

# HOTEL yearbook 2012

Scenarios for the year ahead

Choice CEO Stephen Joyce :  
Ideas, insights – and wishes – for 2012

Is your hotel ready for the Chinese?

The 2012 outlook for key hotel markets :  
30 exclusive country reports from Horwath HTL

Next year's IT challenges :  
What will they be? How much will they cost?

Legal issues facing us in Europe, China and the USA

# This excerpt from the Hotel Yearbook 2012 is brought to you by :



## **ECOLE HÔTELIÈRE DE LAUSANNE**

The Ecole hôtelière de Lausanne (EHL) is the co-publisher of The Hotel Yearbook. As the oldest Hotel School in the world, EHL provides university education to students with talent and ambition, who are aiming for careers at the forefront of the international hospitality industry. Dedicated to preparing tomorrow's executives to the highest possible level, EHL regularly adapts the contents of its three academic programs to reflect the latest technologies and trends in the marketplace. Since its founding in 1893, the Ecole hôtelière de Lausanne has developed more than 25'000 executives for the hospitality industry, providing it today with an invaluable network of contacts for all the members of the EHL community. Some 1'800 students from over 90 different countries are currently enjoying the unique and enriching environment of the Ecole hôtelière de Lausanne.



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Horwath Hotel, Tourism and Leisure consulting are the world's number one hospitality consulting organisation, operating since 1915. Horwath HTL are the industry choice; a global network offering complete solutions in markets both local and international. Through involvement in thousands of projects over many years, Horwath HTL have amassed extensive, in-depth knowledge and understanding of the needs of hotel & real estate companies and financial institutions.

Horwath HTL are the world's largest consulting organisation specialised in the hospitality industry, with 50 offices in 39 countries. They are recognised as the pre-eminent specialist in Hotels, Tourism and Leisure, providing solutions through a combination of international experience and expert local knowledge.



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## **CORNELL UNIVERSITY SCHOOL OF HOTEL ADMINISTRATION**

Founded in 1922, Cornell University's School of Hotel Administration was the first collegiate program in hospitality management. Today it is regarded as one of the world's leaders in its field. The school's highly talented and motivated students learn from 60 full-time faculty members – all experts in their chosen disciplines, and all dedicated to teaching, research and service. Learning takes place in state-of-the-art classrooms, in the on-campus Statler hotel, and in varied industry settings around the world. The result: a supremely accomplished alumni group-corporate executives and entrepreneurs who advance the industry and share their wisdom and experience with our students and faculty.

# My 2012 wish list: the 5 most important things I hope to see next year in the US hotel industry

FOR FIVE YEARS, THE HOTEL YEARBOOK HAS BEEN ASKING INDUSTRY LEADERS HOW THEY EXPECT THE HOTEL BUSINESS WILL DEVELOP IN THE YEAR JUST AHEAD. WE DECIDED TO KICK OFF THE 2012 EDITION BY ASKING **STEPHEN JOYCE**, CEO OF **CHOICE HOTELS INTERNATIONAL** AND ONE OF THE MOST RESPECTED OPINION LEADERS IN THE US HOTEL INDUSTRY, A SLIGHTLY DIFFERENT QUESTION: WHAT WOULD YOU *LIKE* TO SEE HAPPEN IN 2012? HIS THOUGHTFUL ANSWERS REFLECT HIS 360° PERSPECTIVE.

2011 was a year of strong fundamental operating performance for hotel owners and operators. We saw demand and rate increases across all industry segments. If you owned an asset, life generally was much improved – with more travelers in hotels and limited supply growth. However, as I look to 2012, there are five areas where changes would do us all a lot of good.

## STREAMLINED DISTRIBUTION ENVIRONMENT

Firstly, in the ever-evolving distribution landscape, I hope that our franchised hotel owners continue to get the most efficient, lowest-cost reservations through our proprietary central channels. For the entire industry, it is my goal that we see a distribution environment that adequately rewards risk and reward. Such an environment is one where the owners of the physical asset demonstrate the necessary control over their channels in a way that rewards them for the risks and costs they bear every day in owning a property.

I strongly believe that hotel owners should not have their financial returns diluted by third-party entities that have no economic stake in an asset. For years, some third parties have attempted to disintermediate hotel owners – getting between them and their guests – and capture a significant amount of a property's profitability.

The ability to generate incremental reservations for a hotel is perhaps the key reason hoteliers look to affiliate with a brand. Generally speaking, hotel companies create the lowest cost distribution environment for their franchisees through their proprietary channels.

At Choice Hotels, we've focused extensive energies on driving consumers to our central channels – most notably our Website – by educating them that they will get the best possible rate booking directly with us. We've launched an integrated marketing campaign making travelers aware of that fact. The campaign has driven strong results for us – and our franchised hotels – in 2011.

## IMPROVED ECONOMY

I also want to see a stronger US economy with less unemployment in 2012. We've got to ask the United States

Congress to work together in a bipartisan fashion to tackle the rising deficit and to come to some agreement on restructuring programs such as Medicare and Social Security, as well as removing uncertainty around taxes, labor, health care costs, and lending standards. If we find a way to reduce the crushing deficits we are facing at both the federal and state levels, and bring more certainty for the work environment, we will see an improved climate for business and thus more job creation. This will help increase hotel demand, as people who have jobs take vacations or travel for business.

We also need to foster a political climate that favors small businesses because that is where we will see the job growth. Democrats and Republicans must recognize the importance of the small business owner.

## BEING HEARD IN WASHINGTON

That's where working in collaboration with associations in Washington, DC, our industry needs to make its voice heard. On the labor front, it is critical that organization of labor is by choice and not forced upon hotel employees by the Obama administration or the National Labor Relations Board. With the passage of the massive health care legislation in 2010, it is important that the law is enacted in a way that is affordable for small businesses and provides needed access to health care for employees. It is imperative that the federal government and banks work together to thaw what are essentially frozen credit markets. Providing hoteliers access to capital will ensure that our industry will continue to prosper – both in the development of new hotels and the re-investment in existing assets.

At Choice Hotels, we've educated our franchisees and have actively involved them in dialogue with government on issues that impact their profitability. To make their voices heard, we've made available to them a software solution through which they can easily contact their elected representatives on Capitol Hill.

As I noted, you need advocates «inside the Beltway» to drive change. The International Franchise Association (IFA) has led the charge on access to capital. Both IFA and the American

Hotel & Lodging Association (AH&LA) are working diligently on the industry's behalf on the labor and health care fronts. These organizations are sharing the perspectives of our company and our domestic franchised hotels on these important matters – as they advocate every day on behalf of the entire industry.

#### MORE OVERSEAS VISITORS

Another change I'd like to see in 2012 is an improved visa process that makes it easier for foreign travelers to visit the United States. Even as world travel grew by more than 60 million travelers between 2000 and 2010, the US share of the global travel market declined by nearly a third, and actual visitors remained essentially flat.

During this «lost decade», our economy squandered an opportunity to gain \$606 billion in total spending from 78 million additional visitors – enough to support 467,000 more jobs annually, according to US Travel, for which I serve as national chairman.

Inbound international travel supports nearly 2 million American jobs and is one of our nation's biggest exports. On average, inbound travelers spend \$4,000 per visit. However, America continues to lose out on the valuable global traveler due in large part to our long, uncertain and costly visa process.

In countries such as Brazil, India and China, there are too few consular officers to conduct the required in-person interviews to enable these travelers to obtain visas. Fortunately, the United States Congress is paying attention to what should be low-hanging fruit for our economy. Momentum is on our side. And politicians on both sides of the aisle agree that promoting tourism will be a shot in the arm for our economy. There is legislation in both houses of Congress that contains provisions that would effectively remove the barriers to travel for key inbound markets.

#### GREATER DIVERSITY

In 2012, the final change I'd like to see is the continued elevation of the level of understanding of the business drivers for diversity and inclusion within our industry. Hoteliers have increasingly



Stephen Joyce

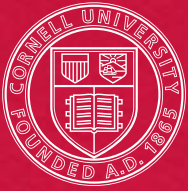
recognized that as the population of the United States continues to become more multicultural, their workforces – at all levels – must reflect the customers they serve.

Lodging companies are aware that to serve various ethnic and cultural constituencies, increased knowledge and awareness of diversity must be inherent in a company's marketing, sales and operating strategies. I hope to see all hotel companies with increasingly diverse workforces – across the enterprise – capable of recognizing the evolving needs of today's travelers.

It will be great to build on the momentum from 2011, which saw some very important milestones in the diversity arena. The American Hotel and Lodging Association's (AH&LA) Multicultural & Diversity Advisory Committee (MDAC) commissioned a study quantifying the travel and spending power of the top five multicultural segments. This was followed up by a video about diversity in the lodging industry, produced by AH&LA in conjunction with Choice, Hilton, Best Western, Wyndham, IHG, Hyatt, Marriott, and Starwood. The video, «Diversity is Everyone's Business», informs and educates the industry about the business case for diversity. It's available at <http://www.ahla.com/diversity/>

Based on the findings from the comprehensive study, AH&LA anticipates launching training in 2012 that will provide guidance and insight into meeting the needs of diverse travelers.

I'm hoping all of these things occur in 2012 – they'd benefit our entire industry and the millions of Americans whose livelihoods depend on the health of hospitality. ■



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