

# ASIAN HOTEL & CATERING TIMES

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Hong Kong SAR	HK\$50
China	RMB50
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# Unlocking the market

While China and India's growing middle classes are fuelling investment both domestically and overseas there is a threat of oversupply in some markets, Michael Taylor reports



China's hospitality industry is on a roll, and demand for accommodation will continue to grow rapidly for the next few years, real estate consultancy Knight Frank predicts.

"The Greater China Hotel Report 2012 reported that China's tourism receipts grew by over 50% among domestic travellers," says Symon Bridle, chief operating office, Rosewood Hotel Group.

"We have full confidence in these numbers and expect growth trends to continue – and with them, the desire for unique hotel stay experiences across all hotel categories. We are aggressively searching for opportunities where our brands can meet the demands and opportunities present in this dynamic market."

First tier cities and leisure travel destinations are attracting the most attention from investors.

"Key gateway cities such as Beijing, Shanghai and Guangzhou always present great potential, with essential infrastructure including airports already efficiently built to cater for the needs of large and growing numbers of travellers," Bridle says.

"Apart from the cities, resort destinations are increasingly desirable for both international and domestic travellers: destinations such as Sanya, Haikou, Qingdao and Lijiang."

Members of China's rapidly growing middle class are travelling like never before. As they visit other countries, where service standards tend to be higher, they return home with heightened expectations.

"As Chinese travel more frequently and more widely, their tastes broaden, demand for quality increases and their desire for travel grows," Bridle says. "This changing mindset is probably one of the most important factors behind the sustained

expansion of the Chinese hotel industry. But as well, their expectations of hotels in their home country become higher – they demand the same quality, or even higher, to what they have experienced overseas."

Spacious guestrooms, elegant restaurants, impressive lobbies and fabulous spas are no longer enough.

"Contemporary travellers are also looking for personalised and inspirational services, those that incorporate or open the door to discovering the destination's authenticity, and a hotel that is distinctive among the competitive set," Bridle adds. "We're trying to meet these expectations in all our brands with their different target audiences."

## Hiring hassles

Acquiring and retaining qualified staff remains one of the biggest challenges facing the industry.



Anthony Ross Preferred Hotel Group – 'The trends we have seen in the last 12 months will accelerate, going forward as Chinese outbound travellers reach 200 million by 2020'



Rosewood chief operating officer Symon Bridle – 'We are aggressively searching for opportunities where our brands can meet the demands and opportunities present in this dynamic market'



beverage patrons," Bridle says.

Hotels are being built all over the country. With so many new properties coming on line, there is the danger of over-supply in some markets. Bridle believes, however, that demand will quickly catch up.

Both India and China's growing middle classes are increasingly eager to broaden their horizons by travelling – both at home and abroad.

"China and India are still in the midst of a boom in hotel supply as international standards of hospitality move to secondary and tertiary cities in both countries," says Anthony Ross, executive vice president, Asia Pacific, Middle East and Africa, Preferred Hotel Group.

"If anything, the trends we have seen in the last 12 months will accelerate, going forward, as Chinese outbound travellers reach 200 million by 2020."

Other factors fuelling both domestic and foreign travel include the increasing number of discount carriers that have taken to the skies in recent years. Travel has become more affordable for more people than ever before.

### Build and they will come

New tourist attractions such as Hong Kong Disneyland and Sentosa Bay in Singapore have also had an impact. As a result, demand for hotel rooms in Asia is growing faster than in other parts of the world, with growth especially strong in destinations within a four-hour flight of China, Ross says.

One of the biggest challenges facing the industry is sourcing the right sites, having access to a pool of willing and trainable people and employing the right concept for the market, Ross says.

"We are finding more developers willing to consider developing their own scalable, market-specific concepts and using the services of soft brands, such as the Preferred Hotel Group, for global sales, marketing and connectivity."

Branded residences, condo-hotels and serviced apartments are all growing in popularity, proving popular with employees being sent overseas on work assignments as well as with extended families increasingly travelling together.

"There is a fast growing trend of multi generational family travel, which will fuel the demand for such facilities," Ross says.

When it comes to lease-back arrangements, however, the concept has not proven as popular in Asia as in the United States and Australia, where many new projects are being financed in this way.

"Provided standards are maintained and contracts are clear and transparent, this can be a good way of financing a project," Ross says. "Preferred Hotel Group is happy to consider working with developers financing projects using this method."

Accurately identifying target markets and developing marketing and sales strategies accordingly is the key to success, Ross believes.

"This is absolutely critical and should be executed the earlier the better. When a project is conceptualised with a clear understanding of the target market and what it desires, it stands a far greater chance of success. We like to work with developers during this early stage, advising them where the best opportunities for market penetration lie and how the product can be developed to fit the market." **AHCT**

Rosewood Sanya, scheduled to open 2017, is the third Rosewood property to be announced in mainland China following Rosewood Beijing (opening summer 2014) and Rosewood Chongqing (opening 2015)

"An on-going challenge is finding the right hotel talent to fulfil and feed our growth," Bridle says. "We must continue to offer not just competitive compensation packages and benefits, but opportunities for associates to learn, grow, develop and advance. They need to see how a career with us will be on a fast track and we are well placed to offer them a bright future."

Another challenge facing hotel operators is the government's new austerity measures, which are putting a damper on the lavish banquets that were a major source of revenue for hotel operators.

"The nature of government entertaining has changed over the last year, so that is encouraging hotels to stimulate additional sections of the market to use their restaurants and facilities, while, increasingly, the quality from a variety of independent restaurants has also improved dramatically, thus increasing competition for food and