



GERMAN HOTELS ECLIPSE THEIR EUROPEAN COUNTERPARTS IN REVENUE

GDS is key to driving traffic

In Europe, German cities are holding the top five positions for annual change in revenue per available room (RevPAR) year-over-year (YOY), May 2009 versus 2008. Of the 40 European markets sampled, which represent 2,245 hotels and more than 400,500 guest rooms, the top five-performing cities are all German: Cologne, Hamburg, Frankfurt, Munich, and Berlin (source: May 2009 edition of the European Hotel Review, published by STR Global).

Percentage Change in RevPAR YOY, May 2009 versus May 2008

Rank	Cities	RevPAR Percent Change
1	Cologne	-6.6%
2	Hamburg	-7.5%
3	Frankfurt	-9.9%
4	Munich	-12.3%
5	Berlin	-14.0%

Source: STR

COMPARING RECESSIONS

The last German recession started in the last quarter of 2002 and continued until the second quarter of 2003. Yet RevPAR was already falling well before the recession, due to the effect of such events as 9/11, the Iraq War, and SARS. At that time, RevPAR fell 11 consecutive quarters, from third quarter 2001 through first quarter 2004.

This time around, with the current German recession beginning in the second half of 2008, the quarter-on-quarter RevPAR change has lagged general economic data by six months. In spite of the poor performance of Düsseldorf, due to a couple of non-annual trade shows in 2008 that will not return to the city until 2011, the picture for Germany at the national level is good. In a series of negative statistics, the performance by Germany's cities reflects not only a commendable level of skill by revenue managers but also the overall state of Germany's economic performance and a reasonable level of consumer confidence.

HAMBURG: GDS IS KEY TO TRAVELCLICK HOTELS OUTPERFORMING THE MARKET

YEAR-OVER-YEAR in May, TravelCLICK hotels in Germany outperformed the market by 11% in RevPAR.

TravelCLICK Hotels in Germany, Percentage Change in RevPAR Year-over-Year May 2009 versus May 2008.

Global	-16.9%	↑
TravelCLICK	-5.8%	

Stabilizing economic conditions are creating incremental opportunity for local markets. In Hamburg, for example, TravelCLICK's iHotelier hotels realized a 95.75% increase in occupancy compared to the overall market, which experienced a 5.3% decrease. RevPAR was also up for TravelCLICK hotels, increasing 67.99% compared to the overall market, where it declined 17.6%.

Most of this success is being driven through the Global Distribution Systems (GDS) channel. For example, GDS room nights into the Hamburg airport code in May reflected a -17.82% decrease. However, for the same period, a snapshot of four key TravelCLICK properties reflects a year-over-year growth in GDS room nights of 85.82%.



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TRAVELCLICK LOCAL MARKET ALERT



MAY 2009

Hamburg, GDS Market, May 2009 versus May 2008

	May 2009	May 2008	Variance	Decrease
Amadeus	11,714	13,357	-1,643	-12.30%
Galileo	2,393	2,797	-404	-14.44%
Sabre	2,252	3,644	-1,392	-38.20%
Worldspan	208	361	-153	-42.38%
Total	16,567	20,159	-3,592	-17.82%

TravelCLICK Hotels, GDS Room Nights, May 2009 versus May 2008

	May 2009	May 2008	Variance	Increase
Hotel 1	440	218	222	101.83%
Hotel 2	6	11	-5	-45.45%
Hotel 3	55	43	12	27.91%
Hotel 4	10	3	7	233.33%
Total	511	275	236	85.82%

Tour operators report a 22% growth in travel to Hamburg so far this year, primarily from leisure travelers. Much of the upturn in leisure travel is tied to Amsterdam-based Stage Entertainment, which has a successful subsidiary in Hamburg. The city has also become increasingly popular with the local German market as a short holiday or weekend destination. Also, several key corporate accounts are reporting increased volume into Hamburg YOY.

Hotel 1 example – One corporate account contributed 95% more room nights this May over last, accounting for almost 60% of the room night growth in the month. The introduction of a best available rate (BAR) this year has also been a catalyst, contributing 8% in new business YOY.

LESSONS LEARNED FROM GERMANY'S SUCCESS

In considering the German success story, we see that local market conditions vary greatly. To make the most of today's environment, it is imperative to fully analyze your unique source and destination markets.

In pricing, practice "opportunistic perseverance," remembering that 50% of your pricing decisions will determine 90% of your profitability. Resist the temptation to uniformly lower pricing, especially when responding to competitive activity.

Follow best practices for the GDS to broaden your reach to travel agents and travelers. Each GDS provides specific and targeted advertising tools that hotels can use to promote their brand, a specific hotel property, or to a targeted trade audience. For example:

- **Upsell programs** (e.g., Sabre's UpSell): Increase revenue by displaying the price difference for an upgrade or providing the choice to purchase additional features.
- **BAR** (e.g., Galileo Best Available Rate, Amadeus Best Available Rate, and Sabre Rate Assured): Gain travel agent, and consumer, confidence by guaranteeing that the rates in the GDS are the same as those offered on the hotel website or through a call to the hotel.
- **Priority placement** (e.g., Sabre Spotlight, Galileo Feature Property, and Amadeus Instant Preference): Highlight and position properties at the top of the hotel search list for the destination and dates requested.

Remember, too, that recovery comes in small wins. Determine which of your market segments will recover first and which associations and affiliations are gaining traction in your local market. Manage for the long term but act for the short term.

To learn more about how iHotelier® can help you achieve better results, call us or go to www.travelclick.net/GetAhead.

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