

# SWISS SMALL HOTELS WITH NEGATIVE IMPACT ON THE HOTEL INDUSTRY



The quality of the Swiss hotels is deteriorating because of the cash crunch and unfavorable exchange rate faced by the hotel sector in the last couple of years and more in last few months. Most of these are small Swiss hotels with lack of scope to grow. The absence of marketing is making it worse.

In spite of expansion of the tourism industry the stagnation is decreasing the overall quality. Increase in the number of holiday homes and decrease in the number of hotels in the last 30 years is the culprit behind this. Small hotels make up a major part of the hotel sector in Switzerland. This fact is also admitted by Heinz Wehrle who is the head of Swiss subsidiary of Horwath HTL. Some experts believe that this problem is on the rise because most of the hotels in this area do not follow the profitability rule of hotels which suggests more than 100 rooms per hotel is profitable. For Swiss hotel the average was 42 in 1992 and 50 in 2009.

Major Reasons Of The Crisis:

## **Improper Distribution**

It is not that the investment in the hotel sector is low but the investors are interested in the large chain hotels with good profit rather than private hotels that are small and less profitable. Though you may need to invest SFR 100 millions in big projects but the effort is less and the profit is high. When you have such an alternative, small hotels are bound to be ignored.

## **Lack Of Modernization**

The spokesperson of Swiss hotel association, Susanne Daxelhofer, feels that the lack of modernization has deteriorated the quality of the small hotels. The modernization which was on a high from 2005 to 2008 is now over. While large amount of money is invested in the big hotels such as Grand Hotel Dolder in Zurich, 500-bed Bürgenstock Hotels and Resorts complex, the small hotels get no investment as such. Though medium size hotels try and invest their profit in renovation, the lack of profit in recent years has slowed down the process.

## **Deterioration Of Quality**

According to Wehrle the property should give you good return. There are many hotels that are called 'Undead' in technical terms. The owners just want to avoid bankruptcy due to closure of business and thus they deteriorate the price and quality. This has a negative impact on the pricing structure and they are termed as Bad Beds.

The experts say that the condition can improve only if the number of hotels fall and this cut is made from the tail. The small sector one star and two star hotels need to be decreased.

Swiss Hotel Credit Society was set up in 2003 to rejuvenate the small and medium hotels. The funding in the form of loan with low interest is given to the businesses. SGH also contributes in choosing hotels which would be able to survive in the market and hotels which will not be able to

survive. It actually determines their fate.

Also branding plays a major role in the success of the hotels. The new travelers from India, China and other improving countries are looking for big brands with international brand name. The small hotels lack the same and if they want investment to come their way, they need to be the part of the network.

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