



Economic turbulence may be having an impact, but hospitality groups with large multiple-brand portfolios such as Marriott appear to be weathering the storm

Economic downturn fails to dampen demand

Despite an economic slowdown, business remains robust at high-end hotels across China, *Michael Taylor* writes

The stock market is plunging, foreign exchange reserves are dropping, labour unrest is escalating, and bad debt is growing. Is China's economy spinning out of control?

Double digit economic growth - a hallmark of the Chinese economy for a quarter of a century - is clearly a thing of the past.

China's economy grew by 6.9 per cent in 2015, down from 7.3 per cent the year before, its slowest economic growth in 25 years. The International Monetary Fund expects growth to slow to 6.3 per cent this year and 6 per cent in 2017.

If this sounds like a dire scenario for the Chinese hospitality sector, many industry insiders remain upbeat - especially those at the higher end of the spectrum. Both domestic and inbound tourism, they point out, registered robust growth in 2015.

Though China's economic growth has slowed down slightly, it is still twice or three times better than that of western markets, says Henry Lee, chief operations officer Greater China, Marriott International.

Hotels are an asset we will use for about 50 to 100 years. If you open a hotel in the right location with the right brand, it will become a successful hotel, no matter if it is opened during a downward or an upward economic cycle.

Economic turbulence may be having an impact on the industry, but hospitality groups with large multiple-brand portfolios such as Marriott appear more than able to weather the storm.

Up-sale opportunities

Marriott International is able to offer a variety of options that meet the different service or budget needs of customers, Lee says.

Also, we have the capabilities of creating cross-sale and up-sale opportunities.

Marriott International began operations in Greater China in 1989 with the opening of the 602-room JW Marriott Hotel Hong Kong. As of January 2016, Marriott's presence was represented by



Blaise Jing, Preferred Hotels & Resorts' regional director China



Simon Dell, vice-president and area GM, North Asia, Onyx

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Henry Lee, chief operations officer Greater China, Marriott International



Henry Lee, COO Greater China Marriott International

89 hotels in Greater China, offering 32,323 rooms across six brands.

Greater China is defined as the Chinese mainland along with Hong Kong, Macau and Taiwan.

In 2015, the group opened a total of 14 new hotels in 12 cities in the region. Another 19 hotels will be added this year. As of January 2016, more than 130 new properties were under construction or planned across the country.

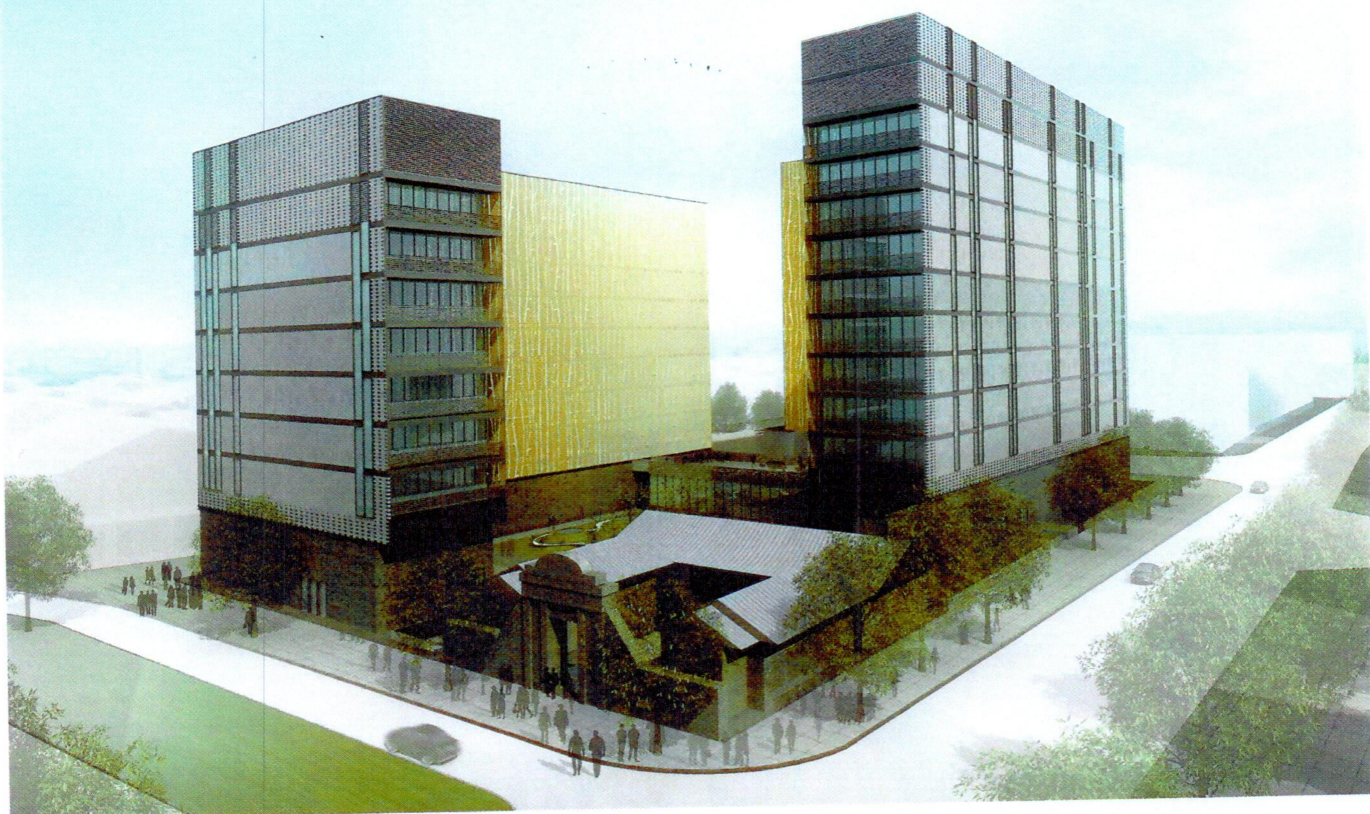
Marriott International sees tremendous opportunities in market segments and geographical locations across the board in China, Lee says.

"Our pipeline schedule sees expansion in both gateway cities as well as second and third tier cities. We aim to grow our distribution to more than 58 cities in 26 provinces, municipalities, autonomous regions and special administrative regions in China over the next few years.

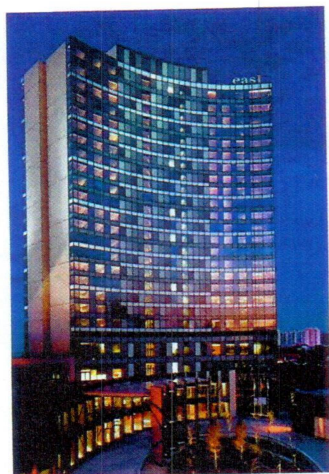
Free independent travellers

According to Blaise Jing, Preferred Hotels & Resorts' regional director for China, the current economic downturn in China seems to be affecting more the mid-range hotels than the luxury ones as most hotel guests at luxury hotels tend to be domestic free independent travellers.

"The mid-range hotels focus more on international as well as domestic corporate travellers, where annual business travel budgets tend to fluctuate according to economic trends and performance, Jing says.



Preferred Hotels & Resorts' The Temple House Chengdu also has 42 apartments



East is one of two hotels in Beijing added to the Preferred Hotels & Resorts portfolio last year



Lim Boon Kwee, president Dusit Fudun Hotels and Resorts

China is set to become the biggest hotel market... we need to be here. [It's] a market with abundant opportunities especially in resorts

Lim Boon Kwee, president Dusit Fudun Hotels and Resorts

Preferred Hotels and Resorts is working closely with all our member hotels to facilitate and manage the retention and development these corporate accounts.

Preferred Hotels & Resorts entered the China market in 2009 with two properties. Over the next eight years, the group added 24 hotels across its Legend, LXV, Lifestyle and Connect collections. China continues to be a priority for the group, which added two new hotels in Beijing last year and will open three more hotels in the near future. More hotels are in the pipeline for third-tier and resort cities.

The Thai-based Onyx Hospitality Group acquired the serviced apartment brand Shama in 2010 with an eye to expanding its footprint in Greater China and other key markets. It currently operates a portfolio of six properties in Shanghai and Hangzhou in the Yangtze River Delta.

At Onyx, we eye tier-one cities and beyond, says Simon Dell, vice-president and area GM, North Asia.

We see great potential in the serviced apartment industry in China, as urbanisation and industrialisation create opportunities for foreign investment, resulting in a higher demand for long-stay services arising from the relocation of expats or locals. We will continue to expand in the region, in both tier-one and tier-two cities.

The group currently has nine properties under development. The Shama Pazzhou Guangzhou will open later this year. Three hotels will open in 2017, with five more following in 2018.

Expanding presence

Dusit International is another Thai-based hospitality group with an eye to expanding its presence in the world's second largest

Severe labour shortage

With a population approaching 1.4 billion people, China faces an unlikely challenge: a severe labour shortage. It's not that the country doesn't have enough people. It's that not enough of its people have the skills needed to fill mid-level managerial positions. «Lack of qualified staff is the main challenge, especially in second or third tier cities,» says Henry Lee, COO Greater China, Marriott International. Blaise Jing, Preferred Hotels & Resorts' regional director for China, agrees, saying, «One of the more pressing concerns within the hospitality industry in China is the scarcity of experienced and qualified staff.» As a result, hotels frequently find it easier to employ people from overseas even though it would be preferable in the long-term to cultivate local expertise. «The challenge is, how we can develop local talents to become senior managers and leaders of our company?» asks Lim Boon Kwee, president of Dusit Fudu Hotels and Resort. «For example, if we have a senior position open in China, it's easier to find a foreigner with the proper experience [than a local].»

economy. It partnered with the China-based Changzhou Qiao Yu Holding Group in early 2013 to create Dusit Fudu Hotels and Resorts, a joint venture hotel management company.

The group currently operates hotels in three Chinese cities and has more than 20 projects in the pipeline, including four hotels and residences that will open this year. In the longer term, the group expects to have 50 properties within its portfolio with five years and 100 within 15 years.

China is the world's largest source market for international tourism, as well as one of the biggest travel destinations, says Lim Boon Kwee, president of Dusit Fudu Hotels and Resorts.

China is set to become the biggest hotel market, therefore we need to be here. China is a market with abundant opportunities especially in resorts. **AHCT**