Asia over the coming 18 months was identified by Sengol: "There exists great opportunity from growing inbound travel markets and high-yield travellers from Russia and the Middle East. I see countries like Singapore optimizing the potential for their room rates to increase to the levels of other Asian cities like Hong Kong. The growing appeal of Asia as a MICE destination will also surpass that of its Western counterparts."

Hotel pricing is always the source of in-depth conversation across the Asian hotel sector and perceptions on how the market recovery was affecting pricing delivered a range of observations. Tate said, "The speed of the recovery is an interesting factor as recovery time (from a downturn in the region) is decreasing. However, room pricing is also affected negatively in a shorter time frame than it used to be."



Grahame Tate,  
Managing Director  
Asia Pacific, IDEAS



Meritus Hotels & resorts' flagship Mandarin Orchard Singapore - company CEO Michael Sengol predicts growth in the luxury sector

Hobson also highlighted that there seemed to have been a sharp divide between North Asia and South Asia in regard to pricing in recent times. He said "During the downturn in North Asia, there wasn't too much aggressive price-cutting, whilst in South Asia a 'trading mentality' took hold. Singapore, for example, saw price drops of between 30 percent and 40 percent. This takes years to recover from and will ultimately have a negative effect on the quality of the physical product over time, as owners and investors continue to look for returns on capital employed. Dropping pricing across the board doesn't typically increase demand in the medium and long term. Asia as a whole already represents incredible value for money, and if we are to see continued innovation in both products and services, we need to charge for the guest experience accordingly."

The issue of hotels across the Asian region slashing prices to attract guests in a soft market is contentious. Pearson pointed out that, "Rate cutting is invariably the first initiative most hotels think of in a crisis situation and unfortunately once one or two hotels start dropping rates all hotels in the competitive set follow as they are concerned at losing market share." While indicating that the only winners in a rate war are the guests, Simon also highlighted that "Thankfully, most hotels that react quickly to market change move equally fast in removing value added benefits as market demand returns."

A central theme of the media roundtables was that hotel guests were becoming increasingly savvy. Tate said that, "All guests are getting smarter in their booking process and know when and where to look out for deals. In a softer economy some business travellers may have a greater choice, but at the same time some might be restricted in expenses as well and are therefore actively looking for lower cost hotels. The leisure traveller that has money despite the hard times is generally looking for deals with lots of inclusions at a relatively low rate." Tate concluded by observing that, "I don't think guests are necessarily still expecting those deals in an economy that's doing well. I think the market is comfortable and educated enough now to accept dynamic pricing both on a micro and macro level." **AHCT**