

MIDDLE EAST Hotelier express

YOUR GUIDE TO SUCCESSFUL

BUDGET AND MIDMARKET HOTEL MANAGEMENT IN THE GCC



P10
DECONSTRUCTING
TRAVEL
METASEARCH
FOR HOTELS

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HOTELIER EXPRESS SUMMIT ADVISORY PANEL 2016

Hotelier Express hosted a roundtable with mid-market hoteliers to analyse the trends, opportunities and challenges facing the industry, in order to get expert insights on the most pressing topics to be discussed at the Hotelier Express Summit on November 23

WORDS: DAVID THOMPSON

HOW WILL THE UPCOMING SUPPLY AFFECT RATES?

MARK ALLAF: In my opinion, the increase in supply will gradually start to force a reduction in ADR across the board. Hilton is responding to the call from the government to add more mid-market hotels, by introducing our focused service brands, but we know this step is going to affect the ADR growth in the city. I do believe however, this influx will eventually influence and affect the ADR of the full service segment, which at some point will then reflect back on us. We must make a

choice whether to maintain our rate strategies, or consider a different approach in order to remain competitive.

MARLOES KNIPPENBERG: I think the question regarding ADR and supply, from a hotelier's perspective, needs to include what are the next steps being taken by the airlines, because it's a great conversation that we haven't had on this level. We're having a discussion about ADR that goes further than merely competing hotels, but how is the UAE going to increase that volume of arrivals? Diversifying the portfolio is not just about the leisure

activities on offer, it's also what are the business opportunities? It becomes a question of what can we do, working together, that supports the industry. It's not just about the ADR for that small volume, because that's not enough to fill all the rooms.

TAREK DAOUK: If we look back 30 to 40 years ago, it was very luxury focused and upper scale and less economy and mid-scale – clearly they are seeing that the global economic shift will impact this city so they're working on setting an equilibrium by launching more affordable products. So yes, in the short term ADR is going to

be affected, but people need to keep focused on the medium to long term. This is in line with the government vision. The government is post-2020 focused, we're yet to see how this maturing will play out. It is new, we don't know if Dubai will succeed in bringing in the mid-market – but it is definitely putting pressure on the five-star luxury sector already.

WILL ALTERNATIVE ACCOMMODATION IMPACT THE MID-MARKET?

MARK: It has created some impact in certain markets



Hotelier Express roundtable speakers, discussing the trends, opportunities and challenges facing the industry.



HOTELIER EXPRESS SUMMIT

DATE: November 23 2016

VENUE: The Grosvenor House Dubai

TO SPONSOR:

Astrid Sedler at astrid.sedler@itp.com

Sonja Allen at sonja.allen@itp.com

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already, but others have not even heard of them yet. I don't think Airbnb can compete with brands that have been in the market a long time. Hilton Garden Inn has a different service guarantee that Airbnb can't compete with. While

the market still gives global brands an opportunity to outperform others, there is space for everyone, and it depends on the guest's requirements. The tech-savvy consumer, such as the millennial traveller, will be looking for digital

experiences, where I feel small brands can't offer what they need.

TAREK: I'm not against Airbnb – it's a pure evolution of consumer behaviour. What's interesting is that Airbnb is allowing hotels to post inventory on their platform with the indication that it is a hotel. However, Airbnb won't be able to deliver a family vacation on the beachfront. We need to address the guest's needs, by providing the services and price points they are demanding, and even competing with Airbnb. Also, the real estate market is flooded by new supply, and pressure on this market to rent

MEET THE EXPERTS

Mark Allaf

Hilton Garden Inn Dubai cluster general manager

Hilton Garden Inn is the mid-market brand of Hilton Worldwide. Hilton Garden Inn now operates over 700 hotels around the world with a growing pipeline.



Tarek M. Daouk

Smartotels founder and managing partner

Smartotels is a privately-held investment company focused on value-added real estate projects in the hospitality sector, founded by Tarek M. Daouk.



Marloes Knippenberg

Cloud 7 Hotels chief executive officer

Cloud.7 is a destination for young, spontaneous travellers – creating an environment to connect with other travellers and the local community.



The Hotelier Express summit will feature a full day of panel discussions, presentations and debates.



accommodation is leading to a rise in more Airbnb units coming online. That is something to keep in mind, but you can't foresee or control this change.

MARK: I always wonder what happens after 2020. Is the UAE going to be able to fly in enough guests to meet the coming supply? What incentives are we giving our owners to keep on this track? If ADR is decreasing, we need to consider the fact that

the industry can't be expanded without vision, investments like family attractions, including Dubai World will certainly help.

MARLOES: With the likes of Airbnb, it was the traveller who allowed this to happen. Airbnb has no inventory – it's just a platform, this is what the people wanted. They asked for something different – they now want experiences. The lifestyle photoshoots of big chain hotels

still have the same similar look and feel, instead of this, Airbnb is doing something great and the market should not fight it, but instead ask how to integrate it.

DO YOU ANTICIPATE SOURCE MARKETS AND GUEST PROFILES CHANGING?

MARK: Many of the Middle East source markets may not have considered Dubai due to pre-ex-

isting cost perceptions. However, more mid-market growth is changing this, resulting in more business diverted to the economy sector, so we are looking to drive new business from new markets in the future too. Certain markets will remain dominant in my opinion, for example India, Europe and the Americas.

MARLOES: Dubai has been way ahead of the market for



“ If properties in Dubai want to catch up on some of the challenges in supply and dynamics they need to get smarter – this means getting smart with technology.”

Smartotels founder and managing partner Tarek M. Daouk

a long time, but I think there is little education around the mid-market here – we see this in the promotional activity which is still projecting the luxury image. For example, we have hammered into the UK market and told them what is on offer in Dubai, to now go back there and re-educated that market on what mid-market is and what is available, can we revisit them? And can we give that message in a different way to highlight what

is offered by the mid-market? There are requirements that change across star ratings, it's a complex situation, and people need to know what they are booking.

TAREK: These are all signs of maturing market. Look at ADR in the last 15 years, Dubai has been a top 10 destination – that's predominantly driven by luxury, but there's a correction that's coming – will operators

be smart and collaborate to ensure rates don't drop? You will always have unsophisticated operators who will slash rates to fill beds. But that brings down the whole market. There is a ripple effect throughout the whole of Dubai. These are challenges to be understood globally. But arguably more important here as Dubai is the fastest growing market.

HOW IMPORTANT WILL DIGITAL AND MOBILE STRATEGIES BE FOR THE MID-MARKET?

MARLOES: I recently had a meeting with our information

technology department, we discussed the old days when operators didn't even have a mobile-friendly website, nowadays we're all developing apps and that's now the norm. Why Airbnb did so well, was because it's all on the smartphone. With new tech there's so much off-the-shelf options, there's so much we can do, and developers are now more geared towards tailoring these products so that they're affordable to mid-market operators. With technology there is a great way forward, both the guests and the owner's perspective – there are products that are accessible and affordable.



The Hotelier Express Summit will take place on November 23.



Dubai, UAE.

TAREK: It is interesting because this industry so far behind, relative to other industries and we're all playing catch up. There is now a significant focus on technology among the big chains, and so now we see new chains with a focus on technology from the get go. If properties in Dubai want to catch up on some of the challenges in supply and dynamics they need to get smarter – this means getting smart with technology.



“ The lifestyle photoshoots of big chain hotels still have a similar look and feel. Instead of this, Airbnb is doing something great and the market should not fight it, but instead ask how to integrate it into the vision for Dubai.”

Cloud 7 Hotels Chief executive officer Marloes Knippenberg



Cloud 7 Hotels chief executive officer Marloes Knippenberg.

MARK: I believe the only challenge we face in this region now is digital check-in. We have digital check-in in many parts of the US – through this feature, guests can choose their room type and room number. This also saves on the cost of manning a hotel, we can then we can focus that saving on other areas like increasing guest loyalty.

WILL SOCIAL MEDIA INFLUENCE FUTURE HOTEL BOOKINGS?

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MARK: I truly believe today you can't live without social media. As we see more of these platforms in the future, it will absolutely play a big role in creating awareness among potential guests. Making sure you are well positioned on social media channels and capturing 100% of the opportunities in the arena is essential to drive business. It took us a long time to communicate what we offer, we couldn't do that in such a short time frame without social media.

MARLOES: The next question is really what comes next. How big is virtual reality going to be in this industry? Look at social media, did anyone know that this was coming, yet it's taken us so far. These trends are moving fast, with or without you. Looking to the future, what will we be late for, or what will the mid-market be first to adopt new trends? That's the interesting part.

TAREK: Some chains are aggressive in their spending

on technology, because they realise they have to catch up now, because for many years they didn't move as fast as these trends did. Technology does move very fast, there are now more efficient routes that were just not available as little as eight months ago. The real question is how will the market shift from a development point of view – with the use of third party suppliers or will they move this process in house?

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HOW IMPORTANT ARE F&B OPTIONS IN THE MID-MARKET?

MARK: You need to be conscious about what you are willing to offer the consumers, to meet the standards of the local market. We had to tweak what we offer in this region, while keeping our pricing model suitable to expectations. So our food and beverage options cater to all segments for this reason. We focus a lot on the culture of the local market too, but at the end of the day, we focus our options on value – it's all about the finding the right price point.

MARLOES: WAt Cloud 7 Hotels we leverage our options on local brands, so we offer a more local experience to our guests. We really believe that food is a part of that experience to. We look at profita-



Hilton Garden Inn Dubai cluster general manager Mark Allaf.

bility and adjust accordingly – but it is a challenge to bring people to your outlets. We make this our part of our marketing model, this is what we offer, we highlight what you're getting and also what you're not getting.

TAREK: Again this is also a sign of a maturing market. Guests are now spoiled by their f&b options, but they're moving to a more affordable environment, however they expect the same level of service and amenities, but at a lower price, so the question is how can operators handle this behaviour? In the end, we now live in a world where products and services have developed and with that you are having consumer behaviours that were once at the top-end of hospitality that are now coming down to the mid-market. ☺

“ If properties in Dubai want to catch up on some of the challenges in supply and dynamics they need to get smarter – this means getting smart with technology.”

Smartotels founder and managing partner Tarek M. Daouk

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