THE EVOLUTION OF THE PERFORMANCE INDICATORS SPECIFIC TO THE HOTEL OFFER IN EUROPE

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Abstract: *This paper presents the European hotel offer, analyzing its performance indicators for the period 2012-2013. The results of the European hotel markets vary considerably in performance from country to country and even within the same country, recording significant differences in performance. The performances of the European hotel chains are measured by indicators such as the occupancy rate, the average daily rate, the revenue per available room. The accommodation industry should adjust to the new trends, such as mobile booking, shift to direct bookings, social media marketing, which will have a strong impact on its performance.*

Key words*: hotel chain, accommodation industry, occupancy rate, income per available room, average daily rate.*

INTRODUCTION

The hotel industry, though not exclusively providing the necessary facilities and accommodation services for tourists, shows more responsiveness to their needs, evolving interdependently with the tourist activity. However, the connection between tourism and hotel industry is more complex, deep and mutual interrelated; on the one hand, the hotel industry is growing due to the increasing tourist flow, and on the other hand, tourism development itself is determined by the accommodation availability and facilities and by the quality and variety of services.

The hotel sector is particularly sensitive to all global problems since the hotel offer faces a tourism demand which has also globalized, the movement of tourist masses is not chaotic, but after some very well established routes that avoid areas with armed conflict or unstable political climate, contaminated areas, areas without tourist attractions or prone to natural disasters.

The hotel accommodation holds the largest share of total accommodation units, though it has been decreasing and changing during the layest years. Thus, the small, independent and family managed hotels are declining, while hotel chains are booming. A hotel chain can be generally defined as a set of operational units, aiming at a certain customer segment determined under the same brand and common trade logistics.

MATERIALS AND METHODS

This research consisted in gathering data on the world and European ranking of hotel groups and chains. Therefore we studied the data and information from a series of publications and documents of the World Tourism Organization, the European Commission and the European Union's statistical service, MKG Hospitality. The performances of the European hotel chains are measured by indicators such as the occupancy rate, the average daily rate, or the revenue per available room.

The indicator occupancy rate expresses the effectiveness of management and sales team in creating the hotel attractiveness. In general, it was observed that a 55-60% occupancy rate determines marginal revenue in the hotel.

The revenue per available room (RevPAR) is an indicator used to assess the results of the management policy, respectively the efficiency of selling when demand is low and the effectiveness of the promotional strategy when demand is high.

The average daily rate (ADR) is determined by the front-office managers, even if the room rates vary significantly from one category to another, from week to weekend and from season to extraseason.

RESEARCH RESULTS

The hospitality industry is an economic activity that is growing rapidly in many countries, mainly due to the exponential multiplication of business travel. The rapid growth of this industry can be attributed to other factors, such as: expanding business internationalization, growing economic prosperity, transport improvement and diversification.

The ranking of MKG Hospitality reveals some interesting changes in the top largest hotel groups in the world. On January 1st, 2013, four groups exceeded the threshold of 600,000 operational hotel rooms worldwide, due to a development strategy focused on franchising. These are: IHG, Hilton Hotels, Wyndham Hotel Group and Marriott International.

Table 1

2013 global ranking of hotel groups by number of rooms

Position 2013	Position 2012	Hotel group	Hotels 2013	Hotels 2012	Hotel change %	Rooms 2013	Rooms 2012	Room change %
1	1	IHG	4,602	4,480	2.7	675,982	658,348	2.7
2	2	Hilton Hotels	3,992	3,861	3.4	652,378	631,131	3.4
3	3	Marriott International	3,672	3,595	2.2	638,793	622,279	2.7
4	4	Wyndham Hotel Group	7,342	7,205	1.9	627,437	613,126	2.3
5	6	Choice	6,198	6,203	-0.08	497,023	502,460	-1.1
6	5	Accor	3,515	4,426	-20.5	450,199	531,714	-15.3
7	7	Starwood Hotels&Resort	1,121	1,076	4.2	328,055	315,346	4.0
8	8	Best Western	4,024	4,018	0.15	311,611	295,254	5.5
9	9	Home Inss	1,772	1,426	24.3	214,070	176,562	21.2
10	10	Carlson Rezidor Hotel Group	1,077	1,077	0.0	166,245	1,605,802	0.3

Source: Database MKG Hospitality, March 2013

Intercontinental Hotel Group (IHG) is the world's largest hotel group by number of rooms, according to the annual ranking recently published by MKG Hospitality Group. With 4,602 hotels worldwide and over 657,982 rooms, IHG kept its supremacy in 2013. The second world's largest hotel group is Hilton Hotels, with 3,992 hotels and 652,378 rooms, followed by Marriott International with 638,793 rooms.

IHG managed to place first by developing its brands, Holiday Inn and Holiday Inn Express. Hilton Group has worked over time to develop the brands such as Hampton Inn and Garden Inn into some successful franchises, and managed to get the 2nd position. Wyndham Worldwide has developed its own brands such as Days Inn and Ramada.

The English group IHG is ranked 1 in world top 10, according to MKG Hospitality Database, increasing its room number by 0.5%.

Marriott International is ranked 3 in the top of the largest hotel groups by number of rooms, through its top brands (especially Courtyard) that contributed to the development of this hotel chain.

Despite a significant increase supported by its brands, Accor group (which exceeded 500,000 rooms in 2012, but recorded a decrease in 2013), stays far away from the first position and is now on the 6th place compared with 2012, when it ranked 5th.

With a wide range of luxury brands, Starwood Hotels & Resorts ranks 7 in front of Best Western hotel group, downgraded in 8th place. Starwood Hotels continues to develop its brands Sheraton and Le Meridien; they had a promising start and made waves in Europe and Middle East. Carlson Rezidor Hotel Group benefits from Rezidor growth. This group launches more and more brands Radisson Blu and Park Inn.

Table 2

Ranking hotel chains in Europe on January 1st, 2013

Position 2013	Hotel chain	Hotels		Rooms		Evolution
		2013	2012	2013	2012	
1	Ibis (Mega Brand)	1,277	1,214	121,882	116,113	+5,769
2	Best Western	1,313	1,316	90,738	89,743	+995
3	Mercure	505	500	56,968	56,912	+56
4	Premier Inn	641	613	50,744	45,629	+5,115
5	Nh Hotels	311	314	45,391	45,453	-62
6	Holiday Inn	266	269	42,150	41,694	+456
7	Novotel	257	270	41,885	42,257	-1,372
8	Travelodge	533	494	38,551	35,189	+3,362
9	Hilton International	139	139	34,285	35,653	-904
10	Radisson Blu	132	130	29,926	29,459	+467

Source: MKG Hospitality Data Base – Februarie 2013

Ibis became the largest hotel chain in Europe by number of rooms, with 122,000 rooms in its portfolio, on January 1st 2013, according to the company MKG Hospitality. Ibis surpassed Best Western chain, which now ranks 2nd in top largest hotel chains in Europe, with 90,738 rooms. The number 3 ranking is also a brand of Accor Group, Mercure, with 56,968 rooms in Europe.

The stunning development of Ibis brands makes a major change in the rankings and brings Accor group - which was already the largest hotel group in Europe - a new record: the company that owns the best represented hotel brand in Europe, according to MKG Group. In a year with little construction of hotels, Premier Inn and Travelodge brands also recorded an offer increase, stimulated by the Olympics in London. Premier Inn added 5,000 new rooms in portfolio and reached a total of 50,744 rooms in Europe, finishing in 4th place in the ranking of the largest hotel chains in Europe. Travelodge has added about 3,300 rooms in its portfolio and climbed two positions in the rankings. Both brands continue to develop their offer, mainly in the UK.

Other brands that soared in 2013 are B&B, Holiday Inn Express, Ramada and Premiere Classe. Meanwhile, Hilton International and Novotel decreased the number of rooms, but that did not affected their ranking position.

The ranking shows that the greatest success came from Starwood Capital Groupe du Louvre, with 20%, increase in room offer, after its merger with Golden Tulip. The rooms NH Hoteles also jumped over 16% from its recent merger with Hesperia, pushing the group into the top five, on the expense of the Spanish counterpart Sol Melia.

The rapid development of the Eastern European countries seems very attractive to the international hotel chains. They begin to focus on this part of the world and intend to open at least one hotel in Moscow, Prague, Budapest, St. Petersburg and other cities of Eastern Europe.

After a long series of completely negative figures, the European hotel industry trend was reversed in most countries. They are not all at the same level of recovery, but the reverse is observed in the leading countries, such as Germany, France and the United Kingdom.

In 2012, the hotel rates fell in most large European cities, including Moscow and Zurich, which are usually the most expensive destinations ofn the continent, according to the report “Hotel Price Radar", which analyzes trends in hotel rates. Despite a decline of nearly 5% of the price, Zurich has remained the most expensive destination in Europe in terms of hotel accommodation, with an average room rate of 150 euros per night. 19 European countries recorded significantly higher average rates in April. The Czech Republic showed the largest hotel price inflation, up with 38% per night. Turkey increased its rates with 24%, while Russia with 19%.

The Swiss city Zurich is followed in top by Moscow, which remains one of the most expensive European cities, despite the decline of around 3% in hotel rates in 2012. The average room rate per night in Moscow was 146 euros in 2012.

London ranked 3 in the top of the most expensive cities in terms of hotel rates, in 2012. The increased demand during the Olympics led to a 4% room rate increase for the entire year, meaning an average of 135 euros.

The report shows that the largest increase of room rates was recorded in Helsinki, mainly due to a continuous economic growth. A hotel room in Finland's capital costed on average 118 euros in 2012, with almost 8% more than in 2011. Also in Istanbul, the increase of business tourism and the high demand for city breaks led to a growth of over 6% on hotel rates at almost 92 euros per night.

Table 3

Top destinations in Europe, according to room rate per night

Destination	Room rate per night in 2012	Room rate change 2012/2011 (%)
Amsterdam	124,64	-3,05
Athens	77,87	-6,77
Barcelona	107,03	-3,61
Berlin	85,04	3,18
Budapest	69,94	1,16
Helsinki	118,42	7,89
Istanbul	91,71	6,14
Copenhagen	122,97	1,66
Lisbona	75,83	-6,80
London	135,48	4,33
Madrid	86,27	-2,36
Milan	105,40	2,49
Moscow	145,75	-3,28
Oslo	125,78	-5,44
Paris	131,08	5,12
Prague	67,28	5,47
Rome	94,36	-5,50
Stockholm	128,27	5,29
Warsaw	79,19	0,37
Vienna	94,98	-0,27
Zurich	149,58	-4,77

Source: The report "Hotel Price Radar", www,horeca,ro

Many large European cities recorded room rate decrease in 2012: Lisbon (-6.8%), Athens (-6.7%), Rome (-5.5%), Oslo (-5.4%), Zurich (-4.7%), Barcelona (-3.6%), Moscow (-3.2%), Amsterdam (-3%) and Madrid (-2.3%).

According to the study HotelCompSet conducted by the company MKG Hospitality, the segment of economic hotels recorded the best occupancy rate (68.5%) in 2012 among the hotel chains of the European Union, while the upscale chain hotels had a lower degree of occupancy rates (65.7%) compared to the previous year.

Table 4

Performance indicators of hotel chains in the European Union, in 2012

Segment	Occupancy rate (%)	Average daily rate (euro)	RevPAR (euro)
Economy	**68.5**	60.6	41.5
Midscale	64.4	87.4	56.3
Upscale	65.7	125.4	82.4
Total	**66.0**	**96.6**	**63.8**

Source: MKG Hospitality Data Base, February 2013

Despite falling demand, the increasing average daily rate allowed the revenue per available room in the hotel chains of the European Union to remain stable in 2012 (63.8 euros).

The results of the European hotel markets are very different from country to country and even within the same country. For example, France demand declined in 2012, but the prices increased, which resulted in a good figure of RevPAR. This is supported by the upscale segment, mainly in Paris and Cannes, fueled by a strong event segment and a good balance of leisure tourism.

The markets with performances in 2012 were Germany, which recorded an increase of 5.5% of RevPAR, Austria, with a 7% increase of this indicator and Luxembourg, with an increase of about 5%. No doubt these markets had the best results, due to a strong business environment and a strong segment of events - both domestically and Europe directed - as well as more robust economic growth.

On the other hand, Switzerland, Holland and Belgium recorded a RevPAR decrease and were not able to maintain the 2011 growth, when the performance of these markets was even stronger.

The highest occupancy rate of hotels in 2013 was recorded in Paris (79.1%), Edinburgh (77.2%) and London (77.1%). Also Barcelona, Dublin, Amsterdam, Berlin and Zurich registered more than 70% occupancy rate in 2013.

Paris, Geneva and Zurich remain the most expensive destinations in terms of hotel room rates. With an average daily rate of 267 euros, Paris leads the ranking, Geneva is not far from Paris, with an ADR of 253 euros. Also Zurich, London and Moscow have rates over 150 euros. The highest increase in hotel rates was in Moscow (5.2%), where the average daily rate reached 153 euros, and in St Petersburg (+ 5.1%), where RDA came to 94 euro in 2013.

According to the report, there are seven cities expected to register declines in RevPAR in 2013: London is expected to record the largest decline (-7.9%), followed by Madrid (-5.8%), Amsterdam (-3.2%), Zurich (-1.3%), Brussels (-1.2%), Rome (-1.1%) and Geneva (-0.3%).

There were several trends in the 2013 hospitality industry, including the digital revolution, changing consumer preferences and behavior, causing a higher market share in a low growth economy.

The analyses of individual markets show that Italy has the largest number of hotels (76% of respondents) that regularly monitor what people say about their hotel online, followed by the hoteliers in the UK (70% of respondents). German hoteliers post news and information rarer than others (only 29% of respondents used to do this regularly), while half of French hoteliers surveyed spend less than half an hour per week reading and responding to online reviews, and 6% of UK hoteliers devote an entire afternoon each week to respond to these reviews.

The forms of hotel association like voluntary chains, joining international hotel groups, or establishing local groups are operating options with shy expression on the Romanian market; there are no voluntary chains, little affiliation to integrated international chains, and the modest groups of local companies are not enviable models.

In January 2014, Bucharest has 77 hotel units of 3 stars or above, totaling 9,500 rooms. The hotel market is largely dominated by the corporate segment, therefore offer is mainly composed of 4-star hotel units, 60% of the total accommodation are classified at this level. The 5-star hotel units represent 22% of the stock, while the 3 star units represent 18% of current offer in Bucharest. In 2013, the occupancy rate increased by 5.7% from 2012, reflecting a growing number of arrivals, while the revenue per room increased by 2.7% reaching 42 euros.

CONCLUSIONS

The hotel industry, and respectively the quality of the accommodation services influence both tourism evolution and efficiency. Through its attraction, the hotel accommodation service favors a better use of potential, human resources and facilities, leading to higher operational coefficients.

The hotel chains with the largest network in terms of number of countries are Accor, Best Western, Bass Hotels and Resorts, Marriott International, Hilton International, Carlson Hospitality Worldwide, Choice Hotels International, Club Mediteranee, and Hyatt International. The positions of these hotel giants changes from year to year, depending on their movements on the market.

The performance of the European hotel chains are measured by indicators such as the occupancy rate, the average daily rate, and the revenue per available room for the year 2012. The results of the European hotel markets are very different from country to country and even within the same country. For example, France demand declined in 2012, but the prices increased, which resulted in a good figure of RevPAR. This is supported by the upscale segment, mainly in Paris and Cannes, fueled by a strong event segment and a good balance of leisure tourism.

In conclusion, the European hotel offer is subject to constant change, therefore some hotel chains choose a greater segmentation by specializing in market niches adapted to tourists' needs, using smart-phones as booking instruments and encouraging hotel investments.

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