

Hotel Report

Edition June 2015

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 Fairmas

In Focus It pays to be different



Index

Dear readers,	3
May 2015 in comparison to the previous year	4
Fairmas Trendbarometer	8
In focus	16
Disclaimer	24



Dear readers,

Four-star hotels are popular with both travellers and investors because they represent a high standard of accommodation. However, the competitive pressures are great. Since the last financial crisis at the latest, international brand hotels of a slightly lower category, as well as the rapidly expanding budget design hotels have been subjecting four-star hotels to considerable pressure. One option for surviving in the hard-fought hotel market is clear positioning, because distinctiveness brings clear benefits, which is also backed up by the figures. Together with the AHGZ, a newspaper for the German hospitality industry, we reveal the influence that positioning may have on performance and show whether it is worth standing out from the large pool of competitors that are practically (and arbitrarily) interchangeable.

The merry month of May? As always, we have highlighted how performance has developed over the last month and venture a glance at the coming summer.

We wish you enjoyable reading.

The Fairmas Hotel Report team

(Gabriele Kiessling & Nadine Kilian)

May 2015 in comparison to the previous year¹

A brief overview of hotel performances at selected German destinations:

¹ All the figures (daily collected) quoted are comparisons with those for the previous year, rounded to full amounts
Source: Fairmas GmbH/STR Global, Data as of 04.06.2015

Berlin

Occ: 81 %, ADR: 97 €, RevPar: 79 €

May was unfortunately not as good as April had been. Last year, the ILA air show was held in May. However, as the ILA is only held every two years, the healthy occupancy figures and room rates it generates were missing this time. In addition, the holidays and long weekend around the first of May, Ascension and Whitsun all fell within May this year, so making the month difficult for business guests. At least Whitsun was in June last year. Thus, there was significantly less high-quality group and corporate business this year. But of course, Berlin is also very popular with tourists. That led to a correspondingly high amount of leisure business, but at significantly lower room rates. There was a 2% decline in occupancy and an increase 0.2% in ADR. RevPar fell sharply, by 2%.

Dresden

Occ: 77 %, ADR: 81 €, RevPar: 62 €

Business in Dresden is only picking up slowly this year. However, the hoped-for improvement in May actually did arrive. The likelihood of warmer weather and sunshine boosted the number of tourists in the city. The long weekends around the first of May, as well as Ascension Day and Whitsun (both in May this year) all led to the hope of improved performance figures. In addition to this, the G7 Summit of Finance Ministers was held in the city (27 to 30 May 2015), which resulted in lucrative short-term pickup. On May 10, AC/DC held one of their fully sold-out concerts in the city, the corresponding weekend was marked by extremely strong occupancy and led to major sales growth on an otherwise rather weak Sunday night. Overall, the city's hotels recorded an occupancy increase of 1% in May. However, ADR grew by 3%, leading to a 4% increase in RevPar.

Dusseldorf

Occ: 65%, ADR: 89 €, RevPar: 58 €

May was not a merry month in Dusseldorf. Occupancy declined by 13% on a year-on-year basis. ADR actually fell by a dramatic 38%. There were many public holidays this May, including Whitsun (Pentecost), which fell in June last year. This meant that there was much less corporate and MICE business this year than in 2014. In addition, the “Interpack” trade fair was held in May 2014. It is only due to take place again in 2017 (it is held every three years). Thus, a lot of high-priced business vanished this year, which meant that the Dusseldorf hotel industry suffered a 46% drop in RevPar.

Frankfurt

Occ: 67%, ADR: 106 €, RevPar: 72 €

The Frankfurt hotel industry had little reason to rejoice in May, either. Like everywhere else, there was one more public holiday than in the same month last year. That had a negative impact on corporate business, even in Frankfurt. Occupancy fell by 5%. However, the Techtextil/Techprocess trade show took place again this year (4 to 7 May 2015). It had last been held in 2013. Even though this is not an A-list trade fair, it was still able to boost room rates. Overall, there was a 5% increase in room rates. However, RevPar still remained 1% below last year’s level. Like everywhere else, there was one more public holiday than during the same month last year. That also had a negative effect on

corporate business in Frankfurt. Occupancy fell by 5%, negatively impacted by the third public holiday of the year.

Hamburg

Occ: 83%, ADR: 119 €, RevPar: 99 €

May did not generate growth in Hamburg. Occupancy fell by nearly 3%, room rates did increase by 2% compared to last year. This year’s Hafengeburtstag (Harbour Birthday) again generated high demand and rooms could be sold at higher rates than last year. Furthermore, this year May 1 fell on a Friday, so that many travellers had to take an additional day’s holiday to have a long weekend. Unfortunately, figures for Whitsun and Ascension were down on last year’s. This year’s Congress of Radiology from 13 to 16 May (last time it was held in Hamburg) generated strong room rates, but there was less corporate business than last year due to the public holidays. RevPar fell by 1%, although there was much high-priced leisure sector business.

Cologne/Bonn

Occ: 74%, ADR: 104 €, RevPar: 77 €

Hoteliers in Cologne and Bonn are uncertain about the forecasts for May. After two years’ absence, the “Interzum” (furniture industry trade fair) was held again from 5 to 8 May. This generated strong occupancy levels and good rates. Hotels also enjoyed short-term bookings for the last weekend

in May, when the LANXESS arena again held the “Champions League Final4” team handball event. Unfortunately, the holidays and long weekends did not bring the expected leisure sector business to the city. Only May 1 was significantly better for the hotels than last year. The FESPA trade show (18 to 22 May 2015), which is held at rotating venues, was supposed to generate a great potential, but it unfortunately fell short of expectations. So far, it has not been possible to meet the expected occupancy levels when room rates are high. Overall, occupancy fell by nearly 3% on a year-on-year basis, though room rates did increase by a healthy 8% compared to last year. RevPar rose by 5%.

Munich

Occ: 80 %, ADR: 126 €, 101 €

The Munich hoteliers predicted that May would not be a strong month, and they were right. This year the IFAT, which takes place every two years (and which was very strong in 2014), was not held. The “transport logistic” trade show (5 to 8 May) was unable to compensate for the lack of visitors paying high room rates. The number of public holidays and the fact that the Whitsun school holidays were held in May also put pressure on room rates. Inquiries were focused on just a few short periods. A great deal of short-term top-up business, especially from the individual and group segments, as well as from wholesale business, exerted downward

pressure on room rates. Occupancy dropped by 3%, room rates also fell by as much as 3% from the previous year, while RevPar was nearly 6% down.

Overview of all destinations

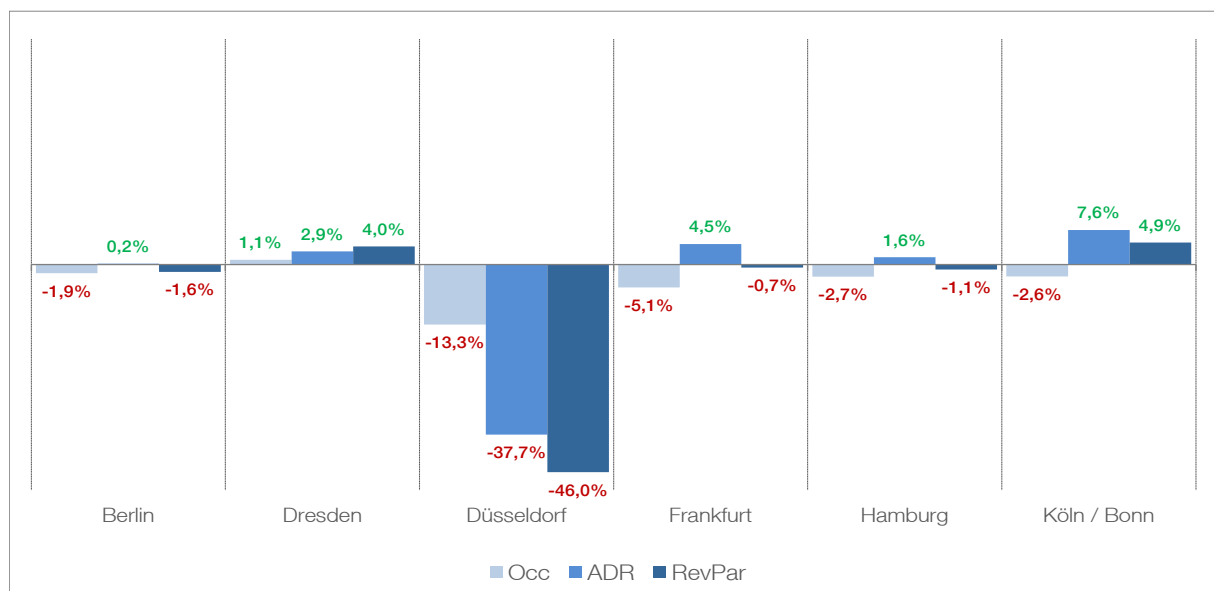
Hotel Performance May 2015/2014*

	Occupancy in %				Average Daily Rate in Euro				RevPar in Euro			
	2015	2014	Var.	Var. %	2015	2014	Var.	Var. %	2015	2014	Var.	Var. %
Berlin	81,0%	82,6%	-1,6	-1,9%	97,1	96,9	0,2	0,2%	78,7	80,0	-1,3	-1,6%
Cologne / Bonn	74,2%	76,2%	-2,0	-2,6%	104,3	96,9	7,4	7,6%	77,4	73,8	3,6	4,9%
Dresden	76,7%	75,9%	0,8	1,1%	80,8	78,5	2,3	2,9%	62,0	59,6	2,4	4,0%
Dusseldorf	65,1%	75,1%	-10,0	-13,3%	88,7	142,4	-53,7	-37,7%	57,7	106,9	-49,2	-46,0%
Frankfurt	67,4%	71,0%	-3,6	-5,1%	106,2	101,6	4,6	4,5%	71,6	72,1	-0,5	-0,7%
Hamburg	83,2%	85,5%	-2,3	-2,7%	119,4	117,5	1,9	1,6%	99,4	100,5	-1,1	-1,1%
Munich	80,3%	82,8%	-2,5	-3,0%	125,5	129,9	-4,4	-3,4%	100,8	107,5	-6,7	-6,2%

*Source: Fairmas GmbH / STR Global, based on data from participants with daily data entry, Data as of 31.05.2015

Legend

OCC	Occupancy
ADR	Average Daily Rate (net rooms revenue)
RevPar	Revenue per available Room (net logistics revenue per available room)



Fairmas Trendbarometer

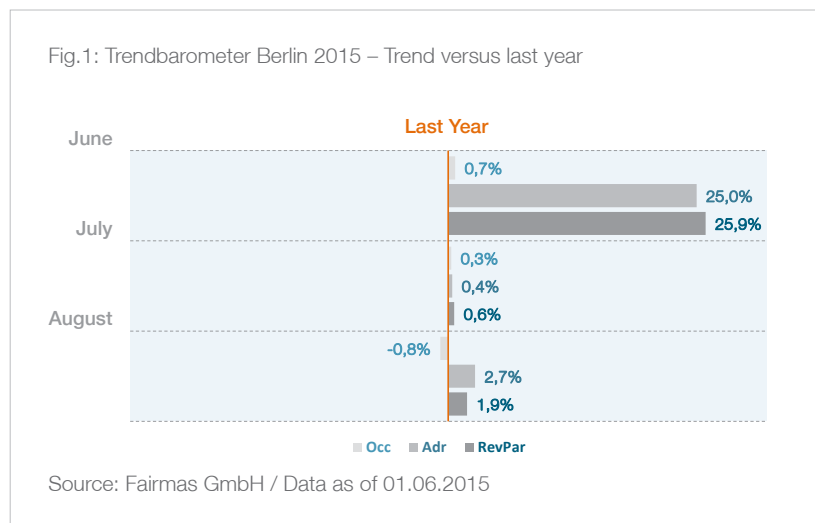
A peek into the future – in detail:

Berlin

The forecasts for June are good. A 1% increase in occupancy is expected. However, there will also be a very high (25%) year-on-year upsurge in room rates (RevPar: +26%).

On June 6, the Champions League final, already a complete sell-out, ensured a huge surge in demand over the entire weekend. Room rates reached levels similar to those achieved during the 2006 World Cup final in Berlin. Other events include the “Hauptstadtkongress” (Capital City Congress, 10 to 12 June 2015) and the EAN (European Academy of Neurology) Congress (20 to 23 June 2015), both of which are already well booked. The visit of Queen Elizabeth II towards the end of the month will also increase room rates. A full crop of public holidays fall in May this year (some of them were in June last year). This leaves full four business weeks for which there is correspondingly high

demand, while the school summer holidays do not begin until July. Hoteliers are more than confident.



The basic conditions for July are the same as last year. The school summer holidays start in mid-July and, like last year, the “Bread & Butter”, “Panorama” and “Fashion Week” events are being held at the beginning of the month. Last year, Berlin was particularly interesting because of the live public TV screenings during the FIFA World Cup and the visit

of the German national team after their final victory. This year though, there are more queries from large groups, as well as some convention inquiries. The Maccabi Games (the “Jewish Olympics”) will be held in the city from 27 July to 5 August 2015. This will mean a lot of pick-up for the city’s hotels. A 0.3% increase in occupancy is expected, as is a 0.4% room rate rise. A very small upturn in RevPar (just 0.6%) is predicted.

Currently, August is still difficult to weigh up. The school summer vacation runs through the whole month, so business sector trade can hardly be expected. However, in recent years, August has been a strong leisure-sector month. Hoteliers are hoping the same for this year. However, leisure bookings in particular are often made very late. The Maccabi

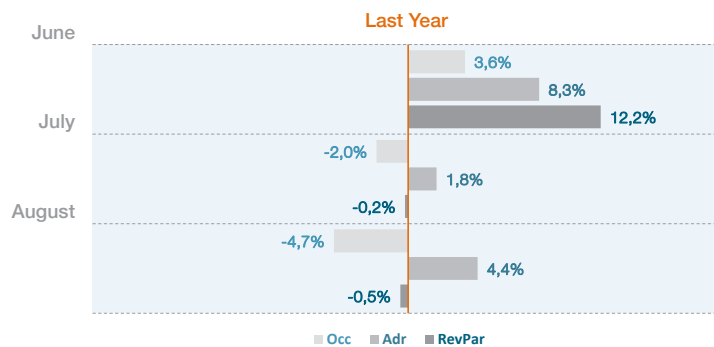
Games (“Jewish Olympics”), which are still running at the beginning of the month, could be a driver for room rates. This fiscal year has so far been very good for hotels in Berlin, which is giving hoteliers grounds for optimism. While occupancy is expected to decline by 0.8%, room rates will increase by nearly 3%. Thus, August should provide a 2% year-on-year improvement in RevPar.

Cologne/Bonn

June, however, will be very good. Demand is strong in every segment, particularly in the business and conference sectors. The “ANGA COM”, as well as the “VICTAM” (held together with the “FIAAP” and “grapas”) events taking place at the same time (9 to 11 June 2015). The “GIFA” trade

show in Dusseldorf (16 to 20 June 2015) will provide plenty of overflow business in Cologne. Besides this, the spring public holidays are all in May, so that four full business weeks are available in Cologne and Bonn this June. Major concerts by Helene Fischer (on 15 and 16 June) and AC/DC (19 June) are generating further business. And (given a little luck) good weather will generate even more spur-of-the-moment

Fig.2: Trendbarometer Cologne/Bonn 2015 – Trend versus last year



Source: Fairmas GmbH / Data as of 01.06.2015

city breaks. Overall, occupancy is expected to be 4% up on last year's figure and room rates soaring by 8% (with RevPar up 12%).

July will again be rather weaker due to the school summer holidays, and demand has been quite low so far. However, there will certainly be three high-priced weekends in Cologne. Christopher Street Day on 5 July 2015, the "Kölner Lichter" (Cologne Lights) event on 11 July 2015 and the Amphi Festival (25 to 26 July 2015) are expected to provide good pick-up. Nonetheless, weekday demand is still very poor. Cologne hoteliers are therefore assuming a 2% drop in occupancy. In contrast, ADR is expected to rise by 2%, which would mean a 0.2% RevPar slide.

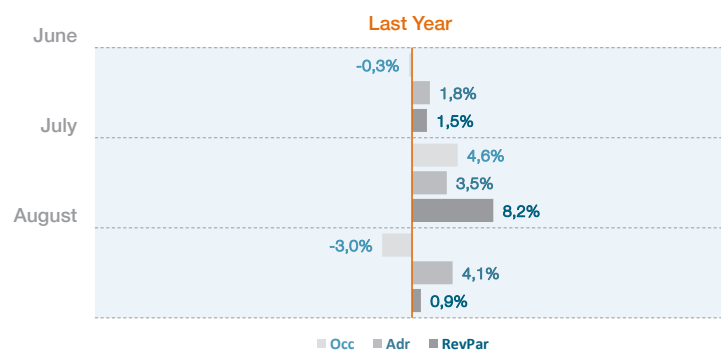
Demand for the "gamescom" event is already very high this year, even at such an early stage. In addition, the "ESL Counter-Strike" (computer gaming tournament) is taking place on 22 and 23 August at the Lanxess Arena. Demand for this event is very good. The "spoga+gafa" gardening trade show will begin early (30 August) this year. Cologne hoteliers expect a 4% room rate increase. However,

occupancy is set to remain around 5% below the same month last year. RevPar would thus be 0.5% lower than last year.

Dresden

June was not a particularly successful month in Dresden last year but things could well be rather better this time around. Whilst a 0.3% decline in occupancy is predicted, room rates are expected to rise by 2%. Since so many public holidays fall in May this year, the city's hotels are hoping for an increase in demand from the business and meeting sectors in June. Traditionally, this means higher room rates than for the leisure and groups sectors. Fine weather could also attract many tourists to the city, especially at the weekends. Even if no trade fairs or congresses are being held in Dresden this June, there is still much going on in

Fig.3: Trendbarometer Dresden 2015 – Trend versus last year



Source: Fairmas GmbH / Data as of 01.06.2015

the city, with the “BRN” event, the movie nights on the banks of the Elbe, as well as the “Elbhangfest”. Hoteliers remain optimistic and expect a near 2% RevPar increase.

July is also set to develop positively, not only because of the warmer weather. Traditionally, a lot happens in the city in summer. For example, the seventh Dresden Schlössernacht (Palaces by Night) event is being held in July. The “Holi Festival of Colours” will be held on 4 July 2015, while the US Car Convention is taking place from 10 to 12 July 2015. Helene Fischer is also holding two of her very popular concerts at the stadium (on 7 and 8 July), and a lot of pick-up is expected from the “Kaiser Mania” event on 31 July 2015. Hoteliers expect a 5% year-on-year rise in occupancy and an ADR increase of 4%. This would mean an 8% upswing in RevPar. Summer bookings always depend on the weather and are made at very short notice.

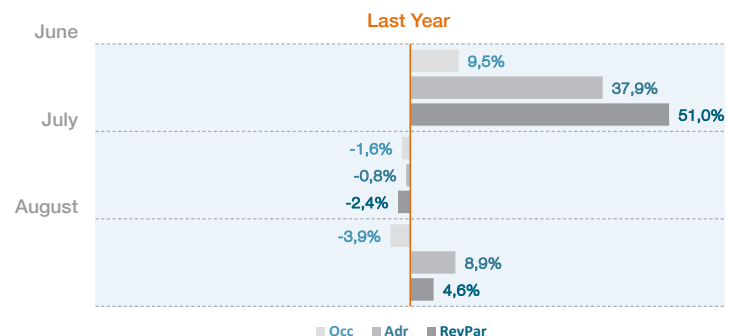
August in Dresden is still difficult to assess. The “Kaiser Mania” event ends on the first of the month, and overall leisure demand will greatly depend on the weather. Additional pick-up can be expected from the 17th Dresden Stadtfest (City Festival),

being held from 14 to 16 August. The “IEEE International Symposium on Electromagnetic Compatibility” and “EMC Europe” events jointly take place in Dresden from 16 to 22 August, and could lead to room rate increases. While a 3% drop in occupancy has been forecast, room rates are set to rise by 4% over last year’s figure. That would mean an increase in RevPar of less than 1%.

Dusseldorf

June is looking very good, as at many other destinations, especially when it comes to the room rates forecast (ADR up 38%). Very high room rate levels are also expected thanks to the A-list trade fair “GIFA” (held every four years) running from June 16 to 20. This year, Corpus Christi is also in June, so that (in addition to the trade fair) there are 2½ business weeks for corporate and MICE business. The

Fig.4: Trendbarometer Dusseldorf 2015 – Trend versus last year



Source: Fairmas GmbH / Data as of 01.06.2015

“Döak” AIDS congress will take place in the last week of June (24 to 27 June 2015), and this will also positively influence room rates. On the other hand, July seems likely to be very poor, with RevPar increasing by 51%, mainly due to the positive (+10%) occupancy trend.

Last year, the school summer holidays started a week later than in 2015, generating good corporate and Conference business in Dusseldorf in the first week of July. We assume that July will overall still develop negatively although this year, Ramadan ends as early as mid-July (10 days earlier than in 2014), so that increased Europe, Middle East and Africa (EMEA) business is expected from July 18-19. Short-term pickup is also expected through sales promotions in the leisure sector. (Occ:-2%, ADR: -0.8%, RevPar: -2%)

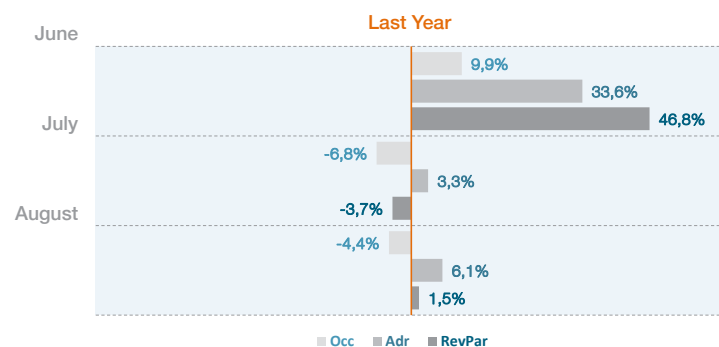
So far, the forecast for August has also been healthy (RevPar up 5%), mainly due to the positive (9%) ADR trend. This year, the school summer holidays end in mid-August, which means that more corporate business can be expected in the last two weeks of the month.

Frankfurt

So far, forecasts for June have been very optimistic as far as all three key indicators are concerned (Occ: +10%, ADR: +34%, and RevPar: +47%). This year, the leading ACHEMA trade fair (held every three years) will be held from the 15 to 19 June 2015. High room rate levels are expected during this period. Moreover, there are no further public holidays or school vacations in June except for one public holiday (Corpus Christi) in the first week of June. Otherwise, the remaining weeks of June will be dominated by conference and corporate business.

Forecasts for July are again negative, with an overall decline of 7% in occupancy predicted, resulting in a 4% lower RevPar, despite the positive room

Fig.5: Trendbarometer Frankfurt 2015 – Trend versus last year



Source: Fairmas GmbH / Data as of 01.06.2015

rates (ADR up 3%). The positive ADR forecast is due to the strong demand in the conference and business sector because there are no school holidays at this time in the two neighbouring federal states of Baden-Wuerttemberg and Bavaria. Here, it remains to be seen as to whether the overall result will be corrected upwards.

The overall forecast for August has so far been healthy (RevPar: +2%), mainly due to the positive room rate trend (up 6%), and despite a negative occupancy forecast (-4%). Despite the summer break, there has so far been a stable basis of group sector bookings, including the first construction work on the IAA in September. Everything else remains to be seen because it is still too early to make any prediction for individual pick-up. However, the trends so far this year have been positive.

Hamburg

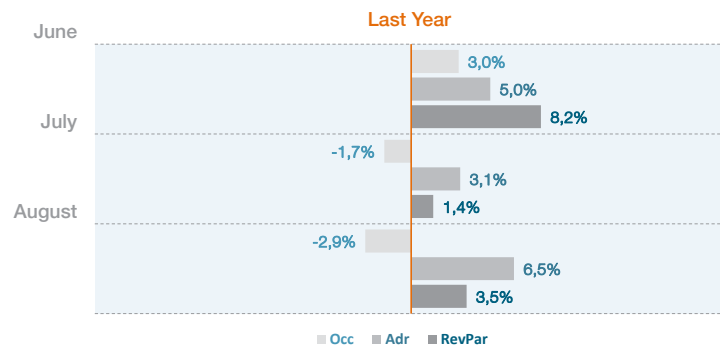
June is also looking positive with a 3% increase in occupancy and a 2% increase in room rates. The lack of public holidays this year (the last Whit Sunday was on 9 June 2014) as well as the fact that the “Schlagermove” event will now be held in July will

increase occupancy and room rates at the weekends.

Predictions for July are very positive for all 3 key indicators (Occ up 2%, ADR +4%, and RevPar +5%). The rescheduling of the “Schlagermove” event to July will have a positive impact on room rates and occupancy at the weekends. There is hope of an increase in demand in the leisure sector. Overall, it remains to be seen as to how July will evolve.

The overall forecast for August has so far been healthy (RevPar: +1%), thanks to the positive trend in room rates (up 0.9%) and occupancy (0.4%). August kicks off with the CSD (Christopher Street Day) party weekend, then continues with a number of street festivals and smaller celebrations in

Fig.6: Trendbarometer Hamburg 2015 – Trend versus last year



Source: Fairmas GmbH / Data as of 01.06.2015

various districts of Hamburg, which will generate a particularly high demand this year. Furthermore, the month promises some sporting highlights including the “Vattenfall Cycclassics” on 23 August 2015 (last year on 24 August) and the month is rounded off with the “Stuttgart Weindorf” (Wine Village) at the Rathausmarkt, starting 26 August. This year, the German Derby horse race is being held over the last week of June and the first week of July. Last year, this event took place in June.

Munich

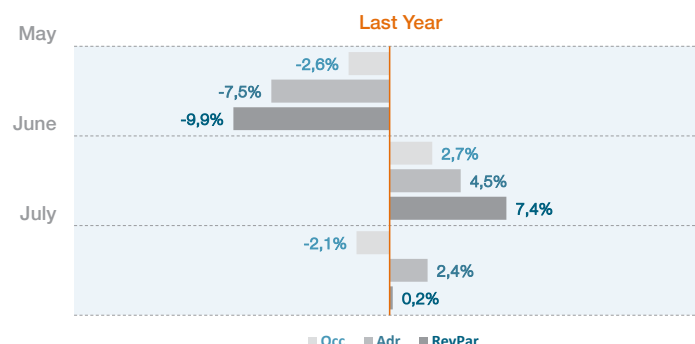
June should be much better, as at many other locations. There will be far fewer public holidays than last June, and only one week of the Whitsun school holidays. This will allow much more time for business sector trade than last year. However, Ramadan begins on 18 June 2015 (earlier than in 2014), meaning that Arab guests will check out even sooner. Despite this, Munich hoteliers do expect additional business from the “G7” summit at Schloss Elmau. Two trade fairs (“Intersolar Europe” and the “Laser world of Photonics”) are also taking place; last June, only the Intersolar was held. Increases of 3% in occupancy and 5% in ADR are confidently expected, which would boost RevPar by 8%. Besides

this, good weather at the weekends and during the school holidays will surely lead to extra leisure sector trade.

In contrast, July is not expected to herald in any major changes compared to last year. While occupancy is expected to fall by 2%, ADR should grow by slightly more than 3%. This would boost RevPar by 1%. There is a lack of convention business, and although the 25th Training Week for Practical Dermatology and Venereology will be good for room rates, it will weaken occupancy. The early end of Ramadan in the last third of the month (20 July 2015) gives hope for increased business from the Arab world with premium room rates in the higher price categories.

Because Ramadan is earlier this year, many more Middle Eastern guests can be expected in August.

Fig.7: Trendbarometer Munich 2015 – Trend versus last year



Source: Fairmas GmbH / Data as of 01.06.2015

However, there will be fewer visitors from European countries. A significant increase in ADR is expected as they book higher (and thus more expensive) room categories than European travellers do. Room rates are expected to improve by almost 7% over last year's. However, occupancy is set to decline by 3%. RevPar would then be 4% higher than in the same month last year.

In focus

It pays to be different

The four-star hotel industry: A clear position is a clear advantage or: if you don't position yourself, somebody will do it for you

Competitive pressure exerted by new competitors is making things difficult for upper middle class hotels. However, if hotels clearly position themselves, they can gain an advantage and achieve higher room rates.

Four-star hotels are as popular among travellers as among investors: booking upper middle class hotels means that business travellers and event planners do not come under the suspicion of spending money on undue luxury, even though the standards on offer are still high. Yet ever since the financial crisis, international brand hotels of a slightly lower category, as well as the rapidly expanding budget design hotels have been putting four-star hotels under considerable pressure. These centrally located newcomers are becoming increasingly popular with city travellers. The new hotels either have a concept with a high recognition value (such as the pioneer “Motel One”) or they offer less design, whilst providing slimmed down services that still offer everything their respective target group needs.

Clear positioning is one way for the four-star hotels concerned to Data as of out from the competition. Market research company Fairmas has investigated how such an approach affects performance. Here, Fairmas has not equated the criterion of “clear positioning” with a connection to a chain or cooperation, but has instead assumed that a hotel can position itself as a brand, even if it is a solitary hotel. This is possible through distinct individuality,

for example by the hotel appearing as a design hotel or offering something unique to satisfy another burning need of its target audience. In this case, it is important that the hotels explain their USP clearly and accurately to their respective and clearly delineated target markets. This way, one can keep the target audience within sight, and it is easier to identify its needs. Besides this, marketing measures can be very specifically directed at the

customers. After all, guests are becoming increasingly demanding.

Fairmas looked in depth at the economic importance of positioning for four-star hotels. Firstly, the key figures of the German four-star hotel industry were

collected and compared with the numbers for the overall hotel industry over the past five years.

The performance of the four-star hotels is displayed in the table above. This shows that there was a jump in earnings in 2010 (i.e. directly after the worst year of the crisis): The RevPar (revenue per available room) soared by 18.1% on a year-on-year basis. Over the next four years, RevPar continued moving

upwards with annual growth rates of 3.6% in 2014 and 4.7% in 2012. Only during the 2013 crisis year was growth much smaller (just 0.4%). The average annual RevPar growth rate was 3.3% during this

Fig.8: 4-star hotels in Germany

4-star hotels Germany 2010-2014*									
	Occupancy			Average Daily Rate in Euro			RevPar in Euro		
		Var.	Var. %		Var.	Var. %		Var.	Var. %
2014	69,3%	1,6	2,4%	91,0	1,1	1,2%	63,1	2,2	3,6%
2013	67,7%	0,3	0,4%	89,9	0,0	0,0%	60,9	0,3	0,4%
2012	67,4%	1,2	1,8%	89,9	2,5	2,9%	60,6	2,7	4,7%
2011	66,2%	1,9	3,0%	87,4	1,2	1,4%	57,9	2,4	4,4%
2010	64,3%	1,9	3,1%	86,2	8,6	11,1%	55,4	8,5	18,1%
Compound annual growth rate (CAGR)			1,89%			1,36%			3,28%

Source: Fairmas GmbH / Data as of 01.06.2015

Fig.9: Germany - all categories

Germany all categories 2010-2014*									
	Occupancy			Average Daily Rate in Euro			RevPar in Euro		
		Var.	Var. %		Var.	Var. %		Var.	Var. %
2014	69,7%	2,0	3,0%	100,1	3,5	3,6%	69,7	4,6	7,1%
2013	67,7%	-0,3	-0,4%	96,6	1,3	1,4%	65,1	0,3	0,5%
2012	68,0%	1,0	1,5%	95,3	1,9	2,0%	64,8	2,2	3,5%
2011	67,0%	1,3	2,0%	93,4	-1,0	-1,1%	62,6	0,6	1,0%
2010	65,7%	1,9	3,1%	94,4	10,3	12,2%	62,0	10,0	19,2%
Compound annual growth rate (CAGR)			1,49%			1,48%			2,97%

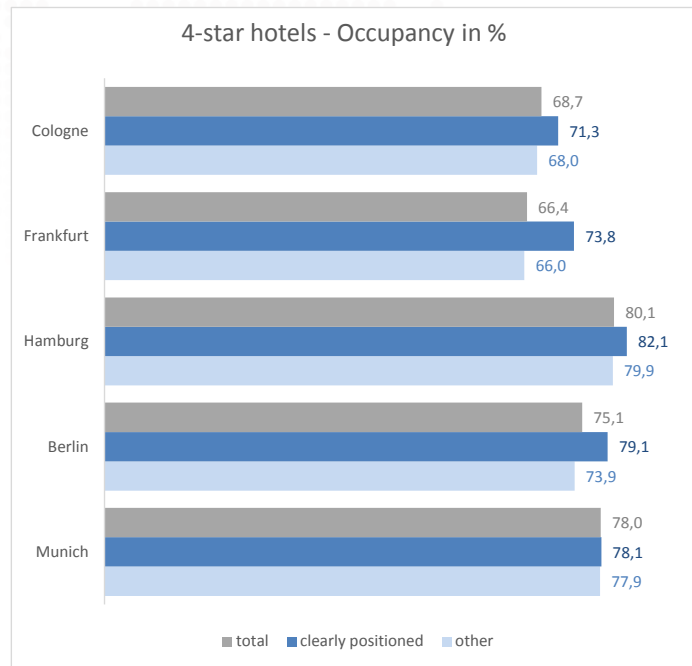
Source: Fairmas GmbH / Data as of 01.06.2015

period. This means that the four-star hotels have outperformed the overall hotel industry in Germany – they achieved an annual RevPar growth averaging nearly 3% during the five years.

Fairmas has now sub-divided four-star hotels at various locations (Cologne, Frankfurt am Main, Hamburg, Berlin and Munich) into those with a unique positioning feature and those without, and has identified the key figures for the different groups in 2014. It turns out that clearly positioned hotels were able to achieve higher room rates in all the cities examined than their less clearly positioned competitors in the same star category.

The disparity in net room rates is especially high in Hamburg. There hoteliers with clearly positioned hotels were charging €128.20 for a room, while rivals without any special positioning feature had to make do with €99.90. The average room rate of all the four-star hotels in Hamburg was €103.10, significantly less for hotels with a clear and unique selling proposition. In Hamburg, it very obviously pays off for four-star hotels to attract attention. In Berlin too, the difference in room rates between clearly

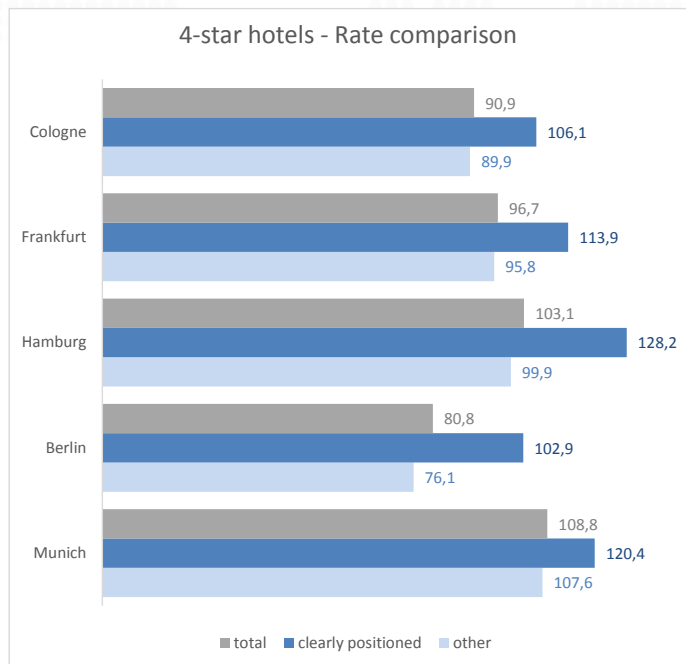
Fig.10: Comparison of occupancies



Source: Fairmas GmbH / Data as of 01.06.2015

positioned hotel concepts and run-of-the-mill hotels is great: design hotels and the like achieved an ADR of €102.90, while competitors without a well-defined format reported room rates of only €76.10. That makes sense, intuitively: there has been a wave of new hotel openings in the German capital in response to the tourism boom of recent years, which has generated strong price pressures. The Fairmas survey shows that it makes economic sense to Data as of out from the crowd in this dynamic market.

Fig.11: Rate comparison



Source: Fairmas GmbH / Data as of 01.06.2015

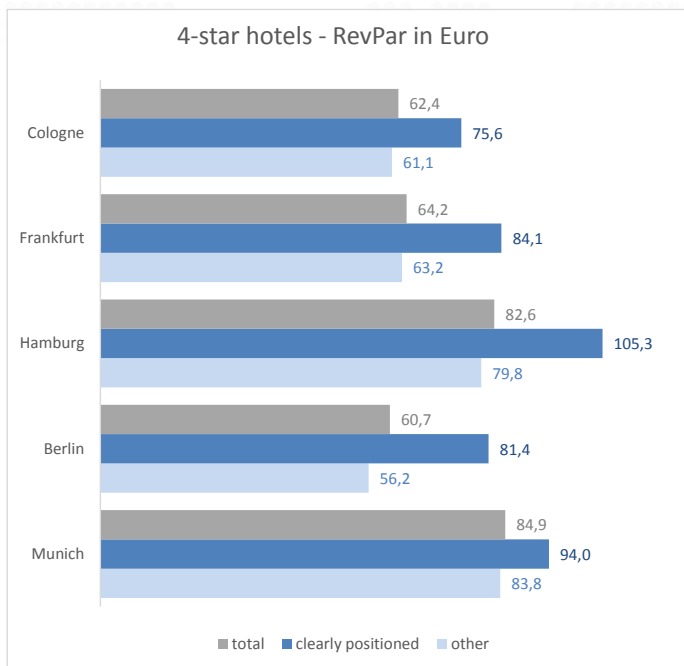
The experience of Frankfurt also demonstrates that clear positioning is particularly worthwhile in the four-star sector. While room rates have been rising in the four-star hotel sector at all the other locations examined from 2013 to 2014, they have in fact declined in Frankfurt. All of the four-star hotels recorded a drop in room rates (ADR down 3.8%), while RevPar declined by 2.8%. The ‘other’ hotels, where the Fairmas experts were unable to identify any clear positioning, were hit even harder: room rates were down 3.9% and RevPar was 3% lower. Things were quite different with the clearly

positioned hotels: these generated an increase of 2.6% in RevPar, even though room rates were only minimally lower (down by 0.4%). They were also able to increase their capacity by nearly 3%, while their competitors experienced a downturn.

Fairmas has also looked at the current year to see how the figures for the four-star hotels at these five locations developed over the first four months of 2015, as compared with the same period in 2014. The study shows that four-star hotels have enjoyed a good start to the year: RevPar and net room price were up in all the cit-

ies surveyed. The advantage of hotels classified as “clearly positioned” over their competitors in terms of the absolute level of room rate achieved is also verifiable, although this does not correlate throughout for changes over time. In Berlin, Hamburg and Frankfurt, the uniquely positioned four-star hotels have attained both higher room rate increases and higher RevPar gains than the other hotels in the same category. In Munich, hotels with unique selling points were able to increase their room rates by 12.9%. However, their RevPar growth (10.2%) did not exceed that of the other hotels because the

Fig.12: RevPar comparison



Source: Fairmas GmbH / Data as of 01.06.2015

latter were able to increase their occupancy. In Köln wiederum ist der RevPar-Zuwachs bei den gut positionierten Häusern höher als bei der Konkurrenz, aber die Ratesteigerung geringer. In Cologne, on the other hand, RevPar growth in well-positioned hotels was higher than for the competition, but the increase in room rates was lower.

Fig.13: Positioning in different destinations

4-star hotels in Munich YTD April 2015/2014

	Occupancy in %				Average Daily Rate in Euro				RevPar in Euro			
	2015	2014	Var.	Var. %	2015	2014	Var.	Var. %	2015	2014	Var.	Var. %
clearly positioned	68,3	70,0	-1,7	-2,4	116,9	103,5	13,4	12,9	79,8	72,5	7,4	10,2
other	71,2	69,5	1,7	2,4	99,9	92,8	7,1	7,7	71,1	64,5	6,6	10,3
total	71,0	69,6	1,4	2,0	101,4	93,9	7,5	8,0	72,0	65,4	6,6	10,2

4-star hotels in Berlin YTD April 2015/2014

	Occupancy in %				Average Daily Rate in Euro				RevPar in Euro			
	2015	2014	Var.	Var. %	2015	2014	Var.	Var. %	2015	2014	Var.	Var. %
clearly positioned	72,6	69,4	3,2	4,6	101,9	98,8	3,1	3,1	74,0	68,6	5,4	7,9
other	66,1	64,5	1,6	2,5	75,0	72,8	2,2	3,0	49,6	47,0	2,6	5,6
total	67,8	65,7	2,1	3,2	79,5	77,4	2,1	2,7	53,9	50,9	3,0	6,0

4-star hotels in Hamburg YTD April 2015/2014

	Occupancy in %				Average Daily Rate in Euro				RevPar in Euro			
	2015	2014	Var.	Var. %	2015	2014	Var.	Var. %	2015	2014	Var.	Var. %
clearly positioned	78,1	76,0	2,1	2,8	126,8	121,7	5,1	4,2	99,0	92,5	6,5	7,1
other	74,7	73,0	1,7	2,3	97,5	93,6	3,9	4,2	72,8	68,3	4,5	6,6
total	75,0	73,3	1,7	2,3	100,6	96,9	3,7	3,8	75,5	71,0	4,4	6,2

4-star hotels in Frankfurt YTD April 2015/2014

	Occupancy in %				Average Daily Rate in Euro				RevPar in Euro			
	2015	2014	Var.	Var. %	2015	2014	Var.	Var. %	2015	2014	Var.	Var. %
clearly positioned	72,9	70,7	2,2	3,1	126,1	122,7	3,4	2,8	91,9	86,7	5,2	6,0
other	65,7	64,2	1,5	2,3	109,4	107,3	2,1	2,0	71,9	68,9	3,0	4,3
total	66,0	64,5	1,5	2,3	110,3	108,1	2,2	2,0	72,8	69,7	3,1	4,4

4-star hotels in Cologne YTD April 2015/2014

	Occupancy in %				Average Daily Rate in Euro				RevPar in Euro			
	2015	2014	Var.	Var. %	2015	2014	Var.	Var. %	2015	2014	Var.	Var. %
clearly positioned	74,1	67,0	7,1	10,6	117,9	108,3	9,6	8,9	87,4	72,6	14,8	20,4
other	64,9	61,8	3,1	5,0	101,1	90,6	10,5	11,6	65,6	56,0	9,6	17,2
total	65,7	62,6	3,1	5,0	102,3	92,0	10,3	11,2	67,2	57,6	9,6	16,7

Source: Fairmas GmbH / Data as of 01.06.2015

Conclusion

Being different actually does pay off. The reasons for this are illuminating: In times of growing demands, even hotels that have an attractive location and offer competitive rates are coming under pressure. Costs are rising and price increases are hard to impose. Many hotels are similar or even interchangeable, not only in the urban hotel sector but also in the holiday hotel business. And faced with comparable concepts and services, guests often decide on the more favourable offer, because they are less and less willing to pay for tangibles. This vicious circle can be broken by unique positioning and so by concentrating on a clearly defined target audience and its specific needs because authenticity and tailor-made products are preferred to mass production. Then after all, a guest who feels comfortable and appreciated is a guest who will come back next time. Business travellers in particular note even the slightest discrepancies and will simply choose a different hotel on their next visit to the city. In the end, there is a wide range of choice. Here, creativity and active marketing are needed to offer products that do not permit a comparison of prices, so that sales can be made based on content and purpose – and not just price. The trend is clear, and this not only applies for four-star hotels, but for every category, in all sizes and at every location.



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