Overview of the Global Hotel Industry

DEFINITION OF HOTEL
There is no official standard definition of what a hotel consists of. In simple terms, the Oxford English Dictionary online defines a hotel as ‘an establishment providing accommodation, meals and other services for travellers and tourists, by the night’.

Another definition from www.wikipedia.com goes into further detail

‘A hotel is an establishment that provides paid lodging on a short-term basis. The provision of basic accommodation, in times past, consisting only of a room with a bed, a cupboard, a small table and a washstand has largely been replaced by rooms with modern facilities, including en-suite bathrooms. Additional common features found in hotel rooms are a telephone, an alarm clock, a television, a safe, a mini-bar, and facilities for making tea and coffee. Luxury features include bathrobes and slippers, a pillow menu, twin-sink vanities, and Jacuzzi bathtubs. Larger hotels may provide additional guest facilities such as a swimming pool, fitness centre, business centre, childcare, conference facilities and social function services’.

SIZE
The global size of the hotel industry is not as easy to quantify as one might imagine. Data on the size of the global hotel market is scarce, subjective (with regard to what constitutes a hotel) and is only published with relative infrequency outside the US. There are also a range of factors that cloud the issue:

• The hotel industry ranges from very small privately owned family businesses to major international groups with over 600,000 rooms.

• The industry covers the whole of the globe from the US to the smallest of islands.

• There is no official definition of ‘hotel’ nor is there an internationally recognised grading system.

• Countries each have their own systems of quantifying the industry and grading it.

The ‘International Hotel Industry’ report (2009), Mintel using UN World Tourism Organization (UNWTO) data, estimated that in 2008, the number of rooms in hotels and similar establishments was 20.1mn and that it had been growing at an estimated rate of 2.2% over the previous five years. This estimate, however, was based upon previous estimates.

In the same report, the actual breakdown of rooms was as shown below:

However it is important to note that UNWTO statistics include not just hotels but also inns, bed & breakfasts and other ‘similar establishments’, thus overestimating the size of the actual hotel industry.

In 2009, STR Global estimated that the global hotel industry was more in the area of 11mn rooms, but this just included hotels as opposed to hotels and similar establishments2.

Recent research by MKG Consulting estimated that the US rooms accounted for 65% of total room count, which corresponded with WTO and Mintel estimates.

GLOBAL TOURISM3
In a year characterised by a stalled global economic recovery, major political changes in the Middle East and North Africa and natural disasters in Japan, international tourist arrivals grew by over 4% in 2011 to 980 million, according to the latest UNWTO World Tourism Barometer. With growth expected to continue in 2012, albeit at a somewhat slower rate, international tourist arrivals are on track to reach the milestone one billion mark in 2012.

By region, Europe (+6%) was the best performer. Contrary to previous years, growth was higher in advanced economies (+5.0%) than in emerging ones (+3.8%), due largely to the strong results in Europe, and the setbacks in the Middle East and North Africa.

Despite persistent economic uncertainty, tourist arrivals to Europe reached 503 million in 2011. Central and Eastern Europe and Southern Mediterranean destinations (+8% each) experienced the best results. Although part of the growth in Southern Mediterranean Europe resulted from a shift in traffic away from the Middle East and North Africa, destinations in the Mediterranean also profited from improved outbound flows from markets such as Scandinavia, Germany and the Russian Federation.

Asia and the Pacific reached a total 216 million international tourists, up 6% on the previous year. South Asia and South-East Asia (both +9%) benefited from strong intraregional demand, while growth was comparatively weaker in North-East Asia (+4%), partly due to the temporary decline in the Japanese outbound market.

The Americas saw an increase of 4%, reaching 156 million arrivals in total. South America, up by 10% for the second consecutive year, continued to lead growth. North America, with a 3% increase, hit the 100 million tourists mark in 2011.

Africa maintained international arrivals at 50 million, as the gain of two million by Sub-Saharan destinations (+7%) was offset by the losses in North Africa (-12%). The Middle East totalled 55 million, a decline of 8%. Nevertheless, some destinations such as Saudi Arabia, Oman and the United Arab Emirates sustained steady growth.

UNWTO forecasts international tourism to continue growing in 2012 albeit at a slower rate. Arrivals are expected to increase by 3% to 4%, reaching the historic one billion mark by the end of the year. Emerging economies will regain the lead with stronger growth in Asia and the Pacific and Africa (4% to 6%), followed by the Americas and Europe (2% to 4%). The Middle East (0% to +5%) is forecast to start to recover part of its losses from 2011.

International tourist arrivals are forecast to reach 1.8 billion by 2030, according to the latest UNWTO long-term forecast, Tourism Towards 2030.

1 www.wikipedia.com
3 UNWTO press release, International tourism to reach 1 billion in 2012, January 2012
4 UNWTO press release, International tourism to reach 1 billion in 2012, January 2012