

Location and timing are everything

By [Danny Bryer](#)

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As hotel groups heave a collective sigh of relief that occupancy levels in South Africa have shown a full year of recovery, one can strategically look at possible expansion. Indeed, the new Protea Hotel Fire & Ice! is being built in Menlyn, Pretoria, and will open in 2014.

STR figures have shown for a full year now that we seem to be slowly back in business. I don't know anyone who isn't relieved that occupancy levels have been steadily rising, but it's not a situation we should take for granted.

The traditional inbound market is still problematic, with the euro zone in dire straits and the global economic situation also mitigates absolute faith that the executive travel market and incentive groups have recovered, even though we're seeing encouraging stats.

Consider the lessons of the World Cup

Before any decisions are taken about expansion in South Africa, hoteliers should pause to consider the hard lessons learnt from the manic construction phase that preceded the 2010 FIFA World Cup.

It's a price we're still paying in many areas of South Africa. Cape Town is a prime example of where hospitality companies should consider carefully before expanding in the short to medium term.

Like other centres, occupancy levels in the city may be showing a slow, but progressive recovery curve, but the Average Daily Rates (ADR) lag demonstrates clearly that hotels need greater focus on growing both rate and occupancy in order to drive revenue. If we don't get that right first, recovery is not sustainable in the long term.

Steady growth in tourism predicted

A report released mid-year by PriceWaterhouseCoopers projected that steady growth in tourism would fuel growth in the accommodation industry in the next five years and that the number of visitors to the country would rise to 16.86 million by 2016.

This is possible, but for that scenario to play out favourably hoteliers need to understand the lie of the land in South Africa.

We don't want to plunge our industry into another phase of drastic oversupply and there is a very real danger of that happening if, as a hotelier, you don't intimately know the local landscape.

We should be conducting studies to identify the regions where growth is possible.

I'm cautiously optimistic about the next year. If those occupancy numbers keep growing, we'll all do reasonably well in 2013. That's, of course, if we don't shoot ourselves in the foot by jumping on the build-cycle bandwagon without thoroughly considering where and when we're going to build.

ABOUT THE AUTHOR

Danny Bryer is director of sales, marketing and revenue of the Protea Hospitality Group.

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