

The power of consolidation in hotel management

According to Guy Stehlik, the CEO of South African-based hotel management BON Hotels, approximately 78 hotel management groups in Southern Africa operates approximately 948 hotels and lodges. “Of the 78 companies, only 12 have a footprint of eight or more hotels. To make matters worse, the four largest operators, City Lodge, Marriott, Tsogo and Sun International operate just over half the 984 properties themselves,” said Stehlik speaking at the recent THINC Africa Hotel Investment Conference in Cape Town.



Guy Stehlik. Photo: Poxel Place

South Africa's local hotel industry has become threatened over the last decade with the entry of international players. As we see more international groups vying for position on SA turf, buying a business, offering cash injections, discounted fees, and shorter-term agreements, Stehlik believes that local hotel management companies are under siege.

“International hotel groups are buying out local groups through mergers and acquisitions. Local operators are all fighting for a diminishing share of management contracts, franchise agreements, representation agreements, and new hotel projects,” continued Stehlik.

Stehlik's solution is for companies to set their egos aside and consolidate. “Imagine if just 30 of the 78 hotel groups joined forces into an alliance partnership and consolidated into one powerful hotel management company, similar to what travel consortia got right many years ago.”

Improving the hotel group footprint

He believes that consolidation would improve buying power, BBBEE status, spending power, increase footprint and offer more diversity of product. International hotel groups have strong ambitions of growing their South African and African portfolios and consolidation would mean that a local operator could not only be a stronger contender but, more importantly, be supportive of our own country by buying local, growing local, employing local, supporting local and facilitating the transformation vision.

“We need to save our local industry and stand together, merging our companies, our expertise and especially our local advantage, forming a strong South African brand once again. We can only take back our industry by becoming a part of this new ‘sharing economy’,” concluded Stehlik

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