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Meeting report

Hotel Marketing Association Question Time 2002

Café Royal by Le Meridien 13 May 2002

David McCaskey reports on this annual Hotel Marketing Association (HMA) event where top industry executives front a question-time panel. The HMA is the official industry group of the Chartered Institute of Marketing and its members comprise sales and marketing specialists and operators from both independent and chain hotels. 'Question Time' is an annual event and part of HMA's commitment to promote good marketing practice.

As always, the HMA's Question Time is an exciting and well-attended opportunity to hear the views of four of the leading names in UK hotel industry on how they see the challenges facing the industry today. This year's meeting lived up to expectations, attended by over 60 HMA members and their guests in the delightful surroundings of the Celestine Room at the Café Royal by Le Meridien it offered live-debate as well as ample time to mix and network with colleagues.

HMA members are asked some months in advance to submit questions for selection, but the panel has no advance knowledge of what is to be asked. This year's questions are shown overleaf.

The panel is pictured (right) ready and willing to address the issues as they unfold.

London, the LTB and September 11 fallout

The first question to be asked came from your reporter, on the significance of London and the effectiveness of the London Tourist Board in addressing September 11 fallout.

Each panellist had very different London exposure. For Peter Taylor, all of his Hanover properties were outside London (e.g. Bromley, Bristol, Oxford,

Warrington) but for him London had much importance as it tended to feed his regionally based chain. For Travel Inn, only 5% of their current room stock was in London, in contrast Tony Troy's Le Meridien has significant presence with such London landmarks as the Grosvenor House, the Cumberland



From left, Peter Taylor, MD, Hanover International plc; Carl Leaver, MD, Whitbread Travel Inn; Tony Troy, Regional MD UK & Ireland Le Meridien; Michael Russell, Chief Executive of Chelsea Village plc

and the Waldorf to mention a few, while all Michael Russell's 291 rooms were in London at Chelsea's Stamford Bridge.

Following much discussion, the following emerged. For the first time, the industry had fully joined together to address what was a major threat from September 11 combined with the foot-and-mouth-disease outbreak. In doing so, the size and the importance of the industry to the UK economy and employment became fully apparent for the first time.

The UK total tourism turnover for 2001 was £75bn (BTA 2002); it employs over 9% of the population (rising). This compares with agriculture which currently employs just over half a million people (falling) and which in 2000 contributed £6.6bn to the total economy. Indeed, the total capital employed in farming for 2000 was only £109bn according to DEFRA.

For too long the industry had punched below its weight in the economy, in particular by comparison to farming which had a disproportionately large parliamentary lobby influence. It was important that this new-found industry leverage and co-operation, forged in conflict, should be maintained and employed. The drawing together of all agencies concerned must be sustained and may be evidenced in the new public-private partnership which is being established to continue overseas marketing on an annual basis.

The outcome of these initiatives may be found in the latest figures (June 2002) from the British National Statistics office. These show that earnings from overseas visitors fell by 17% to £10.5bn for the year. Visitor numbers to the UK also fell by 8% from 24.8m to 22.7m. Figures for the first quarter of 2002 show signs of some recovery.

Expenditure and numbers are both up significantly since the start of the year, with the Queen's Golden Jubilee expected to provide an extra boost for June. The government recently launched a £50m global advertising campaign to promote the UK to foreign visitors; it is aiming to generate an extra £500m of revenue

by the end of the year.

Are you amongst the optimists who believe that, following this downturn from the normal trend, there is always much deferred demand which creates an upsurge which counterbalances any losses from trend? Certainly historic analysis would tend to support this viewpoint.

There can be no doubt that the superb efforts of all concerned helped to staunch this rapid retreat of foreign tourists.

Future of the three-star market

Erica Price's controversial question on the future of UK three-star hotels caused much debate. The panel warned that the three-star hotel market in the UK is becoming increasingly squeezed out and that the sector needs to be different if it is to survive. With over 50% of the hotel market in the UK still composed of three-star properties, this has serious implications.

In Peter Taylor's view

Three-star hotels are in a very difficult situation in the UK. The product is often tired and boring and guests don't want to eat in the restaurant. What is more the market is competing increasingly with the budget sector, which offers good rooms and a good product.

In times of recession, four-star hotels trade down and start to squeeze three-star hotels from the other direction, so the future does not look bright for this sector of the industry.

Carl Leaver felt that

The three star market needs to be much better differentiated—we do not need a product that is simply a little less than a four star hotel.

He added that companies which had come up with something new—a good example was Village Hotels—were more likely to be successful.

The audience also heard that despite the gloomy forecast, over 50% of the hotel market in the UK still consist-

This year's questions

Does the panel believe that the high activity in acquisitions, mergers and demergers in the hospitality industry leads to greater consumer and employee confidence?

Nina Johnson-Bennett, Managing Director, MSE, London

How important do you consider branding and what is your branding strategy?

Liz Wakefield, Marketing Director, Hey Moscow, Wembley

How significant is London to your business and how effective have LTB been in addressing Sept 11 fallout?

David McCaskey, Colchester Institute

Given the increase in the number of budget hotels and price competition in the upscale market, where does the future lie for the three-star market?

Erika Price, Whitbread Hotel (Marriott)

Prone to cyclical performance, vulnerable to economic downturn and terrorist attacks—what is the case for investing in the hotel sector?

Douglas Grant, Douglas Grant Associates, Teddington

With the increased usage of low cost airlines and internet hotel sites, especially by the corporate market, does the panel feel that the basis of hotel marketing—i.e. the different offers and channels to corporate and leisure markets, will change in the future?

Sue Etherington, Red Carnation Hotels, London

What are the key issues associated with the internet as a channel to manage brands and generate revenue?

Andrew Clark, Asp Solutions Ltd, Reigate

Pamela Carvell, Chair of HMA along with Paul Dukes (on her immediate left) the urbane Chairman of TRI Hospitality Consulting Ltd who chaired the discussion, with the panel members (from left to right) Peter Taylor, Tony Troy, Michael Russell, (Pamela and Paul) and Carl Leaver.



ed of three star properties.

Was Paul Dermody, CEO of the De Vere Group present to hear Carl Leaver's comment? Or was it entirely coincidental that, a few days later (as recorded in HVS International's weekly newsletter 17 May) Dermody announced group plans to spend between £25m and £30m on growing their 13-strong Village chain. One Village hotel will be opening in Newcastle this summer, and sites for two others, in Maidstone and Nottingham, have been secured. Negotiations are currently in hand for three other sites. Most definitely an endorsement for the three-star hotel, at least in this format.

Branding and branding strategy

Here is a flavour of the responses to Liz Wakefield's question on the importance of, and the strategy for, branding.

Carl Leaver considered that, for Travel Inn, its brand and the maintenance of its reputation was their most important asset. They had drawn on the US experience of Christopher Hart at Hampton Inns and had launched their 100% guarantee of a good night some eighteen months ago. This had served to successfully differentiate Travel Inns from the rest of the budget market. The occupancies and repeat occupancies they were achieving, all at full rack rate, entirely endorse this policy. Refunds, currently running at about 0.4% of rooms sold, were proving to be an entirely worthwhile marketing spend.

Both Peter Taylor and Tony Troy confirmed that branding was of much significance to Hanover and to Le Meridien services and formed major underpinning

to their future strategies. Michael Russell confided that Chelsea Village had employed a consultancy to determine whether they should operate under the umbrella of a well-known management contract brand or independently. The advice, which they took, was that Chelsea Village was distinctive enough in its own right to be successful.

The case for investing in hotels

Prone to cyclical performance, vulnerable to economic downturn and terrorist attacks—what is the case for investing in the hotel sector?

Douglas Grant's question was answered very positively. Tony Troy drew attention to Nomura's pre-analysis and subsequent purchase of Le Meridien group for £1.85bn from the Compass/Forte grouping as a sign of major confidence in the future of hotels. Carl Leaver stated that he would confidently invest in Travel Inns; they were currently returning a return on capital employed (ROCE) of 12.5%, well ahead of the market.

The chair, Paul Dukes, suggested that ownership and operational responsibility were becoming increasingly detached. City confidence in the industry could be substantiated through reference to the many sale and leaseback deals that had become a feature of the industry. He cited Hilton's £312m deal with the Royal Bank of Scotland covering eleven hotels. It is widely held that Hilton is currently considering a further leaseback deal (with different partners) where a value in excess of £350m is mooted.

There was some mention of the industry's proneness to a cyclical performance, however. The mainstream

brands seem to be increasingly inoculated against this historic pattern. Support for this viewpoint may be found in the opening address by Paul Clarke, Director of Leisure and Hotels at Barclays, when he spoke to the JHIC Conference 'Leisure in the New Millennium' in July 2000.

There was one point which struck me, in the Henley Centre Report, as particularly significant with regard to the industry's financial health.

The leisure industry has previously been closely linked—perhaps too closely—to the economic cycle. Leisure businesses boomed with the rest of the economy but suffered severely at the first signs of downturn. The report provides a lot of evidence that this is no longer the case. Consumers are spending more than ever on leisure and are prepared to cut back expenditure elsewhere to maintain that spend.

The evening ended with the traditional, and well deserved, thank you to the panel and its chair. The HMA's next event will be its Annual Debate on the 25 June at the Park Lane Hilton, London (18.30–21.00). The motion to be addressed is

This house believes that the UK Hotel Industry has not capitalised upon the opportunity to drive incremental domestic business in light of the ongoing decrease in international travel.

Some points for consideration:

- Has the travel industry focused too much on inbound markets in the past?
- Have we, as marketers, failed to promote the UK as an attractive option to the domestic market?

This debate will be chaired by Roddy Watt, CEO Berkley Scott Group plc. For the motion are Derek Taylor, Consultant and Jeremy Aspinall, Group Director, Senior King Communications Group. Against are Frank Croston, President—UK and Ireland, Six Continents Hotels and Peter Cashman, Chief Operating Officer, Choice Hotels

Europe. This promises to be a robust and lively evening.

The Hotel Marketing Association

As this is the first time that the proceedings of this industry organisation have been reported in *The Hospitality Review*, readers may be interested in its background. The Hotel Marketing Association, formerly the Hotel Industry Marketing Group, has been operating for over 31 years and is the official branch for the hotel industry of the Chartered Institute of Marketing.

One of the key objectives of the HMA is to promote good marketing practice in the hotel industry. Its coveted Hotel Marketing Awards, now in their ninth year, are given every year to individual hotels or chains that are judged to have provided the best examples of marketing in a number of fields including leisure breaks, brochure work, use of technology, conferences, advertising and public relations. The awards are presented in a ceremony at London's Savoy Hotel every December.

In addition, the HMA holds a series of workshops and meetings throughout the year attended by major figures in the industry. It also carries out its own research studies on a regular basis. The HMA is supported by 13 major hotel groups, in addition to a number of small, independent operators and has two major sponsors, American Express and BT.

The current chair of the HMA is Pamela Carvell, a well-known industry figure who worked for Holiday Inns before setting up her own successful marketing and training company.

David McCaskey is a lecturer in the Centre for Management Studies at Colchester Institute and an HMA member. He would like to thank Pamela Carvell and Linda Moore for their assistance in preparing this report.

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