Hotel Resorts in Europe

Introduction

Hotel resorts are the most complex configuration of hotel. For a hotel to be a resort it needs, in addition to bedrooms, at least one restaurant, at least one bar, a suite of conference and meeting rooms as well as indoor and outdoor leisure facilities; optionally, it can have retail and other non-hotel outlets and a casino. In Europe, hotel chains operate 795 hotel resorts accounting for around 14% of the total affiliated room stock, but they have little visibility within the European hotel industry. We seek here to present the supply profile of hotel resorts and to pose some questions about their future development.

Hotel chains and brands

In Europe, 90 hotel groups offer 115 hotel brands trading with hotel resorts. TUI Hotels and Resorts operates by far the largest portfolio accounting for 28% of the segment rooms. The ten largest hotel resort portfolios account for 56% of the segment rooms and the next 10 portfolios account for 14% of the stock. Thereafter, the market share falls away sharply among the other 70 portfolios with the smallest 16 portfolios accounting for only 1% of the segment room stock.

Company	Room Stock Share %
Tui Hotels and Resorts	28%
Group H10 Hotels	5%
Grupo Matutes	5%
Barcelo Grupo	4%
Euro Disney	3%
The Louis Group	3%
Grupo Hoteles Playa	2%
Servihotel	2%
Starwood Hotels & Resorts	2%
Group Pestana	2%
Total	**56%**

Source: Otus & Co

There are two broad categories hotel resort portfolios. First, 17 groups have portfolios in which all of the hotels are hotel resorts and a further 64 groups have portfolios in which more than half of the rooms are in hotel resorts. These portfolios account for more than 90% of hotel resort rooms almost 135,000 in total. They are located primarily in coastal resorts around the Mediterranean and they rely mainly on tour operators to generate packaged holiday demand, typically for one or two weeks full or half board.

Then there are 34 chains for which hotel resorts are a small element of their European portfolio. They include major brands such as Accor, Hilton, Marriott and Starwood as well as local European brands. In total they have less than 20,000 rooms in hotel resorts of which less than 9,000 rooms in the Mediterranean coastal resorts and rely only marginally on tour operators to generate demand. In further contrast with the first group of portfolios they are located more in northern Europe and they concentrate more on the business and conference markets.

Market level and hotel size

Hotel resorts illustrate the tendency that the wider the range of facilities offered by a hotel the higher its market level. Almost 30% of hotel resort rooms are in up-market hotels and a further 57% are in mid-market hotels. Deluxe hotels account for 1% of the rooms and 12% operate at the economy level; there are no budget hotel resorts.

The average size of hotel resorts is 220 rooms, which is large relative to other affiliated hotels, the average for Europe as a whole being 120 rooms. The more non-rooms facilities that are included, the larger the number of rooms needed to make provision of the facilities economic.

The majority of brands operate in the Up-Market and Mid-Market levels with 64 and 69 brands respectively, whereas 27 brands operate at the Economy level and 6 at deluxe.

Countries

Hotel resorts operate only in 21 of the 52 European countries. Spain accounts for 54% of the rooms, Greece 9%, Turkey 6%, France 6% and Italy 6%. The remaining 16 countries each have 5% or less exposure to hotel resorts with an average of only 2,000 rooms per country. In the case of hotel resorts the economic structure and economic performance of the countries in which they are located are not critical to performance and this is particularly so in southern Europe, because most of the customers are foreign visitors.

Of the 90 companies, only 29 operate in more than one European country. TUI Hotels & Resorts is the most international portfolio of hotel resorts operating in 12 European countries. The other chains operate in many fewer countries as the profile of the 10 most international portfolios illustrates:

Company Name	Number of Countries
Tui Hotels & Resorts	12
Starwood Hotels & Resorts	7
Marriott International	6
IFA Hotels	4
Accor	4
Le Meridien	4
Barcelo Hotels & Resorts	3
InterContinental Hotels Group	3
Lindner	3
Kempinski Hotels & Resorts	3

Source: Otus & Co

Conurbation size and type

Hotel resorts are present in 372 conurbations in Europe with an average of two hotels per location and their conurbation profile is unlike other hotel types. Hotel resorts need significantly more land than other types of hotel due to the outdoor leisure facilities, which can include golf courses. Thus, in the two major hotel cities of Europe, London and Paris, there is only one hotel resort, the Selsdon Park Hotel in suburban London. Similarly, of the 27 primary cities in Europe only seven have hotel resorts. Four of these cities – Antalya, Benidorm, Marne La Vallee and Palma de Majorca – account for 53 hotel resorts with 19,500 rooms. They are driven predominantly by holiday markets and rely on tour operators to generate the demand and with an average size of 370 rooms these hotels are significant businesses in their own right. In the other three cities Hamburg, Manchester and Rome the four hotel resorts are deep in suburbia. Two of the hotels are Marriott resorts, one is a Sheraton resort and the fourth is and ATA hotel.

Of the 118 secondary hotel cities in Europe hotel resorts are represented in 55, of which only eight are in northern Europe. There are 290 hotel resorts in the 55 secondary cities accounting for 68,500 rooms producing a large average size of 236 rooms per hotel, 36% smaller than those in primary cities.

Of the 393 tertiary hotel cities in Europe there are 196 hotel resorts with 44,870 rooms, an average of 229 rooms per hotel resort, 3% smaller than those in secondary cities. Coastal resorts in southern Europe dominate.

Of the 2,560 quaternary cities in Europe there are 251 hotel resorts with 40,500 rooms, an average of 161 rooms per hotel resort, 30% smaller than those in tertiary cities. Coastal resorts in southern Europe dominate.

The pattern of smaller conurbations having smaller hotels seen throughout hotel chains in Europe is reflected in hotel resorts. Moreover, it is unsurprising to find that 92% of all hotel resorts are located in holiday resort locations, with rural locations accounting for a further 5% of room stock. Urban, suburban and highway locations account for only 3% of the hotel resort rooms.

Conclusions

The difference between hotel resorts in northern and southern Europe is striking. For example, in the UK 11 brands operate 46 hotel resorts. Marriott Resorts and DeVere Hotels account for 64% of the affiliated hotel resort rooms in the UK while the remaining nine brands operate only 24 hotels. The brands focus on the conference and business traveller markets as their prime sources of demand and attract short stay leisure demand, typically packaged to include use of the non-rooms facilities and discounted meals. Only three hotel resorts are located in coastal resorts – Blackpool, Scarborough and Torquay and they compete in the same markets as the other branded hotel resorts in the UK. Five hotel resorts are in suburban locations and the remainder are rural. Importantly, the brands do not rely on tour operators to generate their demand. 74% of the hotel resort rooms in the UK are up-market hotels, 24% mid-market with no economy or budget rooms.

The development of hotel resorts in southern Europe over the past 40 years has followed from the drive by governments in the region to develop mass summer holiday tourism as a key activity for their economies. Hotel resorts became the most developed hotel provision with more attractions than the mass of holiday hotels that have fewer non-rooms facilities. Still only 27% of the rooms are in up-market hotels, 58% are in mid-market hotels and 13% are in economy hotels. Most of the hotel resorts in the region have benefited from government promotion and investment in tourism and the staple market became long stay, packaged holidaymakers with demand from northern Europe generated by tour operators. The problem is that these twin benefits produced managerial laziness over the years. The preoccupation with holidaymakers means that many of the hotels close for several months during the winter. This was not a problem because the reliance on tour operators to deliver demand and pay guarantees for block room bookings meant that the chains did not need to develop effective brand infrastructure. They merely concentrated on operating the hotels during the summer season and we also suspect that too little on-going investment has been made in the hotels and too much cash has been taken out of the businesses over the decades.

The acute problem now is that we are at a stage of transition in the market and these hotels are among the most vulnerable. Their traditional demand is under threat from the accelerating development of timeshare facilities, of cruising and of apartment and villa ownership by customers who were regular users of hotel resorts. The position is being made worse by the implosion of the vertically integrated tour operators and the growth of low-cost airlines, which together are making summer demand less certain at the prices previously achieved.

Thus, the short chains that operate hotel resorts in southern Europe are ill prepared to defend themselves. Most have little or no brand infrastructure in comparison with their northern European counterparts and they are not organised to compete in alternative markets such the conference market. One attempt, particularly in Spain, to attract citizens from eastern European countries on first time package holidays is emerging as an initiative to pursue new markets, but at lower rates. In the meantime the history of limited on-going investment has reduced many coastal resorts to Bauhaus slums. We anticipate a problem in the region.

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