

HOTEL CHAINS EXPAND THE SWISS HOSPITALITY MARKET

While the overall Swiss hospitality market shrank in 2017, the hotel chains grew significantly. The expansion mainly regards the economy segment of big cities.

According to Horwath's report, the number of chain hotels in Switzerland grew to a total of 272 companies (+25%). 62% of this increase is accounted to hotel groups that were included in the study before – including Best Western, Boas Hotels and Welcome Hotel Management. **Adjusted for these new additions, however, the increase of hotel chains is still around 10%.**

While hotel chains expanded in Switzerland in 2017, the overall hospitality market shrank by 1%. The number of rooms looked less serious – it increased by 3%.

In Switzerland, in contrast to other European and international markets, chain hotels have so far played a rather subordinate role. In France, for example, in 2017 every fifth hotel belonged to a chain. In Germany, it was one in ten.

In Switzerland, the share of the total number of hotels was 6%. It is true that chains are slowly gaining the upper hand in cities. But in fact, the share in Switzerland is still small, according to experts. However, the picture seems to be changing. After all, almost every fourth hotel room in Switzerland (23%) today belongs to a hotel chain.

RevPAR falling also because of the growing economy

For this and the next year, hotel chains in Switzerland are opening new facilities with a total of some 3,000 hotels rooms in the pipeline. This would correspond to an increase of another 10%. Hotel chains continue to concentrate on major centers, especially Zurich. Every second opening is planned in this popular metropolis.

According to hospitality market experts, it could further put pressure on prices. This was already evident last year. Both RevPAR (revenue per available room) and ADR (Average daily rate) decreased in Zurich. The city had to cope with room number increases already in 2017, especially in the budget and mid-scale segment (+7.8%). According to the study, ADR and RevPAR also fell in Geneva.

Also, in the future the hotel chains are particularly interested in expanding with budget and economy brands. The segment accounts for more than a third of new rooms this year and next. It is estimated that this will put pressure on room prices of 3-star hotels in cities. Up to now, 3-star city hotels have been able to achieve high prices in comparison to higher-ranking companies.

New and sometimes very expansive brands such as B&B hotels or Meininger, will further boost the trend of the Swiss market. And also, the image of the chain hotels, which today is still predominantly in the middle and upper hotel segment (70% of rooms) is to be changed. So far, the budget segment has the fewest hotel rooms in chains (12%). Even the luxury segment is represented more with 15%.

The majority of hotels (58%) and rooms (66%) of hotel chains operate in Switzerland under an international brand. The largest player in Switzerland is Accord. With a market share of 25% for the hotel chain rooms and an increase of 8.8% in 2017, the French company will probably be first in the hotel chain ranking in the longer term. The number two, IHG, has in comparison just a quarter of the rooms.

But Swiss hotel chains and groups also play a key role in the picture. They make up 42% of chain companies. The number one chain in terms of number of rooms continues to be Movenpick (5 hotels, 1306 rooms). They are followed by the ten Sunstar hotels (956 rooms) and the ZFV Group (17 hotels, 916 rooms).

Hotel chains have hardly been interested in holiday regions so far. **A good three quarters of hotel chain rooms are in cities today, and just under a quarter in holiday regions.** There would certainly be brands suitable for these regions that would be willing to expand here.

However, one of the problems is seasonality. On the other hand, if destinations like Davos advance to all-year-round destinations, holiday regions could become more attractive for chains. There is still room for hotel chains not only in Swiss cities.

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