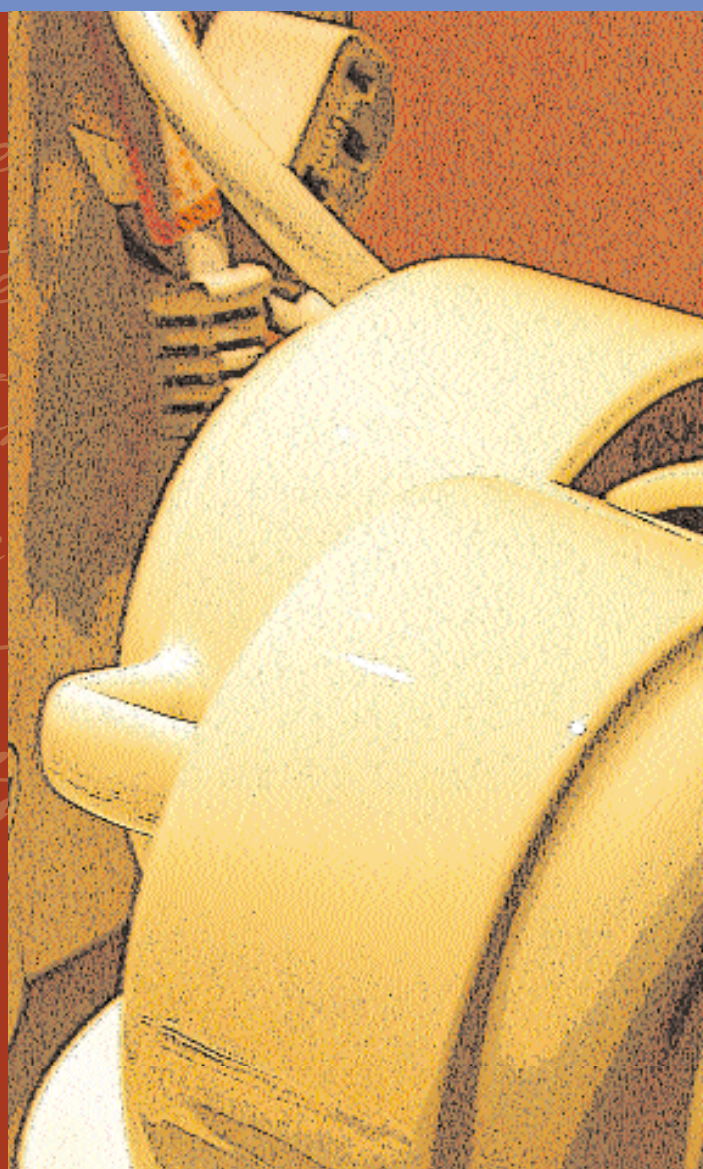


Accommodation

ACCOMMODATION

*single image inve
merchant we
serviced apartmen
single image
merchant websites
serviced apartm*



*Deb
ner
art*

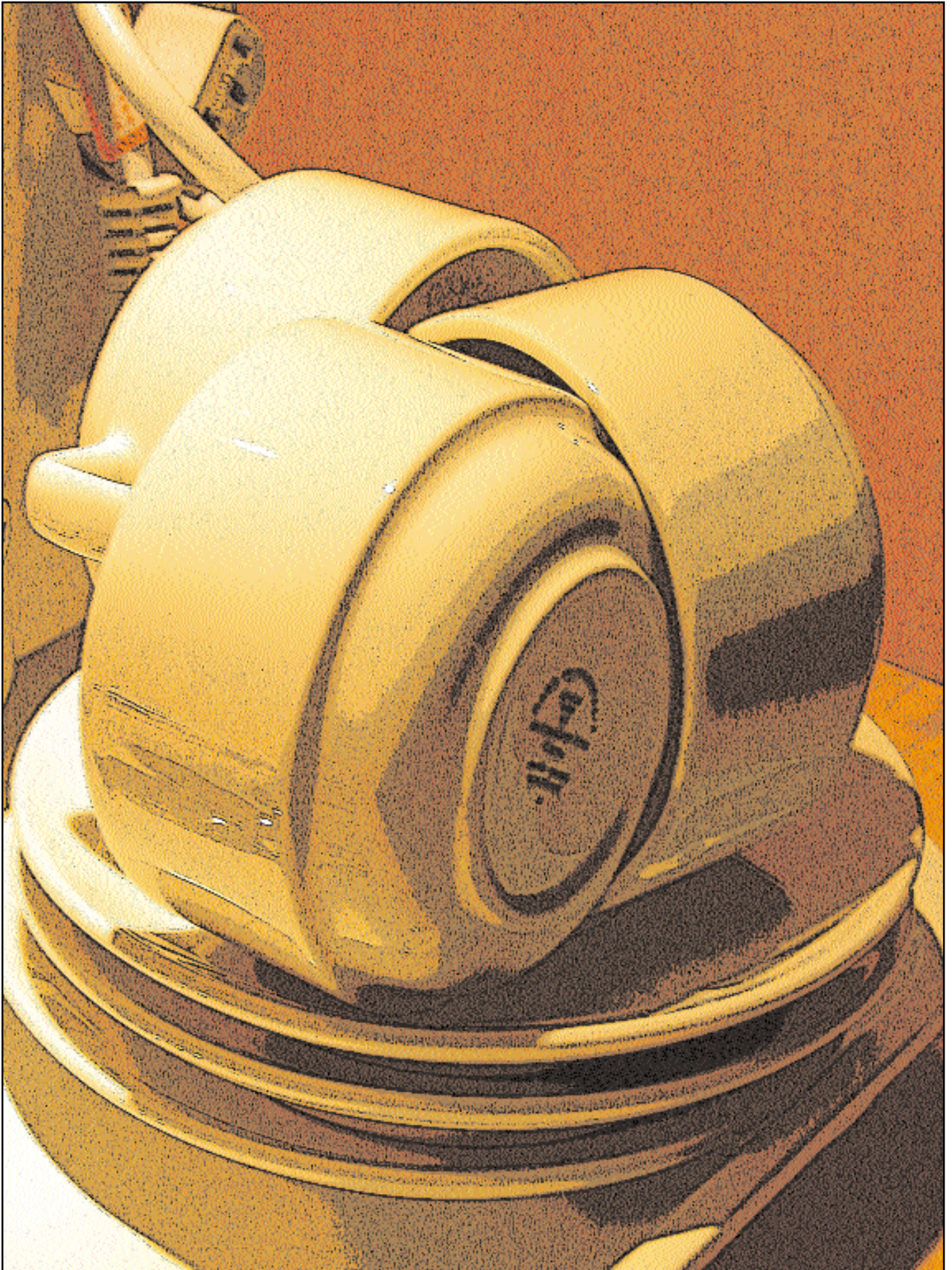


PHOTO: ALLAN LEIBOWITZ

Hotels upbeat about change

Change has been the key challenge for the accommodation sector in 2004. As **Pierre Joseph** reports, the industry is dealing not only with ever-changing market conditions, but also with distribution shifts.

AFTER THREE TURBULENT and challenging post-Olympics years in the Australian accommodation sector, the hospitality market in 2004 is at last showing some encouraging signs of real growth. Although official Australian Bureau of Statistics (ABS) figures only go as far as the first quarter of 2004, anecdotal evidence from 20 hotel groups suggests that the year to date has been a success for most of the larger players in the market. In fact, the vast majority of hotel groups surveyed reported a stronger or significantly stronger trading year in 2004 than in 2003.

ABS figures indicate a steady upward trend in RevPAR (Revenue Per Available Room) for the five key destination cities of Sydney, Melbourne, Brisbane, Perth and Adelaide since the final quarter of 2003. Encouragingly, this upward trend is forecast to continue unabated for the foreseeable future, providing some welcome relief for a beleaguered hotel industry.

The introduction this year of another low-cost carrier, Jetstar, has meant that domestic travellers now have even more opportunity to secure competitively priced airfares, and means that hotels are able to take advantage of an increasing trend for Australians to take several short domestic breaks throughout the year.

For the past few years, hotel room rates have remained relatively flat or have in fact decreased in some markets. However, 2005 will see room rates generally increasing throughout Australia.

Sydney and Brisbane have enjoyed the strongest 2004 and all the chains surveyed are predicting continued high demand for both cities. Brisbane has had a bumper year despite the fact that there were no major events in the city. Sydney also had a very strong 2004 with solid corporate demand for both accommodation and meeting space as well as high demand resulting from a record year at the Sydney Convention

Perth, which experienced somewhat soft conditions in 2003, has seen the market stabilise, even though there have been a number of new properties added in 2004. The opening of the new convention centre is expected to increase demand for accommodation in 2005 and again we will see some upward movement in room rates.

Darwin's demand continues to be driven by seasonal trends and 2004 was no exception. The winter months from May to September had extremely high occupancies this year, with some hotels reporting August occupancies of 100%. October to April, on the other hand, remains quite flat and no real change in this pattern is predicted for next year. Because of this seasonal demand, hotels in Darwin have traditionally had a tiered rate structure in line with the two differing demand periods. For 2005, we are likely to see rate increases for the winter months, but expect the rates to remain fairly stable for the remaining months of the year.



major recovery in all sectors

As Ray Stone, senior vice president sales and marketing for Accor Asia Pacific, sees it: "2004 has seen a major recovery in all sectors, and because most travellers have factored in political instability and international tension, it is unlikely that 2005 will be affected as badly as world travel was in 2003."

He believes that domestic leisure "has been the star performer thanks to the proliferation of cheap airfares", a sentiment echoed by a number of other major players in the market.

and Exhibition Centre. These strong demand trends coupled with only a limited supply of new rooms in both markets means we are likely to see rate increases of 10% or more for 2005.

Canberra also saw strong demand in 2004 and, despite its heavy reliance on the government sector, the city is predicted to have an even stronger year in 2005. Again, with no significant additions to the supply of rooms in Canberra, room rates are also set to rise in this market for next year.

The two cities which struggled most in 2003, Melbourne and Adelaide, continue to face challenging conditions, mainly due to an oversupply of hotel rooms in both cities. However, predictions are cautiously optimistic for Melbourne in 2005 and small increases in room rates are expected for next year. Demand is expected to slowly rise over the coming few years, and with the Commonwealth Games coming in 2006, the outlook for Melbourne is looking more favourable in the longer term.

stretching the accommodation dollar

On the other hand, conditions in Adelaide are predicted to remain relatively soft for the year ahead. The market is fiercely competitive and continues to be very much driven by rates. The current prediction is for only minimal increases in room rates for Adelaide hotels in 2005.

The stronger trading conditions in 2004 have also resulted in a shift in how hotels are choosing to distribute their inventory online. The meteoric rise of online distressed inventory sites as well as online wholesalers in recent years caused a change in both consumer purchasing habits as well as consumer perception of hotel rates, the deeply discounted web rates suddenly became the hotel's de facto rack rates. This has been extremely damaging to the hotels – not just in terms of lost revenue, but also resulting in the weakening of the hotel branding, cheapening of the hotel product and erosion of customer loyalty.

While trading conditions remained difficult, and rooms needed to be filled at any price, hotels were more likely to relinquish control of their rates to third-party intermediaries, despite the high cost of losing their rate integrity which inevitably resulted from such practices.

Now that the economic situation is looking more favourable, hoteliers will want to wrest back control of their sell rates and traditional yield management capabilities, hotelier utopia being single image inventory – identical rates and identical availability of those rates through all retail outlets. 2004 has heralded this movement by hotels to gain back the control which was ceded in earlier years.

Most, if not all, of the major global hotel chains are committed to achieving rate integrity and rate parity throughout all transparent distribution channels, including the GDS, their own central reservations office and web-

- 1) Know your travel patterns. Understand where your travellers stay and calculate your room nights at each property.
- 2) Rationalise. Try to concentrate your bookings at a smaller number of properties.
- 3) Understand your total accommodation spend at each property. Don't forget to factor in food and beverage, communications and other items.
- 4) Ensure that your policy reflects your choices – and ensure compliance.
- 5) Get your TMC on-side and make sure they catch use of non-preferred properties.
- 6) Meet your estimates. Your ability to negotiate in future years will be strengthened by your ability to deliver room nights to properties.
- 7) Accurate billing. Make sure your invoices reflect your negotiated rates.
- 8) Use consortia rates where you don't have sufficient volume.
- 9) Consider apartments for longer stays.
- 10) Use distressed inventory when you can't use contracted properties – but make sure they offer adequate reporting.

More beds, more bodies

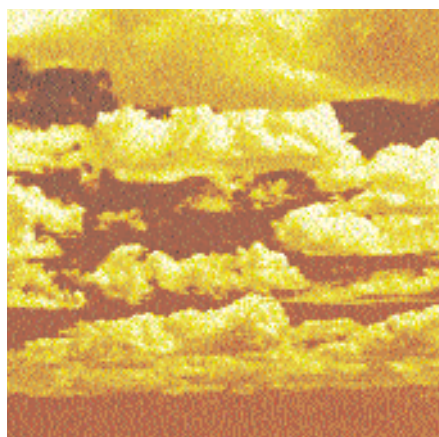
Australian accommodation statics

	Jun Qtr 2003	Mar Qtr 2004	Jun Qtr 2004
Hotels			
Guest rooms (no.)	78 089	78 474	78 796
Room nights occupied ('000)	4 109.4	4 798.4	4 506.3
Room occupancy rate (%)	57.8	67.3	62.7
Motels and guest houses			
Guest rooms (no.)	85 148	84 903	84 532
Room nights occupied ('000)	3 954.8	4 137.2	4 022.9
Room occupancy rate (%)	51.1	53.7	52.6
Serviced apartments			
Guest rooms (no.)	39 182	40 734	41 104
Room nights occupied ('000)	2 119.6	2 480.9	2 278.5
Room occupancy rate (%)	59.4	67.0	61.2

Source: Australian Bureau of Statistics

site, third-party Internet partners as well as direct hotel specific reservations offices. Hyatt, Hilton, InterContinental, Marriott, Starwood, Radisson and more recently Best Western, all offer best rate guarantees for their own websites and go as far as to offer any consumers that find lower rates advertised elsewhere on the web an additional discount of between 10% and 25% on the advertised room rate.

While hoteliers still have a need to have discounted room rates available to consumers for lower demand periods, those with a longer-term yield management strategy in place will be much more vigilant as to what distri-



bution channels and third-party intermediaries they are using and will ensure appropriate "fences" are in place to protect their overall rate integrity. What we can already see in

the marketplace is a shift towards highly discounted rates only being offered on the condition that they are booked at least seven days out, are fully pre-paid, non-changeable, non-refundable and non-transferable, much in the same way that airlines have been selling their cheapest airfares for years. With such restrictions in place, these cheaper room rates become unsuitable for most corporate travellers as they usually require more flexibility in their travel arrangements. This pricing strategy thus aims to provide a clearer demarcation between the leisure and corporate markets.

Furthermore, there seems to be a

Only SKYCITY can give you this feeling in Darwin



burgeoning trend for the major hotel chains to streamline their back of house processes and systems in support of their overall rate integrity policies and yield management technologies. InterContinental Hotels Group (IHG), the world's largest hotel company, is spearheading this movement with bold new policies introduced this year that establish a strict framework in which their affiliated hotels may sell their rates and inventory online. In essence, these policies restrict third-party online intermediaries to only those that are able to show real-time availability, that adhere to IHG marketing policies, that support IHG own 'best rate available' promise and that automate the booking, payment and settlement processes. Of particular note is the group's August statement ending its relationship with prominent online retailers Expedia and Hotels.com after being unable to secure commitment from them to work with IHG's new online distribution policies. For a major hotel chain to disassociate itself from the fourth largest travel agent in the US is surely a sign of the importance of hoteliers to maintain rate integrity even if this means the loss of a large distribution channel. It will be interesting to see which other chains will adopt similar policies in the coming year and how this will affect those online retailers that do not adapt their business practices accordingly.

In the future, it is likely that travel agents and third-party online intermediaries will need to compete for corporate travellers on other strengths rather than solely on price, such as their one-stop-shop capability, reporting abilities, ease of doing business and product expertise. A good accommodation and travel manager can ensure that large procuring organisations have appropriate and enforceable travel policies in place that are able to best take advantage of an ever changing market place.

Pierre Joseph is supply manager at The Lido Group, a specialist accommodation management and consulting company (www.lido.com.au). He has more than 10 years' experience gained in the accommodation sector, having worked in a number of operational and corporate-based roles for several international hotel groups in the United Kingdom.



Darwin's only five star resort on the beach,



with a cafe, three restaurants, five bars



and adjacent tennis courts and golf course.



Reservations: 61 8 8943 8888
Toll free: 1800 891 118
reservations@skycitydarwin.com.au



www.skycitydarwin.com.au