

Hospitalitynews

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Turkey: a lot at stake



Chadi Chidiac, managing partner of Protocol Hospitality Management and Consultancy, offers an insight into Turkey's hospitality sector

The recent turmoil of the Arab Spring throughout the Middle East has benefited the Turkish tourism industry, which by and large has avoided such uprisings, until now at least. In Turkey however, there is a lot to lose if the current protest movement, coupled with corruption accusations toward the Turkish prime minister, continues. Turkey's government must move quickly to deal with the unrest before Turkey's image as a sun-drenched vacation destination is damaged entirely and if its tourist industry is to remain intact.

In 2013 data released by Turkey's Ministry of Tourism (MOT) revealed solid figures showing that foreign visitor arrivals increased at a faster rate compared to the previous year. The number of foreign visitors to the country grew 9.84 percent to circa 34.91 million from 31.78 million in 2012, with February 2013 witnessing the biggest growth in arrivals for the year, at 26.06 percent. In December, visitor arrivals increased 7.43 percent year-on-year (YOY), following a 4.77 percent rise in November, at a total of 1.44 million tourists.

New airport set to fuel growth

Istanbul, according to UNWTO World Tourism barometer, is one of the hottest touristic spots in the world and saw YOY growth in number of visitors, the highest increase in the number of visitors in Europe last year. In January 2013, the Turkish government announced that it would build the world's largest airport in Istanbul. The operation has an invested seven billion euros (USD 9.8 billion) and will have the first part of a four-part plan completed by 2017. Turkey earned New Turkish Lira (TRY) 13.5 billion (approximating USD 6.9 billion) from its millions of visitors over 2013. The revenue from tourism, often called 'no chimney

industry', which consists of luxury hotels, various beaches and stadiums for tourists, rose 28.4 percent compared to the same period in 2012.

Turkey's foreign visitors, constituted 84.6 percent of arrivals in the country between January to June 2013. Also, according to a spending survey executed by PROTOCOL earlier this year, dataset showed that a tourist in Turkey spent an average of USD 817 while Turkish nationals living abroad accounting for 15.4 percent of the visitors, spent USD 1,389 per head.

Turkey has witnessed a steady increase in foreign arrivals in recent years with an annual average of 8.2 percent between 2007 and 2013. Turkey is the sixth most popular tourist destination according to the United Nations World Tourism Organization's 'Tourism Highlights Edition'. The Mediterranean nation attracted a total of 31.8 million foreign visitors in 2012, achieving total revenue of USD 23.4 billion.

Top five feeder cities

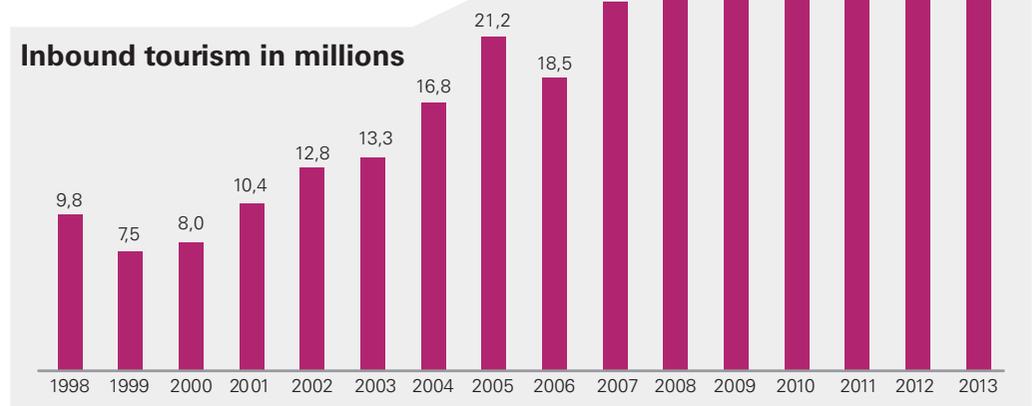
The country aims to welcome 48.5 million tourists a year between the years 2014-18,

according to the government's 10th 5-year development plan, which is expected to generate USD 45 billion in tourism income.

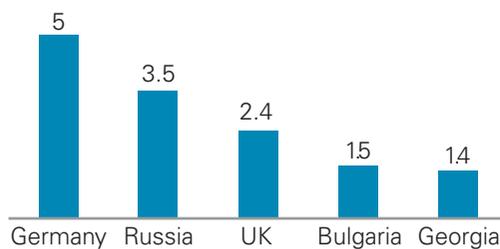
Istanbul's top five feeder cities are all European, with Germany on top accruing five million visitors who spent circa USD 8 billion of safe haven currency (revenue derived from foreign visitors and pumped into a local community), followed by Russia, the United Kingdom, Bulgaria, and Georgia. Russia's outbound tourists to Istanbul totaled 3.5 million, followed by 2.4 million from the United Kingdom, and 1.5 million from Bulgaria with 1.4 million tourist visiting Istanbul in 2013 coming from Georgia.

The active tourism sector in Turkey and especially in Istanbul is supported by a dynamic supply chain of hospitality service providers from accommodation to F&B >

Inbound tourism in millions



Inbound Feeders



establishments. In response, creative hoteliers are flocking to the city. This means that in 2014 visitors are able to look forward to outposts from the likes of Hilton, Rotana, Radisson, Hyatt and Viceroy among others.

A myriad of accommodation

In its 55th year of operation, the Hilton Istanbul continues to impress with its great location, inspiring views and facilities. In 2010, the Hilton Istanbul Executive Lounge was cited by US Business Traveler magazine as being one of the 'World's Best Executive Lounges'. "We are incredibly proud of our iconic hotel which is steeped in cultural history from the last 55 years," says **Armin Zerunyan**.

In Istanbul all accommodation tiers are available, from hostel dormitories and mid-range hotels to world-class luxury hotels. Although reasonable and competitive compared to European standards, the rates are more expensive than in the rest of Turkey. Upper tier properties concentrate within the capital's modern districts like Beyoglu, Sisli and Besiktas. However some renowned brands such as the Grand Park Hyatt have chosen to restore the art-deco building of Maçka Palas in what is considered to be Istanbul's most trendy district.

Housing the existing Emporio Armani and Gucci boutiques on the ground floor, the hotel is within walking distance of numerous other upscale designer fashion houses as well as the ultra-trendy bars and restaurants of Nisantasi. "Middle East clients love Istanbul for its shopping and its culture," says **Tashi Takang**. "At our Hyatt Regency Istanbul property we have seen sales from the Middle East increase 15 percent this summer - this market loves the diversity [that] this city offers."

The 4-star hotels are generally located within the historical peninsula, with the majority of hotels generally congregated in the vicinity of Sultanahmet and Hagia Sophia. Numerous hotels occupying historical buildings are situated in this district. Budget hotels are generally found in, both, modern and historical districts.

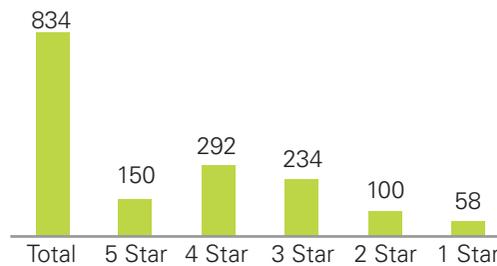
In 2006, the total number of licensed hotels in Istanbul stood at 283 units. At the end of 2010, 766 properties were registered at the Istanbul municipality, with an increase of 270 percent in less than seven years. In 2013 the total number of hotels in Istanbul, of all

WE ARE INCREDIBLY PROUD OF OUR ICONIC HOTEL WHICH IS STEEPED IN CULTURAL HISTORY FROM THE LAST 55 YEARS

tiers, reached 834 properties, 75 of them being international chains distributed as 150 properties rated five star and 292 properties rated four star, with a subsequent 234 properties rated three star, 100 rated two star and 58 single star establishment. The majority of this particular market demand derives from the Europeans who, according to a survey by PROTOCOL, prefer average rates over unnecessary luxury.

Skyrocketing room supply

Properties Tiers



Istanbul's room supply stands at 160,385 rooms, skyrocketing from 46,652 in 2006 with an increase of 340 percent; a major pool being 4-star hotels with 65,700 rooms, followed by 3-star hotels offering 46,332 rooms, and 5-star establishments housing 40,101 rooms, with subsequent 2-star and 1-star units delivering 6,800 and 1,452 rooms respectively.

Market highlights and key performance metrics for Istanbul, at the end of 2013, registered an occupancy rate decrease of 5.9 percentage points down to 56.7 percent compared to 63 percent in the previous year and reporting the largest benchmarking decrease in 2013, while ADR fell by 15 percent to USD 192 posting the largest decreases in that variable. Revenue per available room (RevPAR) experienced a YOY decline of around 15 percentage points touching bottom at USD 91 and recording the largest decrease for the year.

In 2013, Istanbul experienced around 39.8 million room nights versus 58.5 million available rooms stock for the same period. Figures indicate that the strong months for hotel accommodation are typically April, May and October when most international conferences take place. The trough is typically from November to February, primarily on account of the year-end holidays. From March to May, as well as late September to October, demand is characterized by the conference and exhibition business as well as commercial activities, which drive most of the city's occupancy. Furthermore, it is important to note that Ramadan is another factor influencing the city's seasonal patterns.

Turkey, and what is considered the country's second capital Istanbul, has enjoyed a steady and, at times, an explosive growth at all levels though the last decade. Currently an upcoming development pipeline for Istanbul reveals 15 international properties such as Hilton Istanbul Kozyatagi Conference Center & Spa Hotel, Park Inn Istanbul, Atatürk Airport Hotel, Viceroy Istanbul Hotel, Hilton Garden Inn Istanbul, Ümraniye Hotel, Kasimpasa Hotel, Crowne Plaza Istanbul - Ora Hotel, Crowne Plaza Istanbul - Oryapark Hotel, Mondrian Istanbul Hotel, Novotel Istanbul Karaköy Hotel, Hilton Garden Inn Istanbul Esenyurt Hotel, Tango Arjaan by Rotana

OUR EXPERTS



Armin Zerunyan, general manager, Hilton Istanbul



Tashi Takang, general manager, Park Hyatt Istanbul

Istanbul Hotel, Burgu Arjaan by Rotana Istanbul Hotel, Fairmont Quasar Istanbul Hampton by Hilton Istanbul and Zeytinburnu Hotel and Mandarin Oriental Bosphorus planto open until the end of 2016.

Prospects for 2014 are still uncertain and a lot will now depend on what happens to the current social issues plaguing Istanbul. If protests continue, tourists may stay away and the hotel occupancy rate could become even bleaker; already in Istanbul and according to the Syndicate of Hotel Owners in Turkey, a hotel cancellation rate of 40 percent has been recorded and most restaurants remain empty during the protests. On the other hand, if the dissent fades away quickly, maybe confidence in Turkey won't have suffered that much.

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