

Is *lowxury* the next big thing in Spanish hotels ?

Spain was hard hit by the global recession, suffering a drop in international arrivals of almost 10%. What have hotels done to counteract the effects of this (hopefully temporary) decline ? **VICTOR MARTI, CEO of HORWATH HTL SPAIN,** tells us about one interesting new development.

Spain is very well positioned as a tourism destination in the world. However, tourism has declined greatly in Spain due to the financial crisis, taking a deadly toll on hotels that during the past year had already shown signs of financial problems. Hotels in every category have ceased operations, some permanently, with others choosing to open just during the high season in order to avoid low season spikes.

Up until September 2009, Spain has experienced a decrease of 9.8 % in international tourists, approximately 15 % of it from the British market, one of our main issuing markets. As a result, RevPAR has dropped an average of 13 %, returning to 2007 levels. According to different economic analysts, 2010 will be a year where the economies will improve and the tourism industry will recuperate, around midyear. How much truth does this bear ? Will hotels withstand this crisis ??

A harsh economic reality has led the lodging industry to become more creative in their search for clientele in order to minimize their losses. The 5-star category hotels have not been able to dodge the crisis and have also suffered greatly during this year. A reduction in RevPAR coupled with low occupancy rates have caused 5-star hotels to generate low profits, if any !

A new tendency that has surfaced as a result of the crisis is the appearance of low-cost hotel models, which is also being applied to the luxury category. This concept was originally developed by the airline industry and is now being used in the lodging industry. During 2010, 5-star hotels will be forced to change their work scheme and adapt their traditional, exclusive luxury service into one that reaches a wider range of clientele by offering key high-end products/services that give clients a unique experience. Traditional emotional attachments to luxury services are evolving/changing, and hotels must adapt to this new service requirement.

This change in concept will definitely not happen to all 5-star hotels in Spain, but will certainly be seen in independent or smaller hotel brands that are willing to broaden their horizons in order to make the hotels more profitable. International hotel chains will have to decide whether they wish to change their

current hotel models so that they can compete with these new low-cost luxury hotels, or launch a new brand under a low-cost profile.

Luxury hotels have realized that due to the financial crisis, the consumer profile has changed greatly. Hotels now are seeing a consumer profile that is more conservative with regard to luxury expenditure, one that values good service but keeps an eye in their pockets. « Lowxury » hotels, combining the concepts of « low » cost and « luxury », will have to provide an improved service at a lower price.

One key aspect worth mentioning is that in order for lowxury hotels to properly function, cost reductions have to take place. These cost reductions should be achieved on a case-by-case basis, depending on brand and operational factors ; whatever reductions are made, quality and luxury perception provided to guests should remain the same.

In sum, lowxury hotels have sprung up in response to the financial crisis. The crisis will surely end within a reasonable time frame, but lowxury hotels are here to stay. ■

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