

GM LEADERS CONFERENCE

Setting the agenda

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Presented by
Queitsch, Ducry & Harb discuss social media with Kubler

General managers from across the emirate's came together at the Four Seasons Resort Dubai, Jumeirah Beach on the 1st of June, 2015 for the inaugural edition of *Hotel News ME's* GM Leaders Conference, which featured some of the Middle East's leading professionals, including experts from the tourism and hospitality sector sharing their expert observations to over 150 GMs at the half-day conference.

The event which was moderated by, broadcaster, presenter and journalist, Stephen Marney, comprised of lively panel discussions, prime networking opportunities, presentations and open Q&A sessions, concluding with two workshops, which touched upon key issues that are currently being faced in the hospitality industry such as staff retention which was presented by Piers Burton, executive director, Eagles Sparring, and the crisis of hotels keeping their F&B offerings fresh

in order to compete with the numerous stand-alone restaurants presently dominating the market which was presented by Jean Pierre Garat, chief operating officer, Royal Catering.

The conference began with opening remarks from Diarmuid O'Malley, group publishing director, BNC Publishing who emphasised that the agenda of the conference had been formulated around principal issues currently being faced by the industry; including luxury oversupply which headlined as the first panel discussion of the day. Discussing the issues of oversupply, O'Malley said, "tying in with the report that a staggering 50 million visitors came to the Middle East in 2014, essentially outstripping other regions in terms of ADR and occupancy levels."

O'Malley also went on to discuss some of the driving forces behind the conference: new growth developmental areas and key source markets, explaining, "Jeddah and Abu Dhabi have a forecasted RevPAR growth of 7.3% and 6.7% respectively with growth also anticipated in Doha at 6.5% for the remainder of this year, it is with no doubt in my mind that Dubai will continue to flourish and develop as a global leader in the hospitality sector in line with Dubai's 2020 vision for 20 million visitors annually to Dubai alone."

Following on from O'Malley's address, a brief video clip from the presenting sponsor of the conference, Rikan General Trading was played to the audience showcasing the company's ongoing dedication to providing the hospitality sector with new innovative concepts and products. A second welcome address from Simon P. Casson, regional vice president & general manager, Four Seasons resort Dubai who accentuated the importance of timing for a new hotel opening and the state of the hospitality industry, said, "entering a new market for a hotel brand is always a question of timing. We at Four Seasons know this having patiently waited 12 years to enter the Dubai hotel market and we chose the optimum moment to launch."



Bennett presenting his speech

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Khneisser, Zager, Tapken & Scully on the first panel

A year ago as we were setting our budgets for this property the outlook was buoyant and our CEO told me that he would be disappointed with anything less than an \$1,000 average rate for this hotel, a year on we are all faced with low oil, high dollar, weak rouble and strong Euro, an imperfect tsunami of challenging factors which perhaps conspire against us. A recent release from Hot Stats tells us that year-on-year average rates in the city are down by 13%, the lowest it has been in four years."

Keynote address by Marc Bennett, senior vice president, international operations, Dubai Corporation for Tourism and Commerce Marketing (DTCM) who acted as the unified voice of the hospitality industry, imparting with anecdotal advice, Bennett enthusiastically engaged the hoteliers, explaining, "we are faced with a scenario in Dubai where collectively overcoming the challenges is going to be much more useful than individually overcoming the challenges. When you look at economics in general, a disciplined marketplace always overcomes its challenges quicker, and an undisciplined marketplace destroys its own value. What we have in Dubai is an incredible infrastructure of quality, and this hasn't happened overnight but quality that is continually invested in over a sustained period of time."

Bennett dismissed the notion that Dubai is heading for a state of oversupply, despite the anticipated 35,000 rooms currently in the pipeline, "when I look at the word oversupply, it makes me think about the US treasury bond market, that's oversupply. That is a way of organisations continually raising cash and paying interest against that capital raise and that is massively over-supplied, an ultimate recipe for disaster.

When I look at the context of Dubai and I see the world's biggest airport with another one under construction, then the size of the current one in Dubai being built in Abu Dhabi to match that, plus a World Expo that will act as a landmark for Dubai, plus all of the investment being pumped into the infrastructure, attractions and developments on-top of the fact that

"IN ORDER TO ACCOMMODATE THE INFLUX OF TRAVELLERS WHO WILL ON AVERAGE STAY FOR THREE NIGHTS, WE WILL NEED APPROXIMATELY 60 MILLION ROOMS. THAT IS A HUGE AMOUNT, SO WE STILL NEED MORE THAN 70,000 ROOMS TO FACILITATE THOSE 20 MILLION VISITORS AND THERE IS STILL A LONG WAY TO GO FOR US"

- KHNEISSER

Dubai is within eight hours flying time of three quarters of the population, I scratch my head in wonderment about the oversupply conversation.

When you question oversupply, what about undersupply and the effect it can have on a market? We all know that with undersupply it inevitably ends in inflationary pricing mechanisms, which result in an unsustainable market. It is impossible to sustain price increases over a long period of time and still appeal to a global audience with the range of products that you have in a market. So finding the right balance between supply and demand is crucial."

To add a somewhat different perspective into the oversupply equation, following Bennett's speech, Guy Wilkinson, managing partner, Viability Management Consultants added an interesting twist by presenting to the audience details on all of the 35,000 rooms in the pipeline for the region. The detailed report consisted of 139 active hotel chains in the GCC showing an increase of 52% with 351 hotel chains expanding in 2014 compared to the staggering 533 in 2015.

Another statistic highlighted the number of keys in the region at present are up by 47% with anticipated numbers between 2015 and 2029 showcasing a comparative of 91,950 keys in 2014 to 135,591 keys in 2015.

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- BENNETT



The GMs network

Wilkinson's data also concluded that the UAE holds the top spot for the total number of keys in the pipeline with 55,035, 41% of the overall pipeline breakdown by country. Closely following, Saudi Arabia with 52,268 keys in the pipeline, taking 38% of the overall share, and Qatar holding 12,126 keys in the pipeline and 10% of the share.

With the certain controversy regarding oversupply and what might indeed happen should this exist in the forthcoming future, especially with the number of rooms in the pipeline, the first of the two panel sessions titled: *Oversupply Woes* was suitably positioned in the running order of events, panelists included, Carlos Khneisser, vice president of development, Middle East Hilton Worldwide, Michael Zager, regional vice president, Middle East & Africa, Wyndham Hotel Group, Thomas Tapken, vice president operations, Millennium & Copthorne Middle East & Africa and Michael Scully, managing director, First & Foremost Hotels.

Zager discussed the need for additional three and four star hotels across the region, implying that there is a huge untapped market for budget and midscale hotels, saying “all of the projects that we currently have in the pipeline, 90% are in the mid-market sector with a few new brands in the pipeline, there will be some economic pressure but that also opens up a lot of opportunities for new brands and it is also refreshing to hear that DTCM will be opening up to global markets as we need other customers coming to a global city and the luxury segment will always be here in Dubai because that is everything that it represents. But there is still a huge market for us to encourage other travellers to the region with new budget and mid-market hotels.”

Adding to the discussion of growth and the potential for new budget brands, Khneisser said, “If we look at Dubai and focus the 20 million visitors, doing some quick offset calculations, in order to accommodate the influx of travellers who will on average stay for three nights, we will need approximately 60 million rooms. That is a huge amount, so we still need more than 70,000 rooms to

BOUTIQUE BRANDS

Abdulla Bin Sulaymen, CEO, Seven Tides and Asteco discussed why now is the right time for hoteliers to be looking into new concepts such as a boutique brand alongside his top tips on making headway in the market.

"If you fail to plan then you plan to fail. Before we even considered launching DUKES Oceana, we spent years planning our business model and strategy. Always over-budget



your finances and never under-budget. Most importantly always remember we live in a changing world, especially in the Middle East, so your plans should always be flexible, always have a plan B. Secondly, get the right team in place, a hotel maybe an asset, but we know that a hotel without good staff will fail, so hiring an experienced, talented and motivated management team to lead your staff is absolutely essential and incentive schemes can improve staff performance.

Research your market and position yourself before you start any business and it is imperative that you've done your homework. Research the market, your competitive set, carry out a SWOT

analysis and look at how the market has reacted to other recent launches. When less is more - it is vital that any new business sets itself apart from its competitors. In such an aggressive industry it is extremely difficult to be truly unique. Lastly, sell, sell, sell - generating revenue is the lifeblood of any company, without it we simply cease to exist, so the sales and marketing teams are crucial departments in any successful hotel. Much has been made of tools like social media and how cost-effective it can be. We can also put our rates on platforms such as Booking.com, which are truly international."

facilitate those 20 million visitors and there is still a long way to go for us.

Dubai is an absolute paradise for developers and all companies that are doing business in Dubai, I think that there is still a gap to fill with regards to the mid-scale sector and hotel brands. Hilton have nine properties upcoming in Dubai, but most of them are mid-scale. When we look at the majority of hotels in the region, they are five-star, but I think that the country still has to distinguish borders between upper scale, five-star hotels, and upper-upper scale and define the real meaning of luxury. In saying that, there is also amazing potential for more luxury brands in the region and there are some great untouched locations that can still sustain luxury hotels and Dubai is a great platform compared to other countries that don't spend as much money in terms of their tourism strategy."

Taking a look at the positioning of luxury brands in the region and the competitive nature of the business, the panel also discussed recent 2014 figures and reports highlighting a significant drop in occupancy levels and how the hoteliers planned to target the second half of the year with the debate still in question as to whether there actually is an oversupply in the market.

"If you look at the city wide drop in occupancy and profitability, in our hotels in Dubai and in the rest of the UAE we didn't see this massive drop that is reported in the media, I was reading that profitability levels have dropped by 20%, truth be told, we would be out of business if this was the actual case. Owners bring in international operators not only to manage hotels but also to manage costs, and we make sure when there is a slight drop in occupancy or in average room rates to take action and immediately manage our costs to make sure our flow through is completely healthy and that there is always a sustainable return for owners", Khneisser added.

Commenting on the importance of consistency, Tapken said, "As an operator you need to work on both ends of the scale to work towards the bottom line. The good years of double-digit growth is over and we need to accept that, it is just down to the ways in which economics work. We realised early on that you



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- SCULLY



LAUNCH DAY

John Philipson, area vice president Oman, Six Senses Resorts, Middle East & Indian Ocean discussed with the audience his tips on how to successfully launch a new property into the market and the strains of overcoming the highs and the lows.

"There is never a perfect launch as no matter how much we plan and prepare there are too many internal and external influences that change over the years it takes to get a product launched and the key is to stay true to the basics. Rule number one: Never underestimate the power of a brand, so find an operator or brand that will help you stand out in the market, as well as one that matches your own values and beliefs. The stronger the sales and marketing spread, the easier the launch will be. Next, stand out in the crowd: It is essential to have a very clear identity of product that you know and captures the aspiration of your customers. Having

visionary USP's that others in the market don't have is always a winner. Getting the message out there: Ensure that the communication is consistent and relevant to the audience. Sales partners want different information than the social media or marketing partners and an integrated marketing communication plan is vital. People Vs Product: Hospitality is all about people, and for hotels it's the Holy Grail to get the staff right. The right management before and during an opening make sure you have a greater chance of consistency from the outset. Find talent that shares your vision and values and love to serve with heart and empathy."



MID-SCALE SUCCESS

Russel G.H Sharpe, chief operating officer, Citymax Hotels analysed the ways in which a mid-scale hotel can compete and attain success in a market dominated by luxury. .

"The key to mid-market success, is to remember that not everyone can afford five-star luxury, so we have a massive niche in the market to appeal to the rest of the world. Firstly, it is important to get the basics right, the most important thing to remember about being budget or mid-scale is to have a welcoming environment, comfortable bed, clean bathroom, good F&B outlets and an unforgettable service. Just because it is mid-market, doesn't mean it should be poor quality. Be customer centric: Identify your key target audience and exceed their expectations, don't try and be a jack-of-all-trades, you cant please everyone. Next, your location is key, proximity to tourist attractions is one of the primary factors when people

are booking a hotel. Convenience of travel and complimentary drop-offs make for good tipping points during the booking process. Stay true to the value process: Budget travellers are looking for affordable mid-market hotels. Charging anything more will alienate the cost conscious traveler, because the ones that can afford five-star luxury, wont come your way anyway. It is fundamental to ensure management efficiencies, so as a budget or mid-scale brand focus on keeping costs low, outsource but don't lose brand credibility. Next, don't get mental about the rental: Whilst location is key, be wary of high rental costs in prime areas as lack of profitability will meet you much farther down the road that you want to be."

have to be all about service quality and consistency, ensuring that the brand performs well and stands for value for money."

And with the topic of a seeming rate war embracing the region and the hospitality industry, Scully added to the debate stating, "If Dubai doesn't have the right attractions and reasons for people visiting, then we will find the softening of rates and occupancy over time and the important fact is that we know Dubai Parks and DTCM are all encouraging people to the region with government led incentives, but filling the hotels is as much a responsibility of the owners, hotels, brands and concepts as it is the responsibility of the government to bring a new market segments to all seven emirate's."

The final panel discussion of the event titled: *The Digitisation of the Hospitality Sector*, focused on how digital media has changed the industry with new tech-savvy Gen Y travellers choosing to interact with the industry through social media, online booking channels and mobile apps, plus what steps hoteliers need to take in order to keep this new breed of 'connected customers' happy, panellists included Rupprecht Queitsch, CEO, INHOCO, Fabrice Ducry, general manager The Palace Downtown, Philippe Harb, chief operating officer, One to One Hotels and Resorts and was moderated by Martin Kubler, CEO, Iconsulthotels.

Launching straight into the discussion and divulging the ways social and digital media has changed the way hotels operate, Queitsch explained, "The whole concept of social media has revolutionised not only the hospitality industry, but also the way the tourism boards and governing bodies operate, influencing how we purchase and how we make decisions. Already 50% of Gen Y travellers are part of a loyalty reward system; around 80% of them check out the hotel or restaurant online on their handset before they visit and about a quarter of them make a reservation with their mobile phones So if you tell me nothing has changed, two or three years this wasn't even technically possible."

Also commenting on the new age, tech-savvy traveller, Harb added "we think that 75% from total travel spend is going to be from the millennial traveller and so we have to ask ourselves what do that really want? I am sure that they are looking for something new, a different authentic experience."

Finding new ways to cater to the so called 'connected customer' is an optimum priority according to Ducry, who explained, "we have to get content that is relevant to them and also know how to target them. Every hotel has its own niche and the objective is to stay young, fresh, and spontaneous. But it can also be a very dangerous tool as once it is out there, there is no going back and this can notoriously damage the reputation of not only a hotel, but also a GM."

Allies:



GM LEADERS CONFERENCE PHOTO ALBUM

A quick snapshot of
the day in action

