making it HAPPEN

Trevor Ward Reports

We're approaching the end of the year, and as I reported in the last edition the international and regional hotel chains expect to have opened 96 hotels with just over 15,000 rooms by December 31.

HERE THEY ARE BY COUNTRY:

COUNTRY	HOTELS	ROOMS
NORTH AFRICA		
ALGERIA	5	1,084
EGYPT	6	2,416
MOROCCO	14	2,687
TUNISIA	5	519
SUB-SAHARAN AFRICA AND INDIAN OCEAN		
BENIN	1	121
BOTSWANA	1	145
CAMEROON	2	283
CAPE VERDE	3	778
CONGO-BRAZZAVILLE	1	180
CÔTE D'IVOIRE	1	287
DR CONGO	1	100
ESWATINI	1	124
ETHIOPIA	6	896

COUNTRY	HOTELS	ROOMS
SUB-SAHARAN AFRICA AND INDIAN OCEAN		
GHANA	2	420
KENYA	9	1,105
MAURITIUS	1	164
MOZAMBIQUE	3	333
NAMIBIA	1	174
NIGER	2	337
NIGERIA	10	716
RWANDA	3	238
SENEGAL	2	195
SOUTH AFRICA	4	376
TANZANIA	3	489
TOGO	1	186
UGANDA	5	621
ZAMBIA	3	106

A hotel with 200 rooms, achieving 50% occupancy in its first year of operation, will sell 36,500 roomnights. At an average per night of US$100 for the room, that's rooms revenue of US$3.65 million. With other revenues from meals, drinks and other services, that's at least US$5 million in total revenue.

Almost half of the anticipated openings are in North Africa, the remainder in sub-Saharan Africa and the Indian Ocean islands, such as Mauritius, that we include in the survey.

Now, we can get very excited about almost 100 hotels opening in Africa this year, and of course some have already opened, creating jobs, value-added in the supply chain, generating foreign exchange and all the other benefits that hotels bring to the community and wider location. But, they're no way all going to open, and I'm afraid there's some doubts regarding whether one or two of them will ever welcome guests through their doors.

Have a look at the data figures:

TABLE 1: HOTEL CHAIN DEVELOPMENT PIPELINES IN AFRICA 2019
2016-2018 Scheduled vs. Actual Hotel Openings

	Scheduled	Actual	Actualisation
2015	69	27	36%
2016	110	54	49%
2017	95	51	54%
2018	115	46	39%
TOTAL	320	151	47%

The figures for "actualisation" are the percentage of hotels that actually opened in the scheduled year. Using the average over the last four years of 47%, that means that maybe only 45 of the 96 hotels due to open in 2019 will do so. Well, there's still a few weeks to go, so let's wait until January 2020 and look back to see what 2019's actualisation rate really was.

It will be less than 100%, but why? In Djibouti, the 177 room Kempinski Hotel was built in just nine months. In Accra, the 100 room Labadi Beach Hotel took a little longer, all of 10 months, and the Radisson Blu Niamey, which is included in the list above, opened in 11 months! It can be done, but why do so many hotel projects in sub-Saharan Africa take such a long time to become reality, with several years' delay by no means unusual? What should be done by investors to stop such a waste of opportunity – the revenue lost by not opening on time - happening on their projects? 9I hasten to add that the operators are rarely the cause of the delays!}.

In my experience, so much can be laid at the door of a lack of planning. I believe it was Conrad Hilton (amongst others) who said that the three main success factors for a hotel are location, location, location. Well, that's a good soundbite, oft repeated in the industry, and it does have much to say about the operational success of a hotel. But I think it is planning, planning, planning that marks the success or failure of your development project.

Here are the three main areas where, in my experience, proper planning brings success:

1. CREATING THE DEVELOPMENT TEAM

Hotels are difficult, complex and mostly they are big projects. Like in any endeavour, from preparing a plane to take off to organising the Olympics, a variety of skills is required, and the secret of success of projects like the Radisson Blu in Niamey is to leverage off the skills of the individual team members. Every developer knows they need an architect – but hotels are not big houses, they are far more complicated, and the architect must have previous experience of international hotel design – it saves cost and it saves time if they do.

The project needs managing, and the project manager needs to be involved from the very early design stages. Project management is a skill which requires experience and well-tested tools, and rarely, in my experience, does the investor or the architect have those skills and tools, leading to some of the serious delays that we see. Do the maths – a year's delay in opening a 200 room project, because the project is not properly managed, could mean a loss of in excess of US$5 million in revenue.

2. DESIGN ISSUES

The international hotel chains have decades of experience in hotel design, knowing what works and what does not, and increasingly they have experience of African hotels. The primary objectives of a hotel design are: to deliver what the guest wants; to maximise the revenue-generating possibilities of the building; to minimise the non-revenue generating areas, whilst still providing sufficient support space; to minimise operating expenses; and thereby to maximise the return on the owner's investment.

When an architect puts the bathrooms on the outside wall, instead of the corridor wall, "for ventilation", or a toilet in the middle of the kitchen "for when the chef gets caught short", or omits any staff facilities, you can be sure that the experts in the hotel chains have rejected such design elements in their own properties long ago, for good reason. Architects who insist on ignoring this corpus of knowledge are ensuring that your hotel will be obsolete when it opens, hugely vulnerable to competition.

I know of several hotels where expert design experience was sought only after starting construction in which, when the operator came on board and said no, we cannot live with that, it doesn't accord with what our guests want, there were substantial delays in completion, and cost overruns, which could and should have been avoided. So the management company, if one is to be engaged, must be on the team from the get-go – there is absolutely no logical reason why their appointment should be delayed.

3. LOCATION

And then I come back to the issue of location (times 3!). Many investors seem to believe that, because they own a site, it is suitable for hotel development. Well, not necessarily! Selecting the correct site is part of the planning process – just because demand is strong today, and land is hard to come by (a feature of many, many markets in Africa), these are not good reasons to go ahead with a hotel development on a secondary site. Markets are never static, changing over time, and a location which will "do" today, because of high demand and lack of customer choice, is likely to be at a disadvantage in the future when supply: demand imbalances are evened out. Conversely, locations can change – look at the decline (and subsequent slow reawakening) of the centre of Johannesburg, where the city's main 5 star hotels were once located – but this tends to be in mature markets.

Unlike 10 years ago, when several African cities were experiencing a shortage of hotel rooms in the face of high and increasing demand, those same markets are now facing oversupply, because so many entrepreneurs piled into the market at the same time, and demand downturn, caused by a variety of factors, compounded the situation. Today, in the face of quite different market dynamics, those investors that plan properly from the outset – getting the design right, having the right development team on the project, and being in a location where guests want to stay – will be creating sustainable businesses. Those that fail to plan, plan to fail. Ai

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