

## Supply & demand: the changing marketplace

### Accor Hospitality: The New Business Model



# Worldwide growth of the hotel market

*Prepared*

*by*

**ESTIN & CO**

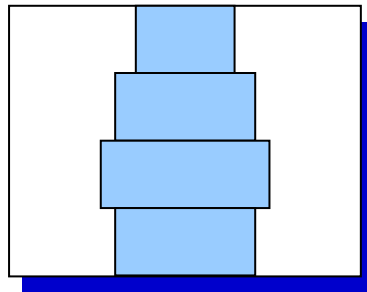
Roissy, October 22<sup>nd</sup>, 2007

# Estin & Co has built a model to determine the lodging demand growth between 2006 and 2012 by segments...

## Model description

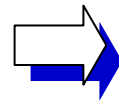
1

- Analysis of demand in 2006 by segments



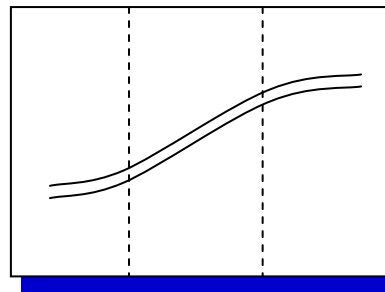
2006

- Detailed analysis of the demand in 2006 on a set of 17 reference countries
- Estimation of the overnight stays by segment for each reference country



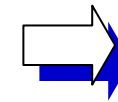
2

- Structural relations with GDP per capita by segments -



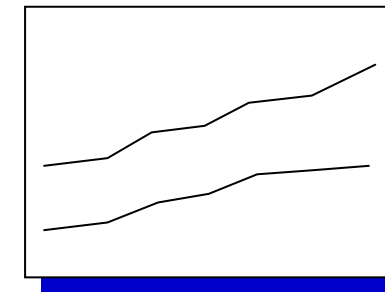
GDP per capita

- Analytical determination of the structural relations between the demand of each segment and the GDP per capita
  - The relations assign a growing factor for each segment according to the GDP per capita
- Analysis performed with 2006 data



3

- GDP and population growth and evolution of consumers' behaviours -



2006

2012

- 2012 perspectives for:
  - GDP
  - Population
- GDP per capita forecasted values in 2012 are considered for each analysed geography
- Evolution of customer's behaviour by segments between 2006 and 2012

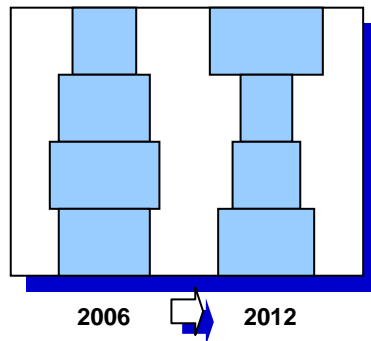
Sources : MKG, India Hotel Industry Report, Lodging Industry Report, World Tourism Organization, United States Department of Agriculture, Mexico Statistics Institute, Annual of Hotel 2006 Industry in China, Australian Bureau of Statistics, analysis and modelling Estin & Co

# Estin & Co has built a model to determine the lodging demand growth between 2006 and 2012 by segments

## Model description

4

- Total demand growth by segments in 2006-2012 -

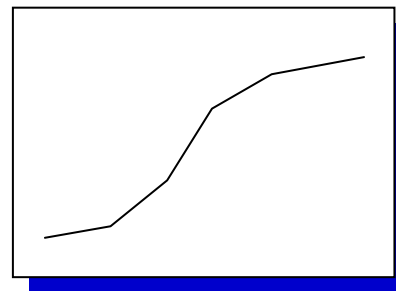


- **Estimates of the 2012 demand by segment and by geography**
  - By applying the relations describing the dependencies between the growth of the demand by segment and the growth of the GDP per capita
- **Estimates of the 2012 demand globally**

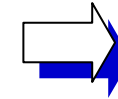


5

- Evolution of the chains penetration rate by segments

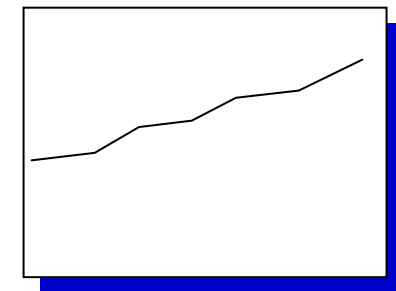


- **Analytical determination of the structural relations between the demand for chains of each segment and the GDP per capita**
- **Analysis performed with 2006 data**



6

- Chains demand growth by segments in 2006-2012 -

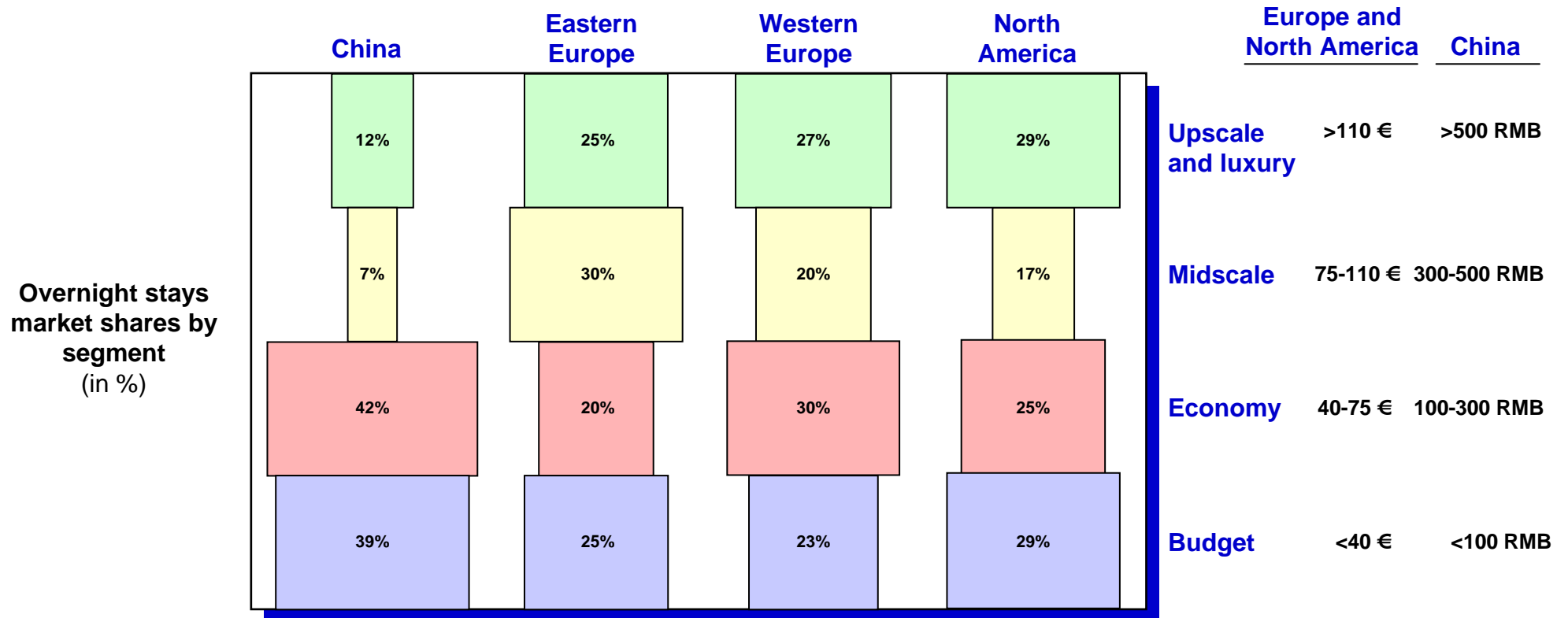


- **Estimates of the 2012 demand for chains by segment**

Sources : MKG, India Hotel Industry Report, Lodging Industry Report, World Tourism Organization, United States Department of Agriculture, Mexico Statistics Institute, Annual of Hotel 2006 Industry in China, Australian Bureau of Statistics, analysis and modelling Estin & Co

# The structure of the demand is linked to the degree of development

(1) Analysis of demand in 2006 by segments



	China	Eastern Europe	Western Europe	North America
<b>Total overnight stays</b> (in millions)	539	206	1 356	1 120
<b>Average GDP per capita</b> (in \$)	1 579	3 060	23 000	37 400

Note : 1€ = 10 RMB

Sources : MKG, World Tourism Organization, Swiss Tourism Federation, analysis and modelling Estin & Co

# Today, the lodging demand is concentrated in Western Europe and North America

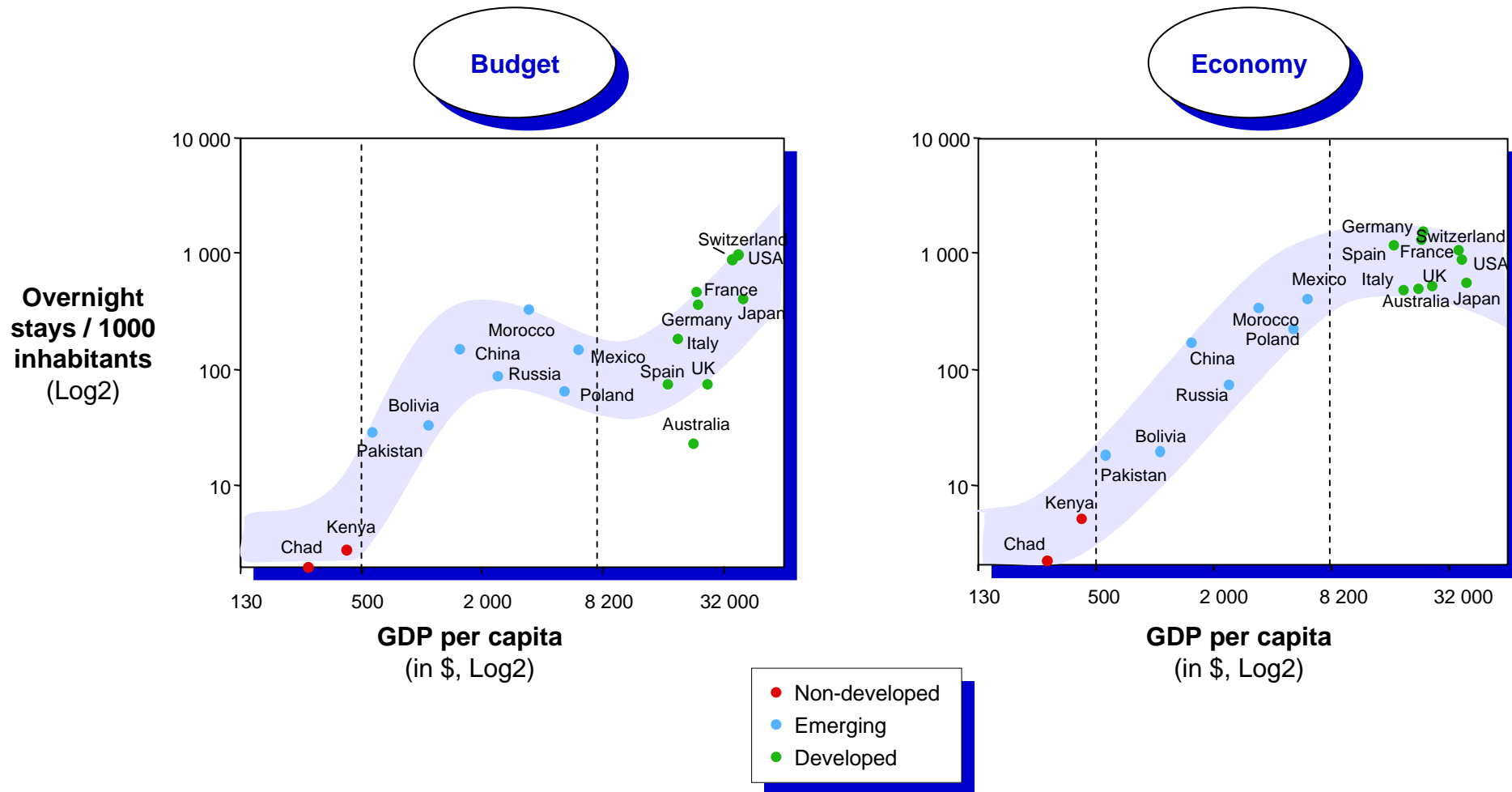
Demand by geography and segment - In millions of overnight stays - 2006

	North America	Japan	Western Europe	Latin America	Eastern Europe	China	Other Asia	Middle East	Africa	Total
Upscale and luxury	330	136	366	25	51	63	37	63	16	1 088
Midscale	190	152	271	61	62	33	87	46	48	950
Economy	279	70	407	58	41	215	133	78	40	1 320
Budget	322	53	312	25	51	199	158	101	56	1 276
<b>Total</b>	<b>1 120</b>	<b>411</b>	<b>1 356</b>	<b>168</b>	<b>206</b>	<b>510</b>	<b>415</b>	<b>289</b>	<b>161</b>	<b>4 634</b>
<b>In % of total</b>	<b>24%</b>	<b>9%</b>	<b>29%</b>	<b>4%</b>	<b>4%</b>	<b>12%</b>	<b>9%</b>	<b>6%</b>	<b>3%</b>	<b>100%</b>
	<b>62%</b>									
				<b>38%</b>						

Sources : MKG, India Hotel Industry Report, Lodging Industry Report, World Tourism Organization, United States Department of Agriculture, Mexico Statistics Institute, Annual of Hotel 2006 Industry in China, Australian Bureau of Statistics, analysis and modelling Estin & Co

# The structure of the demand by segment is correlated with the GDP per capita...

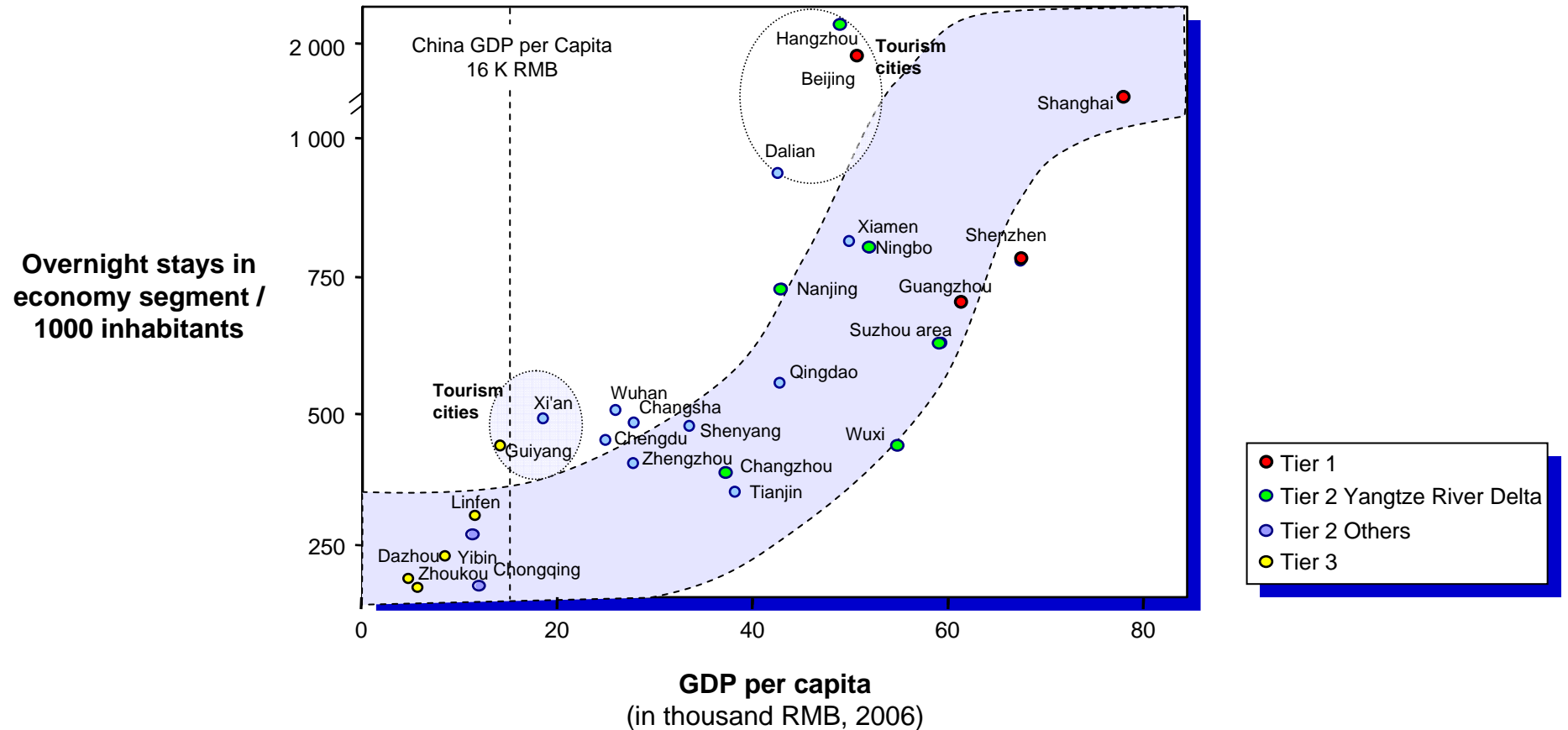
## (2) Structural relations with GDP per capita by segments



Sources : MKG, India Hotel Industry Report, Lodging Industry Report, World Tourism Organization, United States Department of Agriculture, Statistics Institute of Mexico, Annual of Hotel 2006 Industry in China, Australian Bureau of Statistics, analysis and modelling Estin & Co

# Emerging countries: in China, the development of the Economy segment is linked to the wealth development of the different cities

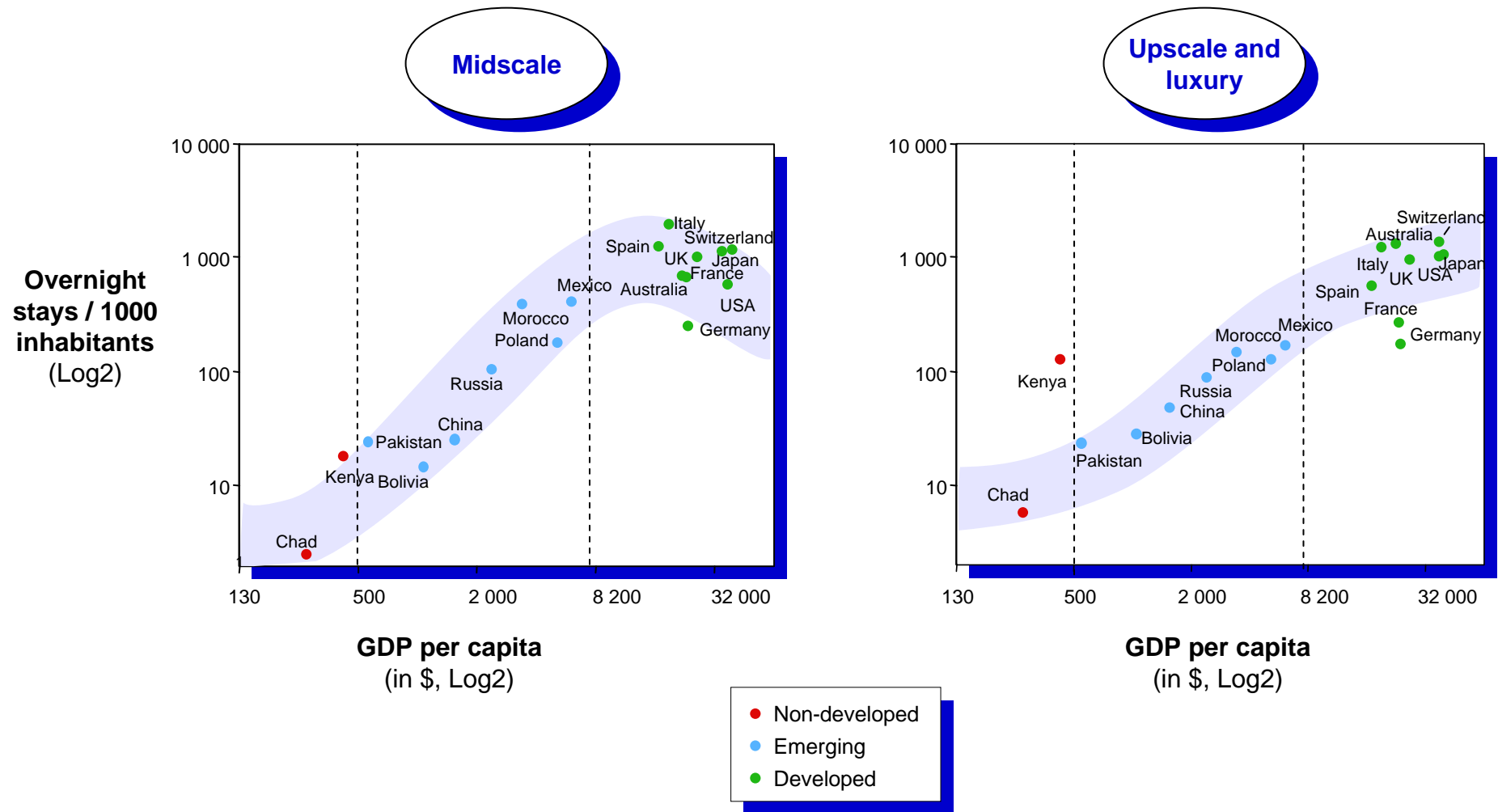
China - Economy segment - 2006



Source: Local Tourism Administration, Local Bureau of Statistics, China Hotel Association, Inn.net.cn, Estin & Co Interviews and analysis

# The structure of the demand by segment is correlated with the GDP per capita

## (2) Structural relations with GDP per capita by segments



Sources : MKG, India Hotel Industry Report, Lodging Industry Report, World Tourism Organization, United States Department of Agriculture, Statistics Institute of Mexico, Annual of Hotel 2006 Industry in China, Australian Bureau of Statistics, analysis and modelling Estin & Co

# Main evolution of clients' behaviours

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## (3) GDP and population growth and evolution of consumer's behaviours

- **Low developed countries**
  - Demand for Upscale and luxury hotels in tourist destinations
  - Limited development of demand for chains
- **Emerging countries**
  - Demand for Economy and Midscale hotels
  - Development of demand for chains
- **Developed countries**
  - Polarisation of clients' behaviours on the Budget and Upscale and luxury hotels
  - Increased demand for chains

Source : analysis and estimates Estin & Co

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# World's lodging demand should grow at **3,7%** p.a. until 2012 (in volume) with China growing at **12%** per year

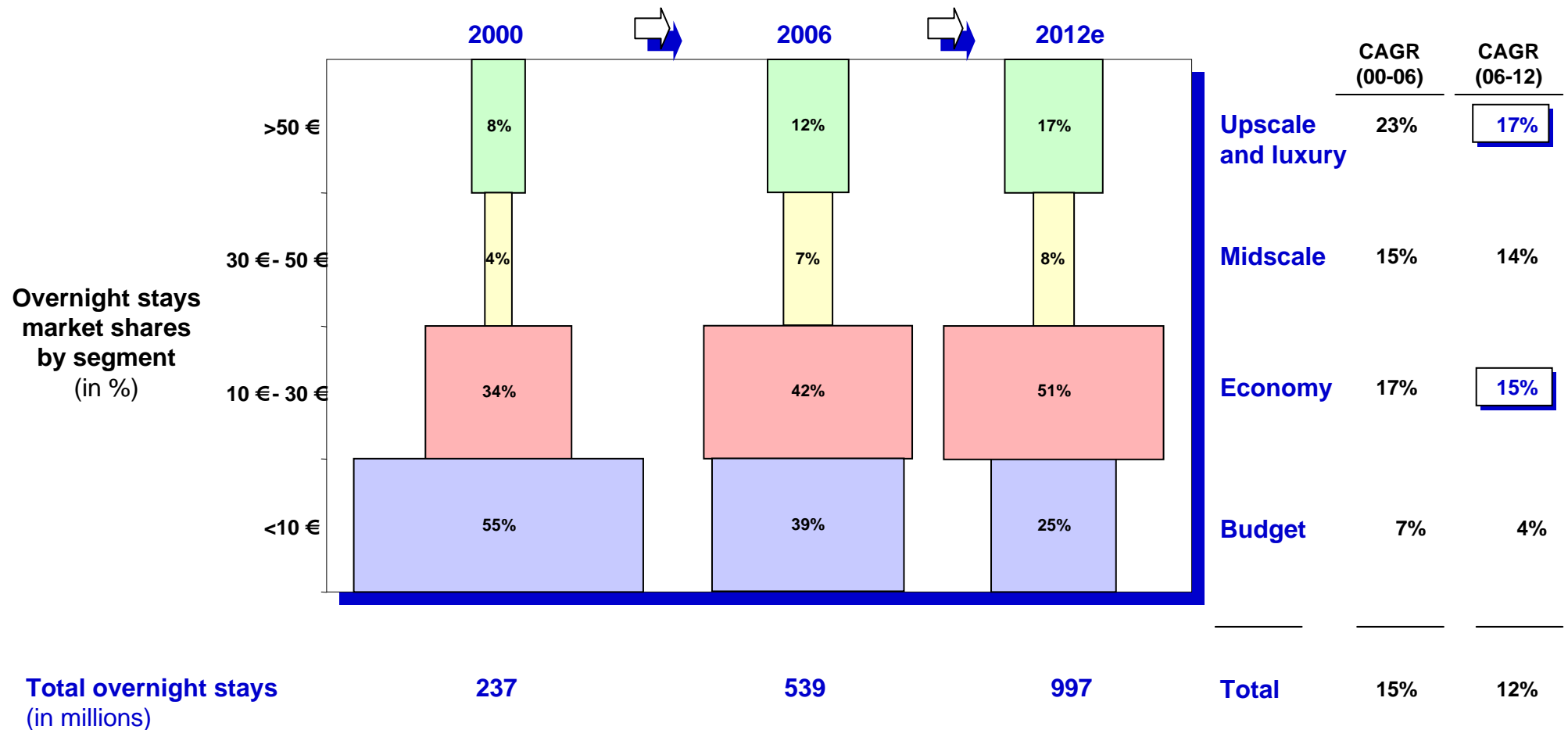
(4) Total demand evolution by geography and segment - CAGR (2006-2012) - In overnight stays

	North America	Japan	Western Europe	Latin America	Eastern Europe	China	Other Asia	Middle East	Africa	Total
<b>Upscale and luxury</b>	3,5%	3,4%	3,1%	6,5%	8,7%	<b>17,0%</b>	8,9%	6,3%	3,5%	5,2%
<b>Midscale</b>	-1,1%	-1,0%	-0,9%	5,0%	6,7%	<b>13,6%</b>	6,9%	4,9%	2,0%	2,0%
<b>Economy</b>	-0,5%	-0,5%	-0,4%	5,7%	7,6%	<b>15,4%</b>	7,8%	5,5%	1,7%	4,8%
<b>Budget</b>	3,3%	3,2%	2,9%	-0,6%	-1,0%	4,0%	2,0%	-0,8%	1,2%	2,5%
<b>Total</b>	1,8%	1,2%	1,3%	<b>4,9%</b>	<b>5,8%</b>	<b>11,8%</b>	<b>5,7%</b>	3,6%	1,8%	<b>3,7%</b>
<b>GDP per capita CAGR 06-12</b>	2,2%	2,1%	2,0%	3,0%	5,0%	8,0%	4,0%	2,9%	3,7%	3,5%

Sources : MKG, India Hotel Industry Report, Lodging Industry Report, World Tourism Organization, United States Department of Agriculture, Statistics Institute of Mexico, Annual of Hotel 2006 Industry in China, Australian Bureau of Statistics, analysis and modelling Estin & Co

# Emerging countries: in China, growth has been strong in all segments except in budget

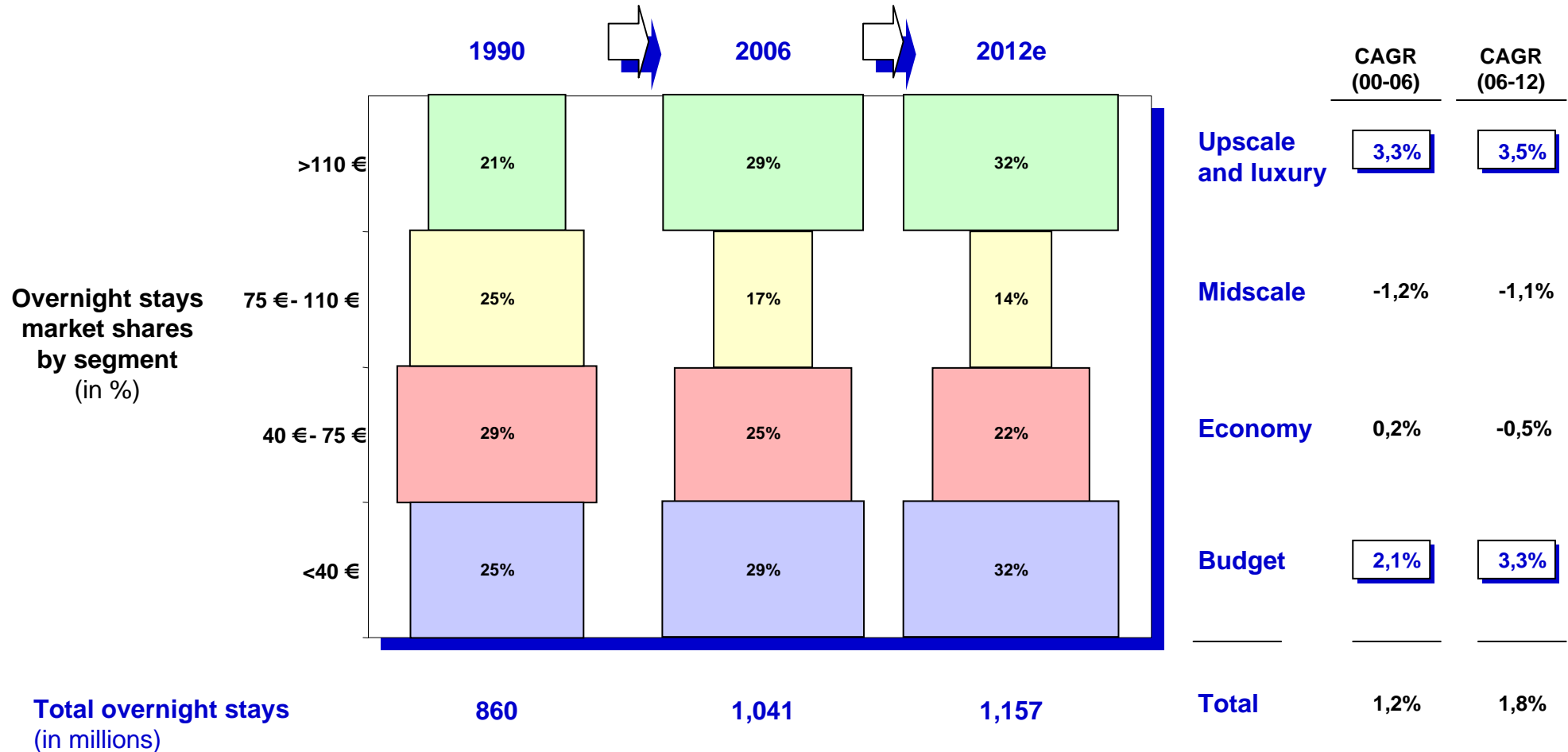
China - Demand structure evolution (2000-2012)



Sources : World Tourism Organization, Annual of Hotel 2006 Industry in China, analysis and modelling Estin & Co

# In developed countries, the demand is experiencing a polarization process of client's behaviours

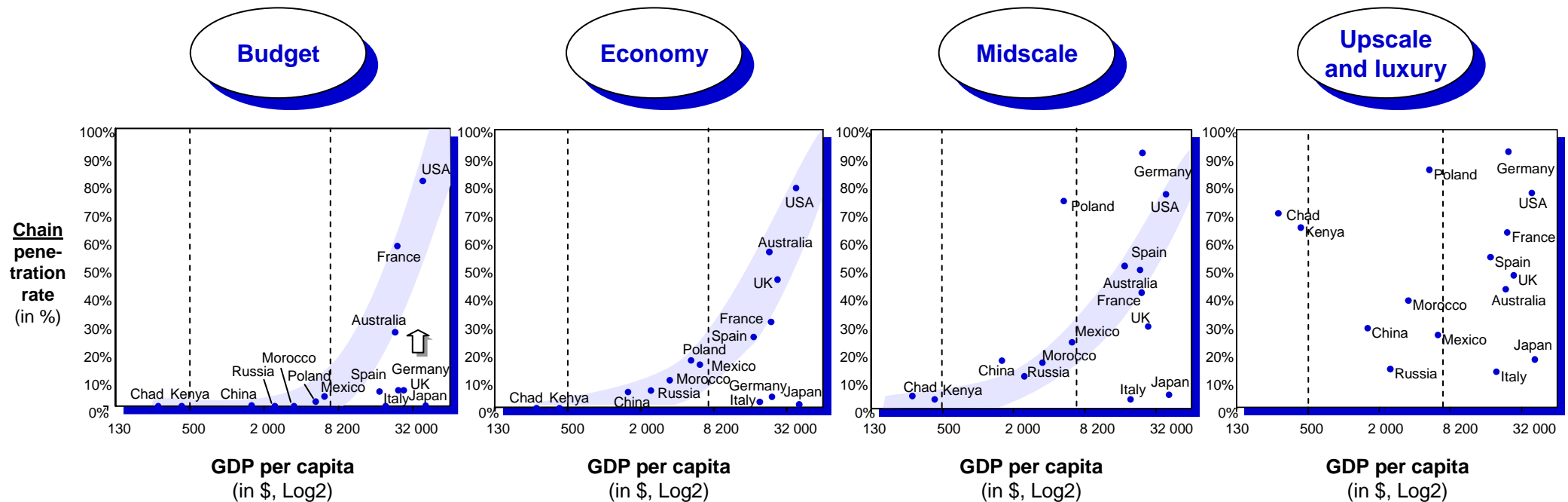
(3) Evolution of the structure of the demand - USA (1990-2012)



Sources : MKG, World Tourism Organization, Lodging Industry Report, analysis and modelling Estin & Co

# The chain hotel penetration rate depends on the segment and on the **GDP per capita** from budget to midscale segments

(5) Penetration rates for chains by segment and GDP - 2006

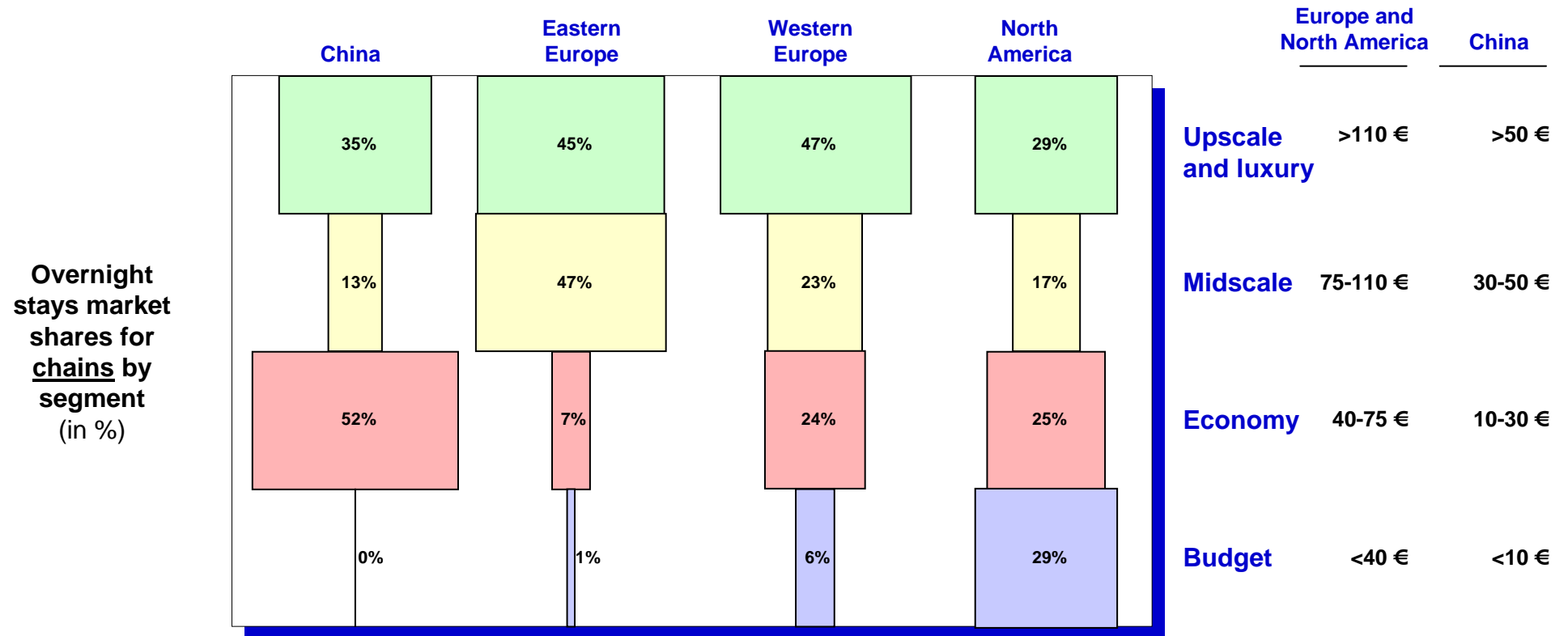


International segment

Sources : MKG, India Hotel Industry Report, Lodging Industry Report, World Tourism Organization, United States Department of Agriculture, Mexico Statistics Institute, Annual of Hotel 2006 Industry in China, Australian Bureau of Statistics, analysis and modelling Estin & Co

# The structure of the chain demand is linked to the degree of development

(5) Analysis of the chain demand structure in 2006 by segments



**Total chain overnight stays**  
(in millions)

56

97

495

878

**Average GDP per capita**  
(in \$)

1, 579

3, 060

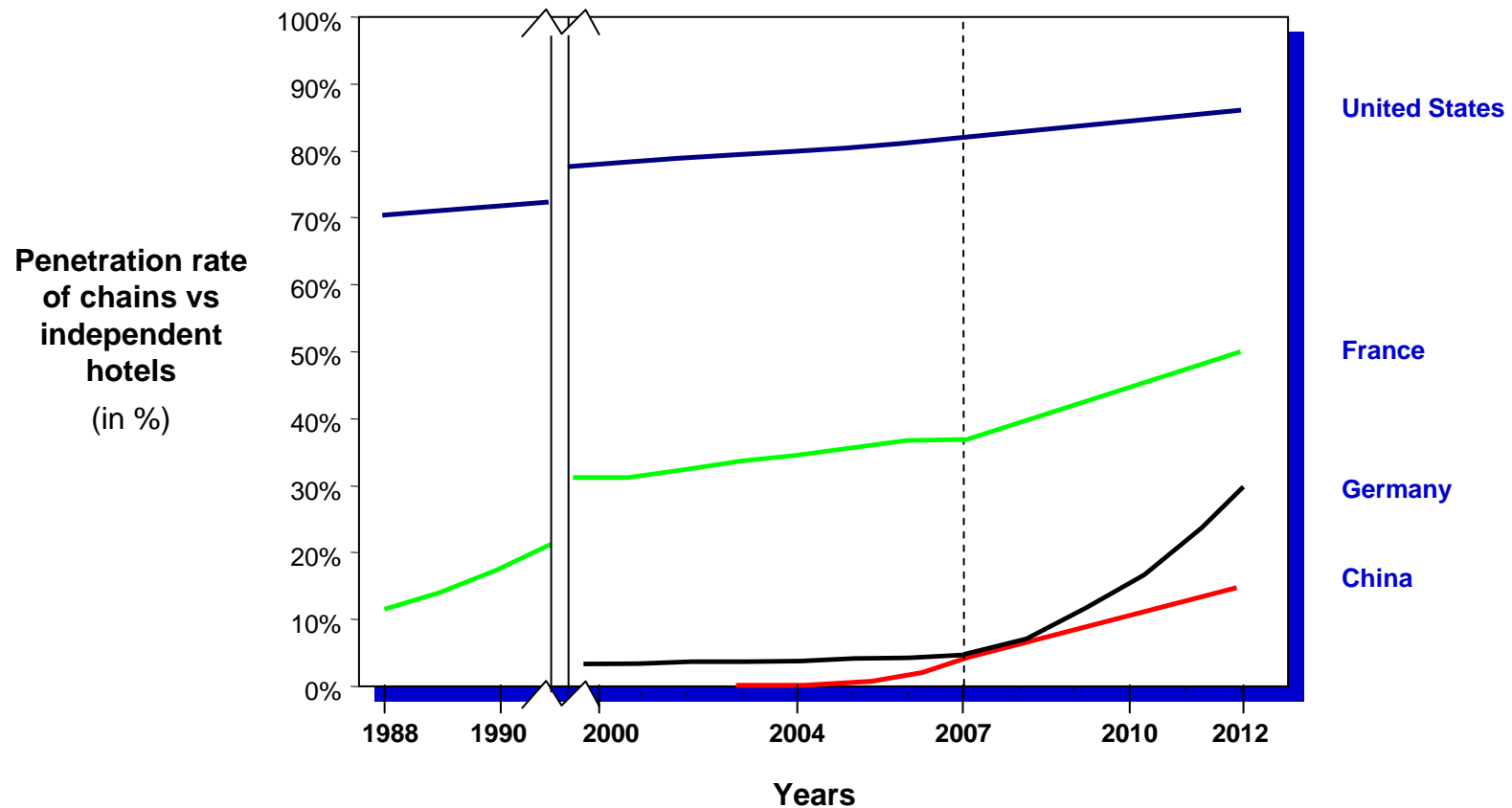
23, 000

37,400

Sources : MKG, World Tourism Organization, Swiss Tourism Federation, analysis and modelling Estin & Co

# Evolution of chains' penetration rates in Budget and Economy hotels

(1988-2012)



Source : analysis and estimates Estin & Co

# Hotel chains will experience strong growth in most segments of emerging countries (except Budget) and in the Budget and Economy segments of Western Europe

(6) Chain demand growth by geography and segment - CAGR (2006-2012) - In overnight stays

	North America	Japan	Western Europe	Latin America	Eastern Europe	China	Other Asia	Middle East	Africa	Total
<b>Upscale and luxury</b>	4,2%	6,1%	3,9%	8,4%	9,4%	19,4%	10,6%	7,6%	4,3%	5,5%
<b>Midscale</b>	0,6%	0,6%	3,0%	6,9%	7,8%	19,1%	9,6%	7,4%	9,4%	3,9%
<b>Economy</b>	2,1%	3,2%	7,1%	6,6%	9,1%	25,0%	10,0%	6,9%	-	6,7%
<b>Budget</b>	3,7%	-	9,6%	-	-	-	-	-	-	6,4%
<b>Total</b>	3,0%	4,8%	6,4%	7,0%	8,5%	19,6%	10,0%	7,5%	5,1%	5,7%
<b>GDP per capita CAGR 06-12</b>	2,2%	2,1%	2,0%	3,0%	5,0%	8,0%	4,0%	2,9%	3,7%	3,5%

Sources : MKG, India Hotel Industry Report, Lodging Industry Report, World Tourism Organization, United States Department of Agriculture, Mexico Statistics Institute, Annual of Hotel 2006 Industry in China, Australian Bureau of Statistics, analysis and modelling Estin & Co

# 65% of World's new demand growth for chains will be concentrated on six groups of geographies/segments

Chain accumulated new demand by geography and segment - In millions of overnight stays (06-12)

	North America	Japan	Western Europe	Latin America	Eastern Europe	China	Other Asia	Middle East	Africa	Total
Upscale and luxury	71	10	60	4	31	37	10	14	3	240
Midscale	5	1	22	7	26	14	14	4	1	94
Economy	29	1	60	4	4	81	8	4	-	190
Budget	64	-	93	-	-	-	-	-	-	156
<b>Total</b>	<b>169</b>	<b>12</b>	<b>235</b>	<b>15</b>	<b>62</b>	<b>132</b>	<b>32</b>	<b>21</b>	<b>4</b>	<b>681</b>
<b>In % of total</b>	<b>25%</b>	2%	<b>34%</b>	2%	9%	<b>19%</b>	5%	3%	1%	<b>100%</b>

Sources : MKG, India Hotel Industry Report, Lodging Industry Report, World Tourism Organization, United States Department of Agriculture, Mexico Statistics Institute, Annual of Hotel 2006 Industry in China, Australian Bureau of Statistics, analysis and modelling Estin & Co