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Hotel Business Insights from Otus

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Global major hotel chain growth

- The global majors hotel chains are:
 - ❑ The largest hotel chains operating in all major world regions;
 - ❑ The fastest growing chains internationally.

- The global major hotel chains have:
 - ❑ The most access to hotel owner capital for management contracts and franchises;
 - ❑ The most extensive corporate infrastructure;
 - ❑ The most extensive demand capture technology;
 - ❑ The lowest risk profile.

- The world is now changing for the global majors:
 - ❑ Strong growth came from the most developed economies;

 - ❑ Major growth from less developed economies is emerging;

 - ❑ Asset-light alone is proving insufficient for shareholders.

Global Major Hotel Chains 1995 - 2018

	Total Rooms 1995	Total Rooms 2018	Change
Accor	248,160	616,200	368,040
Choice Hotels International	266,980	525,500	258,520
Hilton Worldwide	131,750	879,300	747,550
Hyatt Hotels Corporation	88,000	170,000	82,000
IHG	337,660	809,900	472,240
Jin Jiang	55,000	875,000	820,000
Marriott International	211,000	1,298,600	1,087,600
Wyndham Worldwide	434,810	697,600	262,790
Global Major Hotel Chains	1,773,360	5,872,100	4,098,740

Source: Hotels Magazine, Otus & Co Ltd

Economic Structure GDP/capita and the hotel business

- All economies are ranked into five categories by GDP/capita.
- The higher the GDP/capita the lower the contribution by agriculture and manufacturing.
 - The more positive for the hotel business
- The higher the GDP/capita, the higher the contribution by service and experience businesses:
 - The more positive for the hotel business.
- Indian GDP/capita has risen by 9.5% CAGR since 2000 due to progression in economic structure:
 - The declining primary segment signals the start of prolonged growth for the hotel business;
 - The increase in all other segments signals prolonged growth for the hotel business.

Economic Structure and GDP 2015

Country	Economy Category	GDP/capita \$	Primary segment/ GDP %	Secondary segment /GDP %	Public sector/ GDP %	Service	Experience
						business sector/ GDP %	business sector/ GDP %
United States	High ranking economy	57,559	1	20	22	43	14
Germany	Social market economy	42,250	1	30	30	32	7
Poland	Middle ranking economy	12,411	3	34	45	11	7
China	Low ranking economy	8,116	9	41	33	14	3
India	Subsistence economy	1,749	17	30	44	7	2

Sources: The Economist, IMF, Otus & Co Ltd

Employment Structure GDP/capita and the hotel business

- The higher the share of national employment in the primary and secondary segments, the lower the GDP/capita.

- The higher the share of national employment in service businesses and experience businesses, the higher the GDP/capita.

- Since 2000, the Indian:

- Primary share of national employment has fallen by 10% points:

- The lowest yielder of hotel demand.

- Secondary segment share of national employment has risen by 4% points:

- The second lowest yielder of hotel demand.

- Service business and experience business sectors have risen by 1% point:

- The highest yielders for hotel demand.

Employment structure and GDP/Capita 2015

Country	Economy Category	GDP/capita \$	Primary segment empl. %	Secondary segment empl. %	Public Sector empl. %	Service business empl. %	Experience business empl. %
United States	High ranking economy	57,559	1	16	28	41	15
Germany	Social market economy	42,250	1	25	34	33	8
Poland	Middle ranking economy	12,411	5	30	46	13	6
China	Low ranking economy	8,116	28	30	22	15	5
India	Subsistence economy	1,749	50	22	22	5	2

Sources: The Economist, IMF, Otus & Co Ltd

Hotel metrics and economic governance

- Citizens/hotel room is aligned with the economic and the employment structures of each country:
 - India citizens/hotel room has improved by 500 since 2000.

- Hotel chains dominate due to access to capital, more effective management and more access to demand.

- Two fundamental demand drivers:
 - International travel is the fastest growing export market in the world. More than 4% per year growth since 2000, 6% since 2017:
 - India out-performed.

 - Domestic travel is determined by the economic and the employment structures of a country:
 - The more progress the higher the hotel demand;
 - Indian progression has begun.

Hotel Metrics 2017

Country	Citizens/ hotel room	Chain affiliation %	Domestic hotel demand %	Foreign hotel demand %
United States	64	72%	23%	77%
Germany	129	41%	42%	58%
Poland	316	24%	50%	50%
China	428	47%	30%	70%
India	8,900	80%	33%	67%

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The future of the Indian hotel business

Indian Market Developments

- Government and corporate policies continue to progress the economic structure, the employment structure and household demand towards the higher yielding segments for hotel demand.
- As international travel continues to grow apace India will need to enact policies to maintain a premium share of international demand.
- India has the largest long-term potential of any country:
 - To match the US ratio of citizens per hotel room India, with its current population, would need to add another 20 million hotel rooms.

Indian Company Developments

- National hotel chains have the shortest life-span.
- Hotel chains with multi brand portfolios covering a wide range of demand and locations are best positioned to participate in the long-term growth.
- As international travel is a prime driver of demand growth so hotel chains with an international presence are best placed to participate.
- Hotel chains with a wide a range of affiliations, both asset heavy and asset light, will be best positioned to participate in long-term global growth.

THE
ECONOMIC
ASCENT OF
THE HOTEL
BUSINESS

SECOND EDITION

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