



## **Economy Accommodation Forum**

# **Budget Hotellerie Growth Trend - Big Savings Opportunities on Business Trips and for Young Travellers**

## **Press Folder**

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Berlin, 5 March 2008

[www.economy-accommodation-forum.com](http://www.economy-accommodation-forum.com)

## PRESS- INFORMATION

### Economy Accommodation Forum: Budget Hotellerie Growth Trend - Big Savings Opportunities on Business Trips and for Young Travellers

**The two-star accommodation sector in focus: special event  
on 5 March 2008 at 3 p.m. in Hall 4.1**

*Berlin, 05.02.2008* – The trendsetters in the budget hotel sector promise new savings for commercial travel agencies and business people on the move. They will be explaining the success of their marketing concepts and showing attracts the smart-spenders amongst travelling business people. Two-star accommodation has become the fastest growing market sector. In international youth travel global hostel networks have been established shaping the current supply of accommodation in many city destinations now also used by business travellers.

A top-class panel from the hotel and hostel sector will be sharing their points of view. The event will be presented by Macy Marvel, Professeur from the Ecole hôtelière de Lausanne.

Taking part:

- Gerard Greene (CEO, YOTEL Ltd.)
- Colette Ambiehl (Senior Consultant, MKG Hospitality Group),
- Michael Mücke (Managing Director, Accor Hotellerie Deutschland GmbH)
- Philippe Weyland (Managing Director, Motel One AG),
- Oliver Winter (Managing Director, A&O Hostels & Hotels Holding AG).
- Presented by: Macy Marvel (Ecole hôtelière de Lausanne)
- With an introductory greeting by David Jones (Director General, WYSE Travel Confederation).

### The latest facts and figures

An initial impression of the sector can be obtained from the new, in-depth survey conducted by STAY WYSE among travellers in the under-30 age group\*: 1.6 billion overnight stays per year worldwide and anticipated 70% worldwide growth in the market for the below-30 age group from 2005

*ITB Berlin 2008/31/e/Economie Accomodation/05.02.08*

*Page 1 of 2*



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to 2020, particularly in China and India (source: Macy Marvel). For these reasons the "Economy Accommodation" sector has been put in focus for the ITB Berlin 2008. The exhibitors of the budget accommodation sector will be available before and after the presentation on Wednesday 5<sup>th</sup> March in Hall 4.1 "Trends and Events", and on every other day of the trade fair until Sunday, 9<sup>th</sup> March. Further information concerning the Economy Accommodation Forum can be obtained from the project office of the Messe Berlin at the iNTEGRON-Institute (tel: +49-(0)30-56 044 889, fax: +49-(0)30-56 044 840 or e-mail: [EcAcc@integron.de](mailto:EcAcc@integron.de), [www.Economy-Accommodation-Forum.com](http://www.Economy-Accommodation-Forum.com)).

**For additional details:**  
[www.itb-berlin.com](http://www.itb-berlin.com)  
[www.itb-convention.com](http://www.itb-convention.com)

**Introductory greeting by David Jones, Director General,  
World Youth Student and Educational (WYSE) Travel Confederation:**

## **Why Youth Accommodation Matters - New trends in the accommodation sector and youth travel**

Youth travel accommodation is not just about cheap beds. Young people travel to learn about other cultures from the destinations they visit and the places they stay. Youth hostels provide safe, affordable, clean accommodation and a communal atmosphere for these budget minded travellers.

Previously unrepresented by a global organisation, this critical sector will now – for the first time ever – be united by a new sector association **STAY (Safe Travel Accommodation for Youth) WYSE** founded by WYSE Travel Confederation.

The first priority for STAY WYSE has been to conduct a global study 'Why Youth Travel Accommodation Matters' to substantiate the size and importance of this unique market.

### **Key trends revealed by STAY WYSE:**

- Young travellers are now spending 40% more than 5 years ago
- The youth accommodation sector is experiencing phenomenal growth, currently accounting for 5% of the global accommodation industry.
- In 2006, 50% of hostels worldwide expanded their capacity, taking the average number of beds to 177 per hostel in Western Europe.
- Many youth hostels are also investing their money in upgrading and improving facilities in order to appeal to the lucrative 'flashpacker' market

#### *The youth accommodation industry is...*

A valuable global market whose value is forecast to increase from US\$7.4 billion in 2005 to approximately US\$12 billion in 2020.

#### *Appealing to backpackers with bigger budgets*

Many hostels are replacing bunk-bed dormitories with private bedrooms, en-suite facilities and a stronger city presence in order to appeal to the growing 'flashpacker' market which is taking more frequent, shorter trips.

#### *A connected market*

The use of Web 2.0 technology for booking & customer reviews is helping to improve the quality and profitability of youth hostels. By positioning hostels alongside budget hotels, these reservation sites are also blurring the boundaries between both markets.

#### *An Expanding Network*

The global network of independent hostels is expanding rapidly. Approximately 15,000 hostels in 2005 (Travelfat), now account for approximately two thirds of all hostels worldwide.

*"Our research confirms that the youth accommodation industry is currently experiencing a dramatic change in supply and demand. Youth hostels around the world are expanding their capacity and upgrading facilities in order to tap into lucrative new markets, and, satisfy major developments in Web 2.0 and environmental issues."*

David Jones, Director General, WYSE Travel Confederation.

\*\*\*\*\*Press release\*\*\*\*\*

## **Budget Hotel Growth Trend - Big Savings Opportunities on Business Trips**

The economy or 'budget' accommodation sector has excellent growth prospects over the next couple of years, as business and leisure travellers seek to cut costs in the face of weakening economies worldwide. Emanating from the USA, the budget hotel format, which offers branded, standardised no-frills accommodation, is spreading around the world. In Europe, France already has an extensive network of budget accommodation and the UK and Germany are on the road to catching up. Spain and Italy, on the other hand, are just at the beginning of the development cycle. In November 2007, Travelodge UK announced a €1 billion investment programme to open 100 properties in Spain by 2020. Meanwhile, some of the 'BRIC' countries offer explosive growth opportunities for budget hotel development, notably in China, where the number of economy hotels has already surged from 166 in 2004 to 1,698 as of end December 2007. Growth is just getting underway in India, where about 8,500 rooms of budget hotel capacity are currently in the pipeline. Internet bookings are growing rapidly with Travelodge UK already realising 80% of reservations online.

The panel will include: Gerard Greene, CEO Yotel Ltd., the creators of a capsule hotel concept; Colette Ambiehl, Senior Consultant at the Paris-based hospitality consulting group, MKG Hospitality Group; David Jones, Director General of the WYSE Travel Confederation; Michael Muecke, Managing Director of Accor Hotellerie Deutschland GmbH, the leading hotel group in Germany; Philippe Weyland, Managing Director, Motel One AG, a growing chain of budget hotels in Germany with plans for a major Europe-wide expansion and Oliver Winter, Managing Director, A&O Hostels & Hotels Holding AG. The event will be moderated by Macy Marvel, Professeur at the Ecole hôtelière de Lausanne and the author of Mintel's "Budget Hotels in Europe" report, as well as numerous other Mintel studies about the international hotel market.

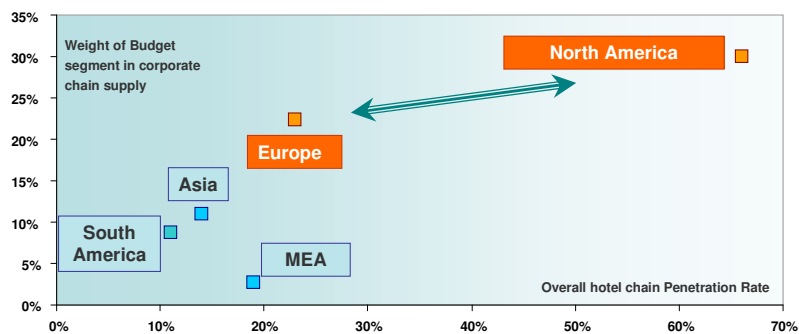
Macy Marvel, professeur, Ecole hôtelière de Lausanne  
8 February 2008

# Economy Hotel Supply in Europe



## Progress in the development cycle

- Two main criteria that assess the product cycle of a hotel market:
  - Total market share of hotel chains against total supply
  - Proportion of Budget hotels against total supply of hotel chains
- Opportunities for development still exist for hotel chains in the European market

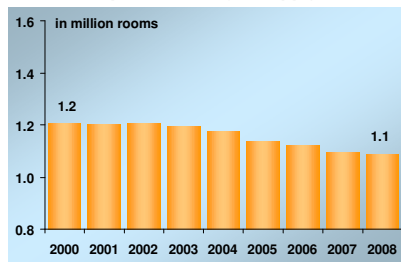


Source: MKG Hospitality Database

## Trend of independent hotel supply per category

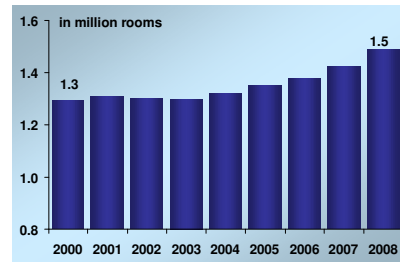
- A noticeable trend in key European markets is the decline of independent Budget hotels: -1.3% annually since 2000.

Independent Budget Supply



Source: MKG Hospitality Database

Independent Midscale and Upscale supply

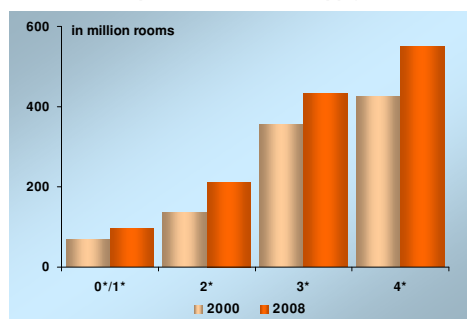


\* Calculation based on 7 countries: France, Germany, United Kingdom, Spain, Italy, Belgium, Netherlands, or 73% of overall supply in the EU.

## Trend of corporate hotel chain supply per category

- The 4-star segment benefited most from an overall increase in room volume. In 2008, the 4-star segment constituted almost half of the corporate chain hotels created (approximately 26,000 rooms).
- Dynamic growth was also recorded in the 0-1 and 2-star segments.

Corporate hotel chain supply

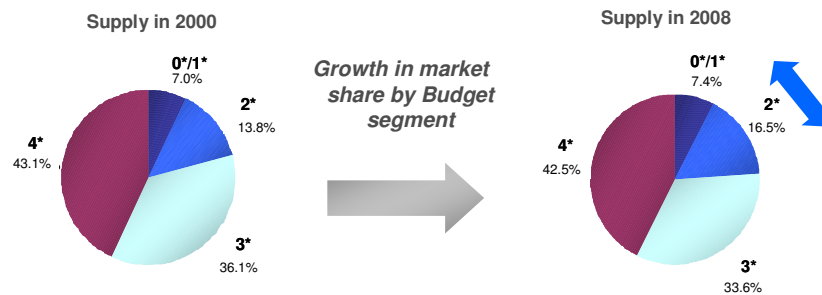


Source: MKG Hospitality Database

Category	Annual average variation	Growth rate 2008
0*/1*	+4.2%	+5.0%
2*	+5.8%	+3.4%
3*	+2.5%	+0.6%
4*	+3.3%	+2.2%
Total	+3.5%	+2.0%

## Trend of corporate hotel chain supply per category

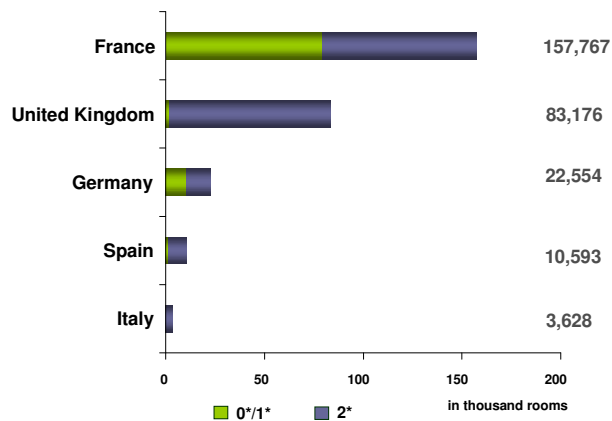
- In spite of the progress of the 4-star supply in volume, the 2-star segment achieved the largest growth in market share over the last 8 years.



Source: MKG Hospitality Database

## Corporate chain Budget supply in major European markets

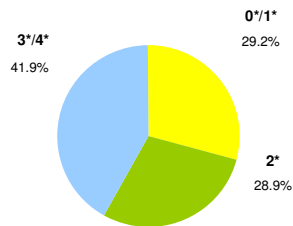
Corporate chain supply in 2008 – Budget hotels



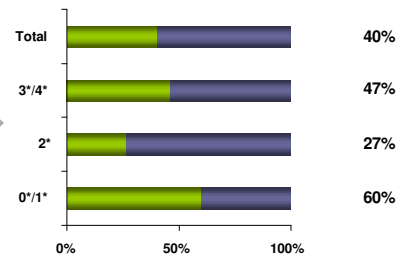


## Breakdown per category and penetration index of chains in France

Breakdown per category of Corporate hotel chains in 2008



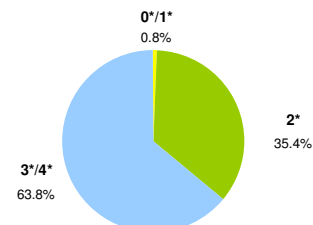
Estimation of corporate hotel chain penetration rates in 2008



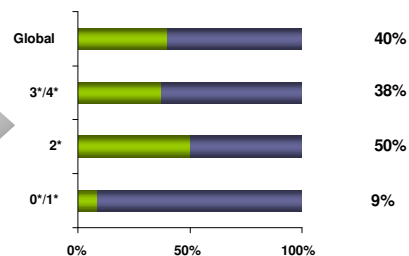
Source: MKG Hospitality Database

## Breakdown per category and penetration index of chains in the United Kingdom

Breakdown per category of Corporate hotel chains in 2008



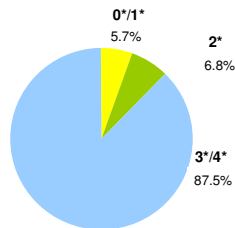
Estimation of corporate hotel chain penetration rates in 2008



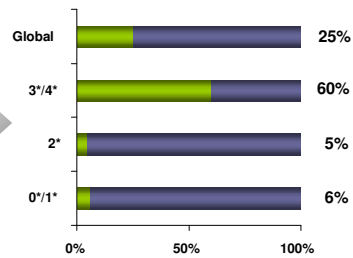
Source: MKG Hospitality Database

## Breakdown per category and penetration index of chains in Germany

Breakdown per category of Corporate hotel chains in 2008



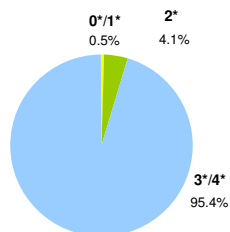
Estimation of corporate hotel chain penetration rates in 2008



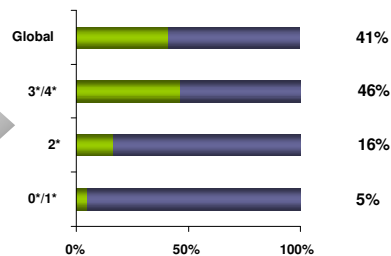
Source : MKG Hospitality Database

## Breakdown per category and penetration index of chains in Spain

Breakdown per category of Corporate hotel chains in 2008



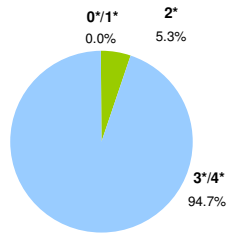
Estimation of corporate hotel chain penetration rates in 2008



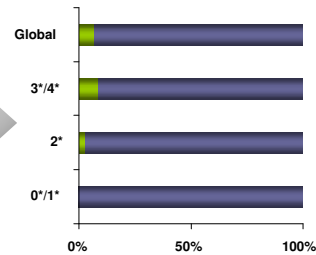
Source: MKG Hospitality Database

## Breakdown per category and penetration index of chains in Italy

Breakdown per category of Corporate hotel chains in 2008



Estimation of corporate hotel chain penetration rates in 2008

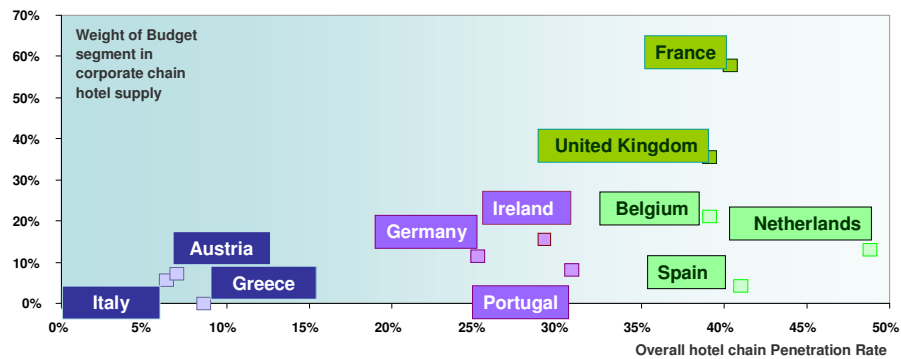


Source: MKG Hospitality Database

## Maturity of European markets

**Western European markets:** Greece, Austria and Italy revolve around a leisure hotel market, thus retain a marginal share of chain hotel supply

- Penetration rates are very weak as overall independent hotel supply is high
- Chain hotel supply is limited to 3- and 4-star properties

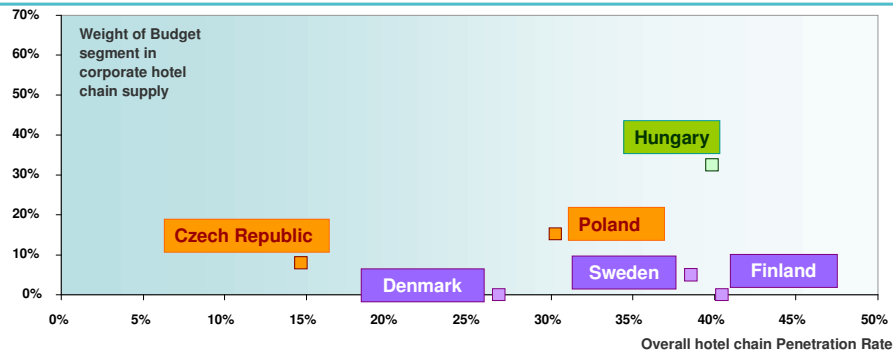


Source: MKG Hospitality Database

## Maturity of European markets

### Eastern and Northern European markets:

- Corporate chains have a strong presence in Northern Europe, developing almost exclusively Midscale and Upscale products.
- Hotel chains are slowly entering Eastern European markets and developing Budget products (particularly in Hungary – the most developed market)

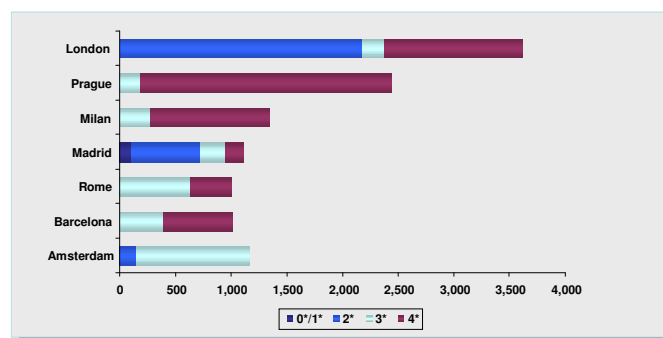


Source: MKG Hospitality Database

## Hotel chain supply in key European cities

- London and Prague recorded the largest number of chain hotel developments in 2007

Development in major European cities – 2007  
(number of hotel chain rooms created)



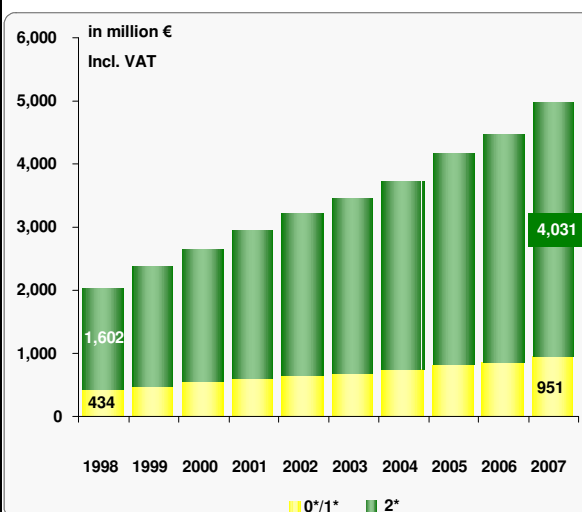
Source: MKG Hospitality Database

## Top 10 Budget hotel chains in Europe - 2008

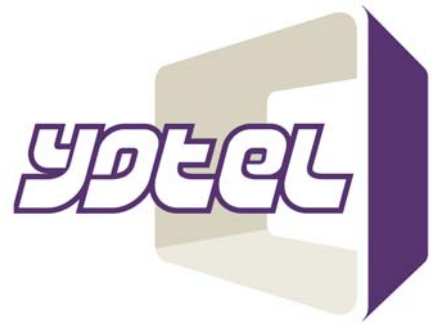
Rank 08	Rank 07	Chains	Groups	Hotels in 2008	Rooms in 2008	Change
1	1	- IBIS	ACCOR	641	67,112	1.9%
2	2	- PREMIER INN	WHITBREAD	505	34,424	11.0%
3	3	- ETAP HOTEL	ACCOR	365	30,159	8.4%
4	5	- CAMPANILE	GROUPE DU LOUVRE	382	24,220	1.6%
5	4	- FORMULE 1	ACCOR	315	23,289	-2.7%
6	6	- TRAVELODGE	TRAVELODGE	331	22,375	17.4%
7	7	- EXPRESS BY HOLIDAY INN	IHG	178	18,780	9.7%
8	8	- PREMIERE CLASSE	GROUPE DU LOUVRE	219	15,614	3.0%
9	11	- B&B	GROUPE B&B	193	14,037	61.2%
10	10	- KYRIAD	GROUPE DU LOUVRE	208	11,781	3.8%

• The sharp increase in number of rooms for the B&B brand is explained by the acquisition of Villages Hotels group in 2007.

## Room turnover in Budget category



- A linear progression of room turnover throughout Europe since 1998.
- +9.1% average annual growth for the 0- and 1-star segments.
- +10.8% average annual growth for the 2-star segment.



## Gerard Greene Biography

On a mission to revolutionise the hotel industry and save consumers from expensive and boring hotels, Gerard gave up work after five years as a hotel analyst, sold his home and joined forces with Simon Woodroffe, founder of the YO! Group to develop YOTEL, "the world's most radical hotel!". Gerard's vision for YOTEL is to provide a first class experience at an affordable price.

As a director at HVS International, Gerard has worked on consultancy projects throughout Europe, the Middle East and Asia advising groups such as Goldman Sachs and Kingdom Holdings with brands from Four Seasons to Express by Holiday Inn. Previously, Gerard worked at an operational level for Hyatt International, Marriott Hotels & Resorts and Conran Restaurants.

You may find him on his bicycle training for a triathlon, scuba diving or even snooping around hotels, checking out the competition.

## YOTEL

YOTEL adds a new dimension to the hotel market with the signature YO! formula of innovation and entertainment. The YOTEL concept uses the language of airline travel and offers a business class experience from only £25. With the original prototype having been conceived by Priestman Goode, who helped Airbus define the interior of the double deck aircraft of the future, the 'cabins' are 10m<sup>2</sup> and feature moving double beds, sophisticated lighting, pull down desks, monsoon shower, flat screen TV and wi-fi access. Cabins are bookable for a minimum of four hours, enabling delayed and transfer passengers to relax privately in a hotel environment.

YOTEL is now open inside London's Gatwick Airport - South Terminal, and has been trading very successfully since the end of June 2007. A further YOTEL opened at Heathrow Airport - Terminal 4 during December 2007, and the first airside and international location will open in early 2008 at Schiphol Airport Amsterdam.

Worldwide expansion is already under way in other major airports and city centres.

**HOSTEL****HOTEL****YOUTH HOSTEL · HOTEL · CONFERENCE CENTER    BERLIN · DRESDEN · HAMBURG · MUNICH · PRAGUE**

## PRESS RELEASE

### **A&O attending the Economy Accommodation Forum at the ITB 2008**

At the ITB, the Economy Accommodation Forum discussing the topic “Growth Trend in Economy Accommodation Business – Big Savings Capacity on Business Trips” will be held for the first time this year. It will take place on March 5, 2008 at 3.00 p.m. in hall 4.1, booth 100. Macy Marvel, Professeur from the Ecole hôtelière de Lausanne, will present this event. Oliver Winter, General Manager of A&O HOTELS and HOSTELS, will be attending the Forum as well. “Our guests have developed a strong awareness for their needs during their travel. Those going on a city trip are out and about all day long anyway, so our customers do not need a 5 star hotel. Besides, our guests are more interested in the community-experience than in saving money. This goes for the young as well as for those young at heart”, Oliver Winter explains.

Many business clients are visiting customers or attending a fair all day long and therefore selectively choose a low-budget-hotel. This also explains the fact that the low-budget hotel industry is the fastest growing market sector. “Our houses are a mixed form of the long-established hotel categories: Our service including a 24/7 manned reception and a concierge-service as you can find it in the upscale hotel industry is enhanced by a low-budget accommodation product”, Oliver Winter says.

As the biggest hostel chain in Europe, A&O HOTELS and HOSTELS have a lot to offer for business as well as for private customers. With nine locations and about 5000 beds in Berlin, Dresden, Hamburg, Munich and Prague, there is something in it for everyone. In 2008/2009, new locations in Leipzig, Düsseldorf and Vienna will top off the services that A&O have to offer. Anyone interested can obtain further information at the toll free number 0800 – 222 67 14 or online at [www.aohostels.com](http://www.aohostels.com).

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**HOSTEL**

**HOTEL**



## **A&O benefits:**

- Karaoke nights
- Wii Lounge
- Childcare
- Sauna
- Tickets
- Bars
- A&O Inhouse Magazine
- Tours
- Meeting point for the young and young at heart







**HOSTEL**

**HOTEL**



**9 HOTELS and HOSTELS  
already in 5 cities:**

- **3x Berlin**
- **1x Dresden**
- **2x Hamburg**
- **2x Munich**
- **1x Prague**

**New openings in 2008 /  
2009:**

- **1x Duesseldorf**
- **1x Leipzig**
- **1x Vienna**

**to be continued...**

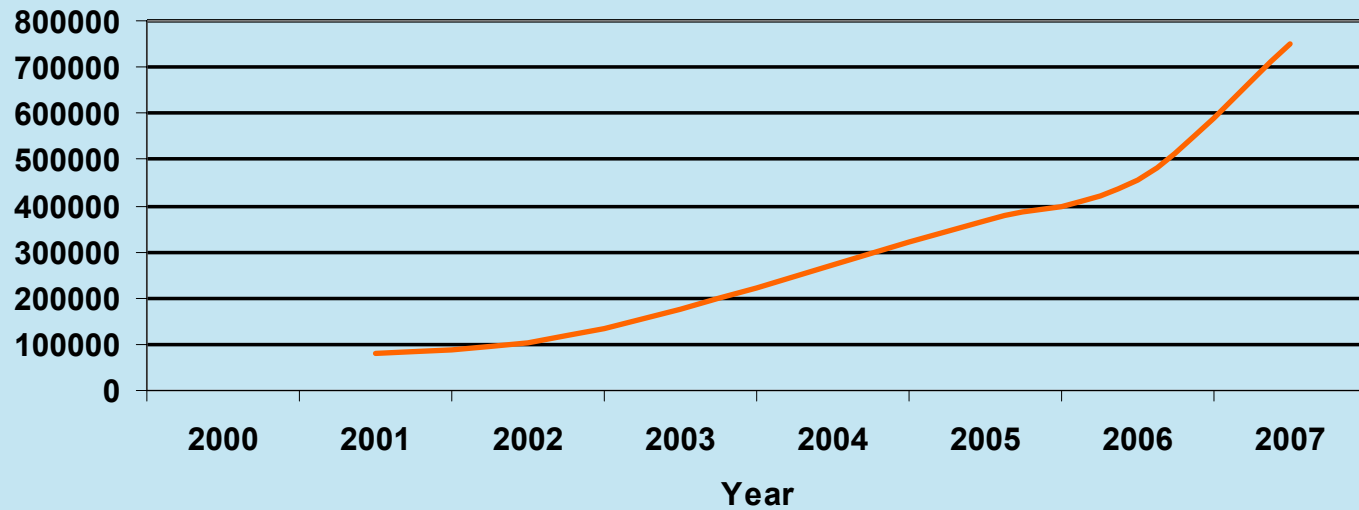


**HOSTEL**

**HOTEL**



Number of accommodation



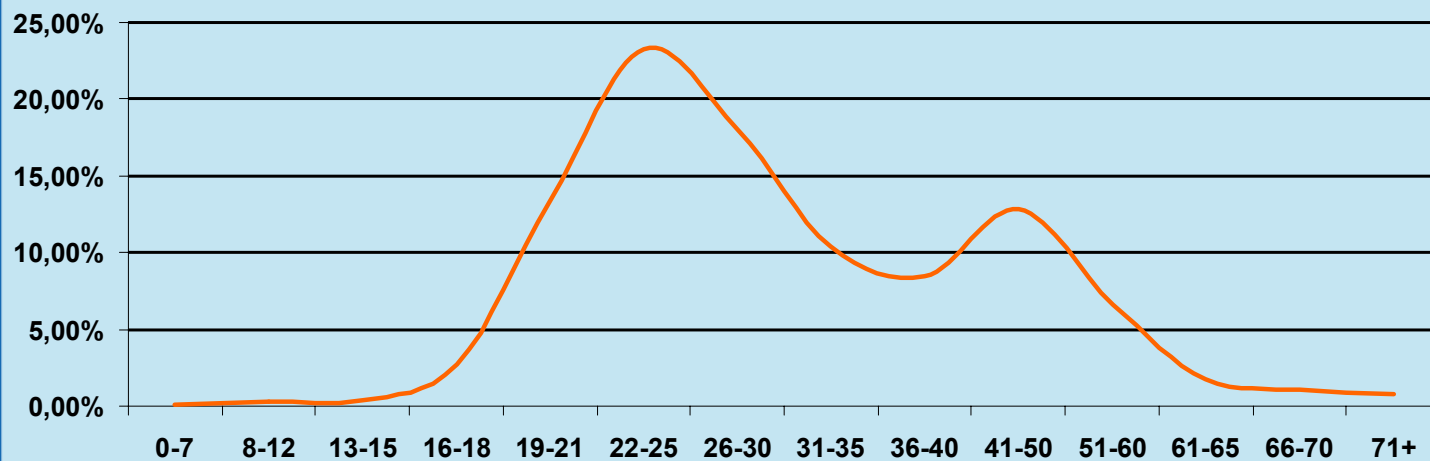


**HOSTEL**

**HOTEL**



Average age



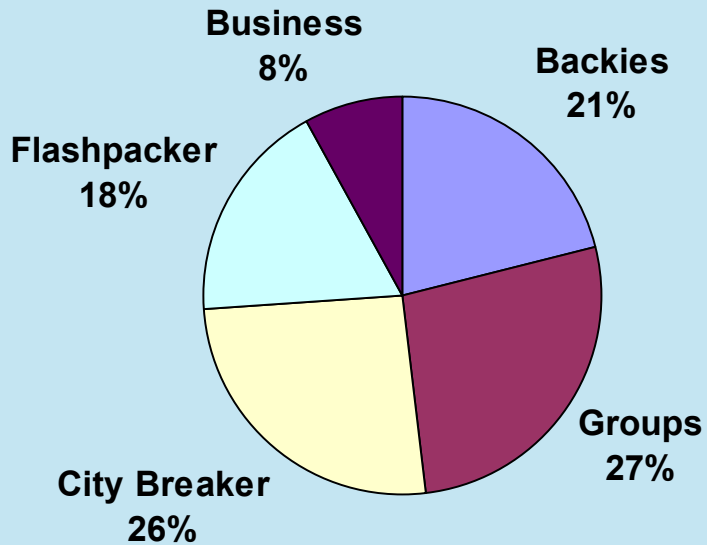


**HOSTEL**

**HOTEL**



### Customer demographics



## **Motel One**

The hotel group Motel One was established in 1999 and has already successfully positioned itself in Germany as a budget design hotel chain. Based in Munich, Motel One currently operates 19 hotels with a total of 2,700 rooms. Contracts have already been signed ensuring the company's future growth to 35 hotels with more than 7,500 rooms.

Motel One's success is based on its concept of offering well designed hotel accommodation in prime city center locations, all for a low price. This systematic approach to the business is the key to a continued financial success as well as the plans to grow.

Motel One is a dynamic company experiencing robust growth, led by a deeply experienced management team that has a uniquely new and exciting approach to the budget hotel business.

Starting at €49, guests stay in air-conditioned rooms with a double bed, W-LAN, flat screen TV and a bathroom in dark granite with a monsoon shower. The offering is supplemented by the One Lounge, which is a lobby, breakfast lounge and bar with free W-LAN access all at the same time. Further information is available at [www.motel-one.com](http://www.motel-one.com).