



Hospitality 4.0

Tourism and
Hospitality Trends

2019

Editorial	01
2018 was a record year for the French hotel industry despite the social unrest	02
Regional cities consolidate their attractiveness	09
An encouraging 2018 for the urban hotel-residence market	12
Breakfast, and a splash of culture? Creation, heritage and hospitality	16
Thalassotherapy is preserving its health capital	20
Alternative financing of tourism investments	26
Hotels as generators of socio-economic benefits and drivers of regional economic development	32
Personal data processing and the hotel industry in France: hotel management agreements will need to be revised	36
Should we be afraid of the Anti-Fraud Act even if we are not fraudsters?	40
Disruption in the hotel industry: promoting skills and retaining staff	44
Process automation arrives in the hotel industry	48
Challenges for tourism, hotels and restaurants in the face of the critical ecological and social transition	52
Our services, your contacts	56

Editorial

As we have been asserting these past few years, we are living in an era of rapid and profound change that is modifying traditional approaches and leading to the redesign of development and operating models in most business sectors. This also holds true for hospitality and tourism, with the most intuitive companies already embarking on their own “4.0 revolution”.

Drawing inspiration from the various evolutionary phases of the Web (from the somewhat static Web 1.0, to the more participative and interactive Web 2.0 and the increasingly connected Web 3.0), today’s Web 4.0 challenge entails rethinking the organisation and interaction of production methods by incorporating the major, ongoing advances in digital technology and robotics.

Yet it is not simply hotel and tourism products themselves that are being revamped through new concepts, product hybridisation and the integration of new technologies. Development, financing and investment models are also evolving, with the emergence of new forms and structures. The entire human resources management function must contend with the impact of new technologies and the robotics challenge by coming up with new jobs and roles, innovative training programmes and different ways of managing careers. Sustainable development and the ecological and social transition must no longer be considered as external, coercive constraints, but should be integrated ever more naturally in project design and project life cycles.

These topics and ideas, along with many others, are explored in the articles written by experts from In Extenso Tourism, Culture & Hospitality and Deloitte. We are delighted to present you these in our latest edition of Tourism and Hospitality Trends.

Happy reading!

Philippe Gauguier and **Olivier Petit**

Partners, In Extenso
Tourism, Culture & Hospitality

Joanne Dreyfus

Partner, Deloitte
Transportation, Hospitality & Services



2018 was a record year for the French hotel industry despite the social unrest

The world economy over the last decade has been hit by a series of major economic crises and shocks, including the 2008-2009 global financial crisis, the 2010-2012 European sovereign debt crisis and, most recently, the commodity price corrections observed over the period 2014-2016. However, 2017 saw the return of economic growth almost everywhere in the world – the highest level recorded since 2011. The euro zone symbolised this recovery, posting the highest growth in ten years.

By **Philippe Gauguier**, Partner, and **Grégory Fortems**, Consultant, In Extenso Tourism, Culture & Hospitality

The IMF¹ put world economic growth at around 3.7% in 2018. That said, according to the OECD², trade tensions are generating uncertainty and may disrupt global value chains and investment, especially in regions with strong links to the United States and China. Political and geopolitical uncertainties are also increasing in Europe and the Middle East. Despite all this, economic growth is expected to remain strong in 2019.

Today, global tourism is developing rapidly and is expanding at a faster rate than worldwide economic growth. In 2018, international tourism experienced the second largest increase since 2010, with tourists increasingly travelling for leisure. According to the WTO³, 1.4 billion travellers crossed an international border in 2018, six percent more than the previous year. Europe remains the world's top destination, welcoming 713 million tourists – more than half of all travellers. The Middle East is continuing to recover, with growth of 10% (64 million tourists),

as is Africa, with 67 million tourist arrivals. In this respect, Turkey, Saudi Arabia and Egypt stand out, recording significant gains.

France, which still holds the top spot in the world tourist destination ranking in terms of number of international arrivals, is set to achieve a new record in 2018. Ninety million international arrivals are expected, despite the strikes by Air France and SNCF, the Yellow Vest protests and the ongoing terrorism threat. European markets represent about 80% of international arrivals in France, although all nationalities are predicted to have increased in 2018. France is followed by Spain and the United States in the world tourist destination ranking. However, these two countries outperform France in terms of international tourism revenues, since visitor numbers to France also take into account tourists in transit between their place of residence and their holiday destination.

1 International Monetary Fund

2 Organisation for Economic Co-operation and Development

3 World Tourism Organization



Hôtel Niepce Paris, Curio Collection by Hilton / Naos Hôtel Groupe

According to data published by our partner, STR, European hotels recorded the strongest increase in RevPAR in the world in 2018: four per cent growth, driven primarily by Eastern Europe (+7%) and Western Europe (+6%). For example, RevPAR grew between 10% and 12% in Bulgaria (+12%), Latvia (+11%) and Belgium (10%). Ireland, The Netherlands, Greece and Croatia also performed well, recording RevPAR growth of 6% to 9%. Conversely, Asia-Pacific, America, the Middle East and Africa recorded a decline in RevPAR in 2018.

Record numbers of foreign tourists placing France at the top of the list of European destinations

In 2017, France experienced significant recovery in tourism, which continued in 2018. Despite the negative effects of the afore-mentioned social movements and

a month of December overshadowed by the Strasburg terrorist attack, France set a new record in 2018, welcoming 90 million international tourists.

Considering all categories together, French hotel room stock decreased by around 1% in 2018. French hotels posted an increase in occupancy of just over 1% in 2018, and around +4% compared to 2014. There has been a clear recovery in Average Daily Rates (ADR), particularly in the Paris region and on the Côte d'Azur (+9% and +4%, respectively, compared to 2017). In 2018, French hotels generally recorded ADR that were slightly higher than in 2014 (+3%). The Parisian Luxury sector was the only category not to have returned to 2014 levels, given the sharp increase in supply in recent years: e.g. opening of the Peninsula in 2015, reopening of the Ritz in 2016, the Crillon in 2017 and the Lutetia in 2018, amongst

others. Luxury supply grew by 6% in 2018 and has increased by 33% since 2014.

The impact of the strikes by Air France and SNCF was reflected in the sharp drop in demand in April, particularly over the first two weeks. Major French cities were the most affected, with the social unrest bringing to a sudden halt the positive momentum recorded in early 2018. Despite these movements, May 2018 was better than the previous year, as hoteliers were able to take advantage of the favourable calendar with regard to bank holidays and long weekends, as well as the later Easter school holidays for zone B⁴. Further to April and May having been tainted by social unrest, corporate demand boosted June's performances, a month generally favourable to the organisation of conferences and seminars.

⁴ France is divided into zones A, B and C, which dictates when a school in a particular location will break up for the holidays



Meininger Paris 12^e (opening 07/2019) – © Meininger Hotels

The 2018 summer season brought encouraging results. In July, RevPAR increased in all categories, from +3% in the Super-budget segment to +21% in Luxury sector. The Côte d'Azur and the Paris region drove performance upwards, as did a number of regional cities including Lille, Rennes and Nantes that all recorded excellent results. August was just as good for all hotel categories.

The exogenous events of November and December put a stop to this upward trend, however. The Yellow Vest movement that began on November 17 has been harmful to tourism, with the images of rioting on the Champs-Élysées broadcast across the globe having an undesirable impact on Paris and on regional France. Hoteliers condemned the resulting cancellations and sharp drop in bookings, particularly by international guests, essential at the upper end of the hotel market. This "wait-and-see" attitude is likely to linger on in early 2019 if the trend continues. Ultimately though,

RevPAR did increase throughout France and in all categories, with the exception (as last year) of the Super-budget sector on the Côte d'Azur (slight drop: less than 1%). The year 2018 thus remained a good one for the French hotel industry that recorded 6% growth in RevPAR compared to 2017, and 7% growth compared to 2015.

A great year for the capital with a new tourist demand record broken

Further to the economic and tourism recovery observed in 2017 (already a record year for tourist numbers), the trend continued in 2018. French economic growth is expected to have been around 1.6% over the year, with a falling unemployment rate and a stable inflation rate (approximately 1%). Traffic at Parisian airports grew by 3.8% in 2018 to just over 105 million passengers, with strong growth in traffic from outside Europe (+6%, including almost 9% from North America). For the second year in a row, Greater Paris welcomed a record

number of tourists, with over 29 million hotel arrivals and 60 million overnight stays documented, according to the Paris Ile-de-France Regional Tourism Committee. Overseas visitors made a remarkable comeback, surpassing domestic demand which remained almost stable compared to 2017. It should be noted that foreign tourists are particularly important for city centre hotels in Paris where they represent 62% of arrivals.

The rebound in the Parisian hotel industry observed in 2017 continued in 2018. Considering all categories together, occupancy increased by 2% and ADR by 9% compared to 2017. It should be recalled that last year, the return of hotel guests did not immediately translate into an increase in ADR. These initially remained stable or declined slightly, and it was not until August 2017 that

ADR eventually recovered. Average rates continued to increase throughout 2018, with particularly strong gains observed in September and October. More precisely, in September 2018, the Parisian hotel industry recorded particularly solid performances. For example, occupancy stood at above 80%, and importantly, ADR rose sharply: +9% in the Luxury segment and up to +21% in the Budget sector. These encouraging results were linked to the hosting of events such as Maison & Objet, which attracted no fewer than 100,000 visitors, and Première Vision (55,000 visitors). The 28th edition of the ERS International Congress, the world's largest gathering of respiratory medicine professionals, also boosted hotel demand. At the same time, leisure demand rose thanks to the mild weather, Heritage Days (held every year in September), Fashion Week and the Ryder Cup (Saint-Quentin-en-Yvelines).

Table 1. Results in France in 2018

Global France	OR 2018	Change 18/17	Change 18/14	ADR 2018	Change 18/17	Change 18/14	RevPAR 2018	Change 18/17	Change 18/14
Luxury	63.2%	1.2%	5.1%	€474	5.9%	2.1%	€299	7.2%	7.3%
Upscale	71.8%	2.0%	5.0%	€205	4.9%	1.1%	€147	7.0%	6.2%
Midscale	69.8%	2.6%	4.2%	€110	4.8%	2.5%	€77	7.5%	6.9%
Budget	68.5%	1.6%	5.0%	€67	3.7%	1.9%	€46	5.4%	7.0%
Super-Budget	65.8%	-0.8%	-1.5%	€45	5.2%	9.0%	€30	4.4%	7.4%

Source: In Extenso Conseil TCH
NB: ADR and RevPAR exclude VAT

Table 2. Results by geographical area in 2018

Category	Paris			Côte d'Azur			Regions		
	RevPAR 2018	Change 18/17	Change 18/14	RevPAR 2018	Change 18/17	Change 18/14	RevPAR 2018	Change 18/17	Change 18/14
Luxury	€441	11.2%	-11.3%	€328	6.1%	24.8%	€187	2.8%	18.7%
Upscale	€184	7.8%	-2.2%	€118	6.9%	12.2%	€105	2.3%	18.4%
Midscale	€120	12.9%	-0.2%	€72	3.9%	5.7%	€60	1.7%	11.3%
Budget	€78	14.4%	4.2%	€46	2.6%	1.8%	€42	2.0%	4.6%
Super-Budget	n.a	n.a	n.a	€31	-0.5%	-7.2%	€28	3.4%	7.8%

Source: In Extenso Conseil TCH
NB: ADR and RevPAR exclude VAT

Table 3. Overall trend in results by geographical area in 2018

Geographical area	Change OR		Change ADR		Change RevPAR	
	18/17	18/14	18/17	18/14	18/17	18/14
France	1.4%	3.5%	4.9%	3.0%	6.4%	6.7%
Paris (exc. Ile-de-France)	2.2%	-2.5%	9.2%	1.7%	11.6%	-0.8%
Regions	0.3%	5.6%	1.9%	5.2%	2.1%	11.1%
Côte d'Azur	1.5%	3.0%	3.7%	8.7%	5.2%	12.0%
Large regional cities	0.5%	6.2%	1.7%	5.3%	2.2%	11.9%

Source: In Extenso Conseil TCH
NB: all categories

October was just as positive for hoteliers, who saw occupancy bolstered by the strong presence of corporate and international guests. Here again, major trade fairs significantly influenced the trend: SIAL (the world's largest food innovation exhibition, held every two years at Villepinte and welcoming around 150 000 visitors per year), Euronaval (the world meeting of naval technologies for the future, held at Le Bourget and attracting around 25 000 visitors), the Paris Motor Show (Porte de Versailles), etc.

As for the 2018 summer season, occupancy and ADR increased in all categories in Paris. The summer season was better in August, with hotels recording higher performances than in July. This growth was partly down to the 10th edition of the Gay Games, held from the 4th to the 12th of August (over 10 300 participants, 36 sporting events) which bolstered demand. RevPAR in August rose significantly, up +16% to +32%, depending on the category.

The end of the year saw France shaken by the Yellow Vest crisis – while not a trivial event for the country, the unrest did not, however, manage to reverse the trend observed over the first ten months of 2018. In November, despite tensions throughout the country, the Parisian hotel industry held its ground and maintained good performance levels. All categories saw an increase in RevPAR – from +11% in the Midscale category to +20% in the Luxury and Palace category. These encouraging results were influenced, in

particular, by the commemorations held to mark the end of the First World War, during which the capital threw open its doors to more than 70 heads of state. As in September and October, large trade fairs such as Equip'Hotel (Porte de Versailles Exhibition Centre) and the Paris Horse Show (Paris Nord Villepinte Exhibition Centre) also increased demand for lodging in the Paris area.

The Yellow Vest demonstrations and the images of Paris they helped portray throughout the world led to the first cancellations in the second half of November, followed by a drop in hotel performances in December. This phenomenon mainly concerned international visitors – notably American and Asian tourists, who are especially sensitive to security issues. December is traditionally a pivotal month for the Parisian hotel industry with both national and international visitors flocking to the city for the end-of-year celebrations. Yet the Parisian hotel industry recorded a sharp slowdown in bookings, leading to a steep drop in occupancy rates in December, particularly in the Upscale and Luxury segments. The weekend of the 8th December was the most critical: from the evening of Friday December 7th onwards, hotel occupancy was down by about 15% and fell by more than 20% on Saturday December 8th (declines compared to the same days of the previous year). These declines continued from Sunday (-11%) to Tuesday (-10%). Further to the broadcasting of the weekend's images, Monday, December

10th saw a cumulative drop in occupancy rates (-17%) and ADR (-15%), resulting in a decline in RevPAR of about 30%. The market also suffered during the following weekends and the phenomenon is expected to continue in early 2019, albeit more moderately provided that the violence is contained.

The Côte d'Azur records its highest occupancy rate in ten years during the first half of the year

The Côte d'Azur attracts around 11 million tourist stays per year. This generates around 62 to 72 million overnight stays, or 70 million in 2017. Despite the impact of the Nice terrorist attacks in July 2016, the number of foreign visitors to the Côte d'Azur reached a record 5.8 million in 2017, an increase of 5%. This positive trend continued in 2018.

Further to an encouraging winter season in 2017-2018, the first half of 2018 saw the Provence-Alpes-Côte d'Azur region recording 10 million overnight stays in hotels – a record high over the decade, notably down to the increase in international visitors (over +3%). Considering all categories together, hotels on the Côte d'Azur posted an increase of almost 4% in occupancy in the first half of 2018, although rates in the second half of the year remained more stable. This trend was visible in the Luxury segment in January as these hotels recorded increases of 24% in occupancy and 7% in ADR. However, several properties, including the Hôtel Martinez Cannes and the Gray d'Albion, were closed for renovation at this time which benefited the Cannes Luxury segment. Further, occupancy rates in March were the highest since March 2000, according to the Côte d'Azur Regional Tourism Committee. The year 2018 started off particularly well, with tourist numbers increasing, albeit compared to a challenging last quarter 2017.

The gloomy weather in April, along with the strikes and the school holidays that fell later, put a stop to growth at the beginning of the year. Nice was the only area that continued to record growth, thanks to the city hosting the 38th Annual



Motel One Paris Porte Dorée - Photo: Nadine Rupp/Ruppografie

Meeting and Scientific Sessions – ISHLT from the 11th to the 14th April. However, these higher performances should be tempered, since in 2017, Nice was still recovering from July 2016's terrorist attacks. The Côte d'Azur market picked up in May, largely thanks to the arrival of holidaymakers from Zone B, the bank holidays and the International Film Festival being held slightly later (from the 8th to the 19th May).

The summer season was satisfactory, with just over 10 million overnight stays. The volume of foreign visitors increased by 21% between 2010 and 2018, with 2018 showing the best results in a decade. Hotels benefited from this encouraging trend, recording occupancy rates between 86% and 90% in August, depending on the category. Some hotels saw the return of long-haul international guests (Americans and Asians), who had stayed away in 2017 further to the terrorist attacks. As in the rest of France, November and December put a dampener on the encouraging performances recorded thus far. All categories combined, the 2% increase in occupancy rates and the 4% rise in ADR nevertheless cumulated in RevPAR growth of 6% over 2018. Super-budget hotels were the only ones to end the year slightly down, due to a decline in occupancy.



B&B Hôtel Donostia San Sebastian Aeropuerto

Foreign visitors increasingly present in Regional France

Between 2014 and 2018, rooms capacity in Regional France (excluding the Côte d'Azur) fell by 1.6%, from around 455,000 to almost 448,000 rooms. This decline was principally due to a reduction in entry-level supply, i.e. a decline in rooms capacity of almost 5% and 3% in the Super-budget and Budget categories, respectively. A move towards higher quality hotels has been observed in recent years, with a 12% increase in Upscale and Luxury capacity in Regional France. In addition, and given the trends in demand, Upscale and Luxury hotels have also seen 10% growth in occupancy since 2014, recording the highest level in 2018, confirming the strong position held over the past few years.

All categories combined, RevPAR grew by around 2% in 2018, compared to the previous year (a rise of 11% since 2014). In more detail, RevPAR rose by approximately 2% to 3% in all categories. Apart from a slight drop in occupancy in the Super-budget sector (approximately 1%), occupancy and ADR grew in all segments in 2018.

The summer season saw mixed results: while international tourists were well represented, French visitors were late to go on holiday, preferring more remote areas to the coast. On the Aquitaine coast, for example, occupancy in 2018 declined in all categories, especially at the entry-level end. Spring and July were particularly disappointing, given the strikes and bad weather. Conversely, on the Brittany coast, occupancy rates grew, except for the Super-budget segment, and the number of overseas visitors reached a record high in summer. Lastly, summer 2018 got off to a good start on the Normandy coast, given the fine weather and numerous tourists. August's heatwave brought holidaymakers in search of cooler weather to the seaside. In general, the absence of significant growth in tourist numbers in certain destinations in Regional France can be explained by a combination of factors in 2018, including the social unrest in spring and at the end of the year, the heatwave in Europe and the Football World Cup (which postponed holidays for some).

Regional cities consolidate their attractiveness

Hotel capacity in the ten largest regional cities increased by 1.4% over the period 2014-2018, rising from 85,000 to 86,200 rooms. The quality of hotel stock continued to move slowly upwards, with Upscale and Luxury hotel supply growing by just over 6%. While Midscale rooms capacity also grew by 5% over the period, entry-level supply decreased by 1%, notably in the Super-budget segment. Indeed, suburban entry-level hotels are often closing, although the development of more contemporary hotel-residences or Super-budget hotels partly compensates for this. In addition, hotel developments tend to be concentrated in city centres, with the creation of new independent or brand-operated supply offering much more personalised products.

By **Philippe Gauguier**, Partner, and **Grégory Fortems**, Consultant, In Extenso Tourism, Culture & Hospitality

In 2018, events such as the strikes by Air France and SNCF in the spring and the Yellow Vest movement in November and December disrupted the tourist industry in France. The strikes, for example, weighed particularly heavily on business tourism and MICE¹, while the Yellow Vest crisis, along with the Strasburg terrorist attack, had a greater impact on international demand, all of which damaged the hotel industry. Despite these disruptions, hotels in large regional cities (all categories combined) recorded RevPAR growth of 2% compared to the previous year. This growth was driven by the rise in ADR (approximately 2%) since occupancy growth remained more modest at around 1%.

Regional cities are proving more and more popular with foreign visitors

School holiday periods, particularly in summer, have traditionally posed a challenge for hotels in large regional cities, where leisure demand is insufficient to compensate for lower corporate demand.

However, a change has been observed in recent years. The development of low-cost European flights, along with efforts to provide more summer entertainment options (organised tours, festivals, sporting events, etc.), are attracting a growing number of overseas visitors. This illustrates the ability of regional cities to play their part in achieving the overall objective of increasing the number of international tourists to France.

Nantes Metropole, for example, recorded a strong increase in foreign tourists in 2018, as evidenced by the number of visitors to its flagship attraction, the Machines de l'Île: over 49,400 foreign tourists, representing almost a quarter of its total number of visitors, up 14% compared to the previous year. Most overseas visitors were Spanish, followed by the British and Germans. Nantes Metropole also benefited from the economic recovery, a favourable school calendar and a good summer season, all of which enabled its hotels to record

¹ Meetings, Incentive, Conferences and Exhibitions/ Events



Best Western Plus Hôtel Gare Saint-Jean, under management contract with TMH (Techniques & Management Hôteliers)

very encouraging results in 2018, namely RevPAR growth of 8%. This growth was driven by higher occupancy and ADR in all categories, with Nantes posting the highest performance increases of all large regional cities. Hotels in Nantes thus recorded their fourth consecutive year of growth, with the city coming in at top place amongst the ten major urban centres in terms of 2014-2018 RevPAR growth.

Amongst the ten major urban centres, Rennes Metropole achieved the highest RevPAR growth in 2018 (over 9%). As well as benefiting from the opening of its convention centre, the Couvent des Jacobins, in January 2018, Rennes saw a sharp rise in the number of international visitors to the city (+35% in international overnight stays), particularly Spanish, followed by German. RevPAR grew every month, except in March and May 2018, given the lower occupancy rates. With a 21% increase in RevPAR over the period 2014-2018, Rennes Metropole ranked third, after Nantes and Bordeaux.

The same pattern could be observed elsewhere. The USA was the top international feeder market between May and July 2018 for hotels in the Aix-Marseille-Provence metropole, for example, with some hoteliers also observing an increase in Eastern European guests. In the Montpellier Méditerranée Metropole, Spanish tourists were especially numerous, and visitor numbers from Asia (China and Japan, in particular) were up on 2017. The same could be said of Nice, where airline passenger numbers – thanks to international passengers – reached a new high (13.9 million, +4.1% compared to 2017).

A strategic vision, skills and resources at the heart of French urban centres

Several large cities including Strasbourg, Nantes, Lyon and Montpellier began the year well by posting strong growth. Conversely, others such as Lyon that had enjoyed a full events programme in 2017 with the resulting impact on hotel performance, got off to a slower start. The absence of the world hospitality and food

service event, SIRHA, (which takes place every two years) in Lyon in January, for instance, had an effect on hotels, although this did not stop the city from recording encouraging results in 2018. As in the rest of France, June was a good month for corporate demand, and several events that had been scheduled for April and May were postponed to June due to the transport strikes.

The organisation of conventions and events such as the Grand Prix de France saw hotels in the Marseille area record significant RevPAR increases in June 2018: almost 9% growth in the Upscale and Luxury segment and up to 20% growth in the Budget segment. In 2004, for instance, the Marseille metropole hosted just over 300 events. Some 15 years later, the number of events, including arts festivals, trade fairs and sporting events, has nearly doubled (almost 560). That said, the city's hotels, except for the Super-budget segment, posted a drop in RevPAR in 2018.

It should also be noted that many hotels are seeing corporate demand increasingly spread over July, partly due to event organisers being less hesitant to organise conferences or trade shows during the first half of the month. In the Toulouse Metropole, for example, hotel trading remained strong in July thanks to the hosting of three major congresses, each attracting between 3,000 and 15,000 participants: ESOF (EuroScience Open Forum), the largest interdisciplinary forum on science and innovation in Europe (4,000 researchers, decision-makers and students); the 24th International Planetarium Society Conference (around 500 participants); and the 14th international Fab Lab Conference.

In Strasbourg, the December 2018 attack on the Christmas Market had a limited impact. The occupancy rate in December 2018 fell only slightly (by around 1%), illustrating the city's resilience and continued appeal. In 2018 as a whole, hotels in the Strasbourg Metropole recorded RevPAR growth in all categories, driven by rising ADR.

The year 2018 was a particularly good one for large regional cities that are carving out their own slot on the international stage. This positive dynamic should continue in 2019, an odd-numbered year more favourable to the organisation of events. A number of major events will be hosted in regional cities in 2019, including the FIFA Women's World Cup (Grenoble, Lyon, Montpellier, Nice, Reims, Rennes, etc.), the 75th anniversary of the D-Day landings and the Battle of Normandy, and the Rouen Armada.

Agglomerations	Upscale & Luxury			Midscale			Budget			Super-Budget		
	RevPAR 2018	Change 18/17	Change 18/14	RevPAR 2018	Change 18/17	Change 18/14	RevPAR 2018	Change 18/17	Change 18/14	RevPAR 2018	Change 18/17	Change 18/14
Bordeaux	€ 178	1.9%	34.9%	€ 70	-1.8%	29.6%	€ 50	1.3%	23.7%	€ 32	6.3%	14.0%
Lille	€ 90	-4.4%	25.2%	€ 64	0.0%	13.8%	€ 46	-0.7%	3.7%	€ 31	5.1%	11.3%
Lyon	€ 106	1.7%	21.7%	€ 70	0.3%	11.9%	€ 55	3.9%	16.2%	€ 36	2.8%	8.7%
Marseille	€ 107	-2.1%	8.0%	€ 67	-0.3%	0.1%	€ 43	-0.4%	-1.1%	€ 28	1.1%	1.1%
Montpellier	€ 93	1.3%	10.5%	€ 53	-0.1%	-3.3%	€ 48	2.0%	1.2%	€ 25	2.4%	-7.8%
Nantes	n.a	n.a	n.a	€ 70	6.6%	28.3%	€ 48	9.2%	29.6%	€ 33	8.2%	16.5%
Nice	€ 156	8.6%	15.2%	€ 80	6.3%	7.0%	n.a	n.a	n.a	n.a	n.a	n.a
Rennes	n.a	n.a	n.a	€ 60	10.8%	21.1%	€ 47	8.1%	21.4%	€ 31	8.5%	18.7%
Strasbourg	€ 86	2.1%	8.4%	€ 73	2.1%	7.3%	€ 52	0.0%	9.9%	€ 30	1.1%	5.8%
Toulouse	€ 91	2.5%	14.6%	€ 65	-0.5%	14.0%	€ 43	-0.5%	7.3%	€ 34	4.5%	15.8%

Source: In Extenso Conseil TCH
NB: RevPAR excludes VAT

An encouraging 2018 for the urban hotel-residence market

2018 ended on a very positive note for urban hotel-residences, both in Ile-de-France and in regional cities. Now stable, the market today must find ways to maintain growth or progress even further.

By **Samuel Couteleau**, Senior Manager, In Extenso Tourism, Culture & Hospitality

Having risen 3.7% per year on average over the period 2012-2017, French urban hotel-residence supply has now stabilised. In early 2018, national stock totalled around 700 residences and 60,000 studios and apartments, an increase of 0.7% over one year¹. The additional capacity generated by the 17 residences that opened in 2017 was offset by market exits, particularly in the Ile-de-France region. This very slight change in supply helps explain the encouraging market performance in 2018, although the more favourable economic climate also played a part.

All indicators are flashing green in Ile-de-France

Further to two consecutive years of decline in Average Rate per Apartment Rented/ Average Daily Rate (ADR), hotel-residences in the Paris region recorded an excellent 2018, thanks to this indicator. ADR grew by 9.1% and 6.8% in the Midscale and Budget markets, respectively. In both segments, average rates finally returned to – or even surpassed – 2015 levels. Moreover, the pattern was the same regardless of location: the rebound in demand observed in 2018, combined with the stabilisation of supply, enabled most hotel-residences to limit rate discounting. In some cases, particularly in Paris, the

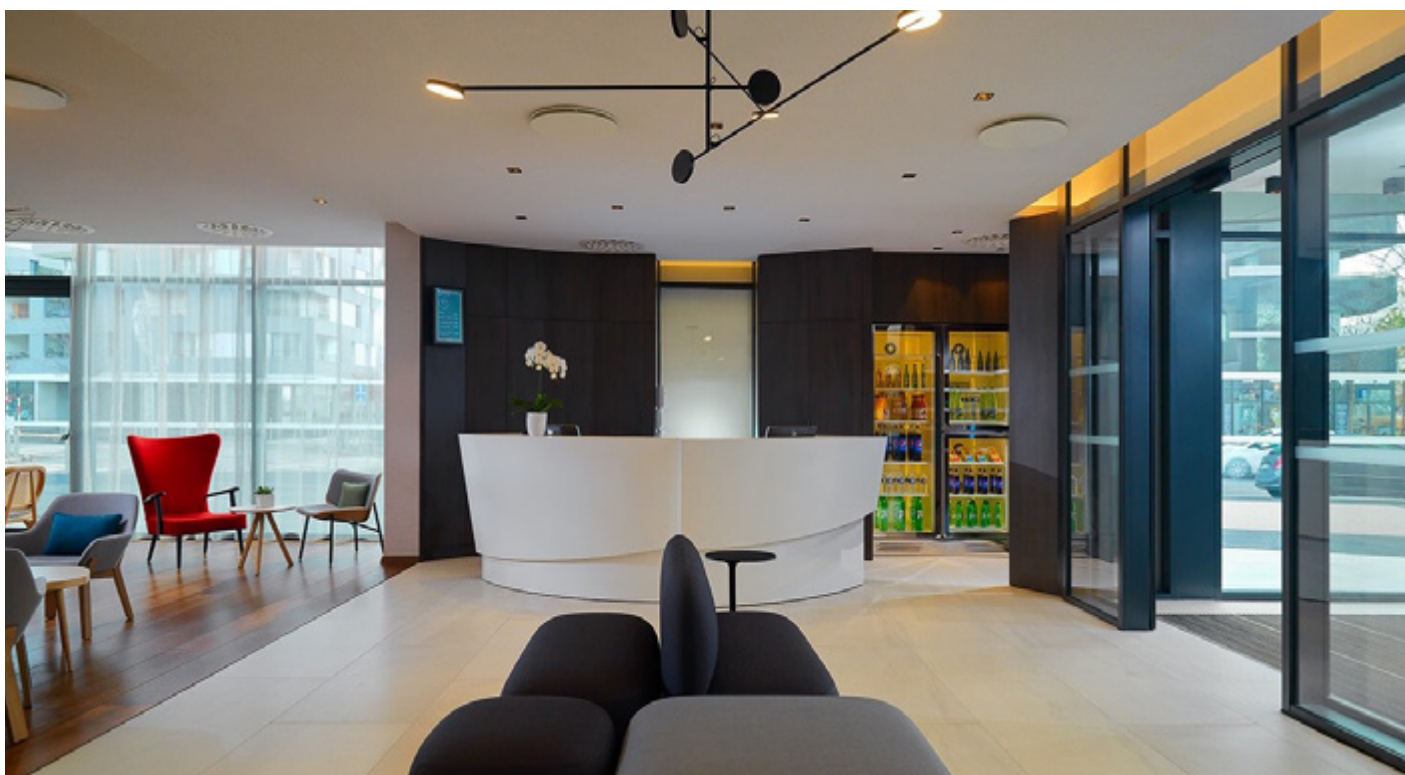
regular saturation of traditional hotel supply meant that hotel-residences could increasingly attract the more profitable short break market.

This growth in average rates is even more noteworthy since it was accompanied by a quasi-general increase in occupancy. Occupancy rates had already recovered to pre-recession levels in 2017, and are now approaching the 80% mark in regional cities, despite the impact of the social unrest in late 2018. Marne-la-Vallée/ Val d'Europe was the only sector to see a different pattern: occupancy fell by 1.6% and 6% in the Midscale and Budget markets, respectively. However, this decline can be partially explained by the launch of the first phase of the vast Villages Nature resort (almost 900 cottages and apartments opened in late 2017) which increased available lodging supply for visitors to the Disneyland area. In 2018, urban hotel-residences in Ile-de-France frequently recorded double-digit growth in RevPAR, illustrating a clear recovery that should be consolidated in 2019.

A generally positive year in regional cities

Regional city supply grew by 2% between early 2017 and early 2018, although this average was influenced by the figures for Bordeaux (+12.7%) and Lyon (+4.1%).

¹ Source: In Extenso TCH commercial lodging database



Residence Inn by Marriott, Toulouse Blagnac

Their regional counterparts experienced relative stability in supply over the same period. In this context, 2018 performance was satisfactory: RevPAR grew by 3.3% and 4.4% in the Midscale and Budget markets, respectively.

In the Midscale segment, Strasbourg and Toulouse were the only cities to experience a (slight) drop in occupancy (around 1%), although occupancy rates remained high at 81% and 72%, respectively. Aix-Marseille and Grenoble recorded growth of around 5% in occupancy. In terms of ADR, two destinations stood out: Strasbourg (+5.7%) and Nantes (+8.9%). Strasbourg surpassed the 90 € (excl. VAT) mark – a performance that only Midscale hotel-residences in Toulouse have been able to achieve until now. For Nantes, the sharp increase was more indicative of recovery, since ADR increased to 72 € (excl. VAT) in 2018. Average rates changed little elsewhere. On average, the year ended with a moderate growth in ADR (+1.1%), coupled with a more significant increase in occupancy, resulting in a 3.3% rise in RevPAR.

The year 2018 was also very encouraging for Budget hotel-residences in major regional cities. Despite stagnating occupancy (-0.4%, or 73%), RevPAR rose by over 4% given the general increase in average rates. ADR grew by almost 5% in one year, although this growth differed strongly amongst destinations: +1.4% in Bordeaux, and over 7% in Montpellier, Nantes and Rennes.

While 2017 had already been positive for Budget hotel-residences in medium-sized cities, the market maintained its momentum, enabling these properties to end 2018 with a 6.8% increase in RevPAR. The more favourable economic context and stable supply enabled this segment to achieve occupancy rates matching those of Budget hotel-residences located in regional cities (73%). Further, average rates rose by 4.5%.

Going forward

While there is still room for improvement in certain destinations, the occupancy rates observed in the urban hotel-residence market appear high. As supply is now evolving at a more reasonable

pace, occupancy is expected to stabilise in the coming years. Given this, market growth potential will essentially be based on average rates. This entails two challenges for operators:

- Controlling distribution channels and the guest mix in a market where the boundaries between hotel-residences, hotels and furnished apartments/ villas for rent are becoming increasingly blurred.
- Enhancing product quality, particularly in terms of decoration, furnishings and equipment.

The figures presented have been extracted from In Extenso Tourism, Culture & Hospitality's dedicated urban hotel-residence database. Produced in partnership with the majority of chain operators in the sector, as well as independent owners, the database groups around 60% of national stock.



Odalys City Paris XVII – Photo © Manuel Xavier

Table 1. Midscale hotel-residence performances in 2018*

	Occupancy Rate	Average Daily Rate (ADR exc. VAT)	RevPAR exc. VAT
Paris and Paris ring road	78%	€ 127	€ 102
	1.8%	9.6%	11.6%
La Défense	76%	€ 111	€ 85
	4.8%	7.4%	12.5%
Marne-la-Vallée/ Val d'Europe	77%	€ 94	€ 72
	-1.6%	8.6%	6.9%
Ile-de-France (average)	77%	€ 107	€ 83
	1.7%	9.1%	11.0%
Agglomerations 200 000 inhab. or more	71%	€ 77	€ 55
	2.2%	1.1%	3.3%

* The percentages indicated in blue shows the change compared to 2017 (constant samples)

Table 2. Budget hotel-residence performances in 2018*

	Occupancy Rate	Average Daily Rate (ADR exc. VAT)	RevPAR exc. VAT
Ile-de-France	79%	€ 59	€ 47
	2.7%	6.8%	9.6%
Agglomerations 200 000 inhab. or more	73%	€ 49	€ 35
	-0.4%	4.9%	4.4%
Agglomerations 200 000 inhab. or more	73%	€ 44	€ 32
200 000 inhab. or fewer	2.2%	4.5%	6.8%

* The percentages indicated in blue shows the change compared to 2017 (constant samples)

Breakfast, and a splash of culture? Creation, heritage and hospitality

In a highly competitive environment, hotels must stand out to make each night a unique and memorable experience for guests. And to do this, hotels have no choice but to create an emotional response. This is what art and culture enable by inviting the guest to discover a place, surprising them with a history, a story and an atmosphere they will never forget – aspects long understood by the luxury hotel industry.

By **Anne Ravard**, Deputy Director, and **Diane de Magnitot**, Consultant, In Extenso Tourism, Culture & Hospitality

Whether it be taking possession of a historical building or employing renowned architects, designers and craftsmen, the cultural and creative component can be well integrated into the design of any hotel offer. And this trend is no longer restricted to luxury hotels since it is now possible to capture new clients through the hosting of events and to better integrate hotels into regional tourism strategies by encouraging them to adopt local codes, identities and cultures. This constitutes a real advantage to be exploited, both for the territory in which the hotel operates and for its cultural stakeholders. Hotels can thus play a real role by offering a full, authentic and creative experience.

Yet, this strategy can only pay off if quality is on the agenda, in line with the expectations of increasingly demanding cultural tourists. Given this, what is the key to a successful marriage between hotels and culture, and how can this marriage boost the economic development of both the hotel and the territory in which it operates?

Enhancing hotel-specific intangible cultural assets to gain recognition and reinforce image

Although being distinctive in terms of guest rooms, the restaurant or even the bar can enable a hotel to reach certain limits more or less rapidly, the cultural and creative field offers virtually unlimited opportunities for developing a strong positioning and a new experience. This is the strategy adopted by MGallery by Sofitel (AccorHotels), for example, that has created a collection of boutique hotels dedicated to “lovers of life, literature and culture”. Each MGallery hotel promises a gateway to a bygone era, a historic building or a memory of an iconic historic figure. Drawing on its own history, the hotel benefits from a unique positioning and stands out from its competitors.

The Grand Hôtel de Cabourg, member of the MGallery collection, is a perfect example. The spirit of Proust, who portrayed this establishment so well in *La Recherche*, is ubiquitous. From the first telephone contact, a waiting message invites callers to live the



ICEHOTEL 2017. Art Suite Infitlove. Photo byline: Design João Mota & Volker Schnüttgen - Photo Asaf Kliger.

time fully, and in the kitchen, the hotel's famous *madeleines* are a must. The hotel is becoming a firm favourite of French and international aficionados who can book the Marcel Proust suite (room 414) at an affordable rate starting at 275 €/ night, excluding promotions and special offers. However, it is not the direct economic benefits that are targeted here: while Proust contributes to enhancing the overall image of the hotel, its main selling point is its prime seaside location.

Other collection brands have also been developed by major international chains, including Autograph and The Luxury Collection by Marriott International, Curio by Hilton Hotels & Resorts and BW Signature Collection or BW Premier Collection by Best Western International, etc.

When creativity comes knocking: five star properties are offering a genuine cultural experience helping them become destinations in their own right

Other hotels push the boat out even further, going beyond creative or themed interior design to offer genuine cultural content, either permanently or temporarily. This is how Jeanne Auguier, for example, successfully turned Le Negresco into a highly renowned and internationally recognised palace hotel. The hotel exhibits eclectic works of art collected over the years, drawing inspiration from the Empire style or Versailles and contemporary art such as Niki de Saint Phalle's *Nana jaune*. Guests are also privy to a full musical, artistic and events programme, boasting, for instance,

matinée concerts and conferences on the painter, Chagall, or street art performances with the artist, Faben.

Although a personal choice at Le Negresco, the strategy can be systematically rolled out elsewhere. For example, one of the key foundations on which Hyatt Hotels & Resorts has built its success is the promotion of very carefully selected local art, architecture and design. The Park Hyatt Paris-Vendôme exhibits contemporary Asian art in partnership with the Asia Now art fair. Over a period of several weeks, the hotel thus becomes an essential "art destination" to be visited between FIAC, Korea Now and Paris Photo, and attracts both collectors and connoisseurs.

A further figure in the hotel-museum world is Le Royal Monceau, in Paris, that

has employed a specialised art concierge to inform guests about its contemporary art gallery and the cultural and artistic events held in Paris. The hotel also welcomes the very select Film Club. The cultural programme is thus assured by qualified staff, meeting the expectations of demanding guests looking for an indoor activity during their stay.

Lastly, some hotels are a work of art in their own right. These properties can be visited and constitute a reason alone for holidaying in a certain destination, as is the case, for example, of Icehotel, the Swedish ice palace north of the Arctic Circle. The hotel opens its doors every winter, showcasing unique artist-created rooms destined to disappear come the spring. In addition to this offer, Icehotel 365, which opened in 2016, offers rooms all year round, proving the concept's business success. The area attracts almost 60 000 visitors per season, over half of whom stay overnight. Icehotel can thus be considered a real driver of the economy of the commune of Kiruna and the surrounding area.

The hotel as a prescriber of local culture: a showcase embodying a region's identity and culture

Indeed, the cultural lever is becoming increasingly less the preserve of luxury hotels, and the emergence of digital solutions has revolutionised the guest welcome. The ultra-connected guest now checks in online, the guest journey is more fluid and reception staff play a more advisory role. This entails being more attentive to guest needs and expectations and providing information on the services offered both internally and externally. The hotel thus becomes a vehicle for discovering local culture and guests expect reception staff to be able to recommend both permanent and temporary events.

Some hotels take this approach even further by fully integrating the surrounding cultural offer into their marketing strategy. Joint promotional campaigns can be effective ways of generating publicity and boosting a hotel's image through mass mailings using customer databases that traditionally only partially overlap. The

Intercontinental Bordeaux Le Grand Hôtel and the Opéra national de Bordeaux, for example, offer two very high-end packages this season. With Unlock Art™, Le Méridien Étoile invites its guests to discover the local cultural scene by cooperating each year with a different museum, and uses its own symbolic tools to develop partnerships. For instance, the key handed over at check-in not only opens the guestroom door, it can also be used to gain precious access to the Picasso Museum (in 2019). The hotel is thus central to the visitor's stay. No longer merely providing a bed for the night, the hotel almost plays an almost consultative role, based on a high-quality cultural programme.

Hôtel du Louvre-Lens, created by Esprit de France, also forges strong links with its cultural environment by proposing joint packages with the museum from which it takes its name, as well as its neighbour, the *Centre de photographie régional*. Indeed, it has embedded in its very design the local codes and creative identity, as distributed by Louvre-Lens Tourisme to hotel operators in "value guidelines". The idea of Guillaume Da Silva, the hotel's interior designer, is that when staying in the hotel, guests will say to themselves, "this is a territory that has sprung up from coal but reaches for the light". By seeking to be both an actor and a reflection of the region's revival, the hotel aims to capture the flow of visitors to the area and encourage them to extend their stay for a night or more. The property has taken a gamble on economic co-development by offering adapted rates (between 100 and 250 euros in the high season).

Merging culture and lodging: a strategy that pays off... but only under certain conditions

Approaches that seek to marry culture and lodging, although very diverse in form and dimension, require a certain level of investment, not least in terms of time and human resources (organisation of events, launching of joint offers, training of reception staff, etc.). They may even necessitate material investment (development of entertainment and exhibition spaces, acquisition or rental of artworks, etc.). Given this, such

approaches have up till now been mainly found at the upper and luxury end of the sector and/ or in large international chains capable of absorbing the costs involved. The financial equation is more challenging (although not impossible) for hotels with a more modest positioning. Here, the size of the hotel plays a role: for example, hotels with 50 rooms, 80 rooms or more can better absorb any human resources costs and potential financial investments. Likewise, hotels affiliated to a chain that embraces cultural best practice as a general concept can make use of existing tools, programmes and specialised teams set up at the group level and group-wide communication, for example.

The Midscale lifestyle brand Mama Shelter, one of the pioneers of the genre, has been successful in merging culture and lodging. It does this by bringing local culture into its hotels (mini concerts, local DJs, mini exhibitions, etc.) and by opening hotels up to the local cultural environment (reception staff trained to act as

concierges, virtual concierge service that informs guests about local happenings and attractions, even reserving tickets if so desired). Indeed, this osmosis with the local environment has strongly contributed to the concept's success: in ten years, the brand has opened in nine cities in France and abroad, and three further openings are planned (Lille, Paris West and London Shoreditch). Clients have appropriated and diffused the Mama Shelter image on social networks, helping to boost its popularity and visibility.

However, careful attention must be paid to the quality and even more so to the legitimacy of the cultural content offered. By inviting culture into their strategy, hotels must meet the specific expectations of the culture consumer, at the forefront of which is the high level of selection and mediation of cultural content, whether this be high culture or popular culture. The key to success thus lies in the skills honed and time allocated to building the cultural and

creative content. Hotels with insufficient resources to form a dedicated team can turn to recognised external curators or programme developers, or partnerships with legitimate institutions or companies to increase the relevancy of the proposed offer.



Hôtel du Louvre Lens, Esprit de France group - Photo: Gilles Trillard

Thalassotherapy is preserving its health capital

If someone says they've booked a thalassotherapy break, does an image of your elderly aunt in her bleached bathrobe waiting in a long white 1960s hospital-style corridor her turn for the mud bath immediately spring to mind? If so, you're overlooking one of the most buoyant sectors of the wellness industry!

By **Florent Daniel**, Manager, In Extenso
Tourism, Culture & Hospitality

A 19th century medical tradition, thalassotherapy expanded along the French coast during the twentieth century. Yet thalassotherapy is also a resilient sector, capable of adaptation, rejuvenation and offering the myriad virtues of seawater.

Three disruptions

Several years ago, the thalassotherapy sector was faced with three disruptions that some believed would irredeemably weaken it:

1. The development of cheap competition in the Maghreb: Tunisia and Morocco, in particular, have been able to take advantage of cheap labour, a mild climate and the development of low-cost flights to offer a product that appeals to French consumers (who in 2017 represented 96% of clients in French thalassotherapy centres). Ironically, Tunisian and Moroccan staff have often been trained by French thalassotherapy experts.
2. As in the traditional hotel sector, the industry has seen the development of digital platforms (Thalasso Passion, Thalasseo, etc.) that have rapidly become increasingly important

distribution channels for selling thalassotherapy breaks. These platforms now generate 30 to 40% of the business in some centres, for example. As in the hotel industry, the use of these platforms has exerted downward pressure on prices, while the commissions charged weigh heavily on the industry's business model.

3. The development of balneotherapy and spas in the late 1990s and early 2000s: oriented more towards wellness, better packaged and more in tune with the times, these products benefit from a clear competitive advantage, namely less complex and costly technological constraints which heavily impact rates and force thalassotherapy centres to sell at a higher price.

These disruptions, coupled with the somewhat unclear positioning of "thalassotherapy" in the late 1990s and early 2000s and the presence of dated centres in dire need of investment, dealt a severe blow to the sector. The context was challenging, and some operators contemplated leaving the industry altogether.



Château des Tourelles - Relais Thalasso

Repositioning

Yet the sector has a particular capacity for resilience. Certain actors began to sense that thalassotherapy could potentially respond to the needs of a society facing the particularly anxiety-provoking environment caused by economic recession, employment uncertainty, lack of time, terrorist attacks, armed soldiers patrolling the streets and so on. Indeed, consumers have rarely felt such a strong need to recharge their batteries and indulge themselves. Thalassotherapy's potential is further enhanced by the emergence of the notion of "health capital" and the desire to stay fit and well as we get older. In other words, the context has generated significant opportunity that certain operators have been able to harness.

These operators have reinvested in infrastructure, with major renovation projects multiplying in seaside resort areas. Arcachon, Arzon, Carnac, Châtelailon-Plage, Deauville, Dinard, les Sables-d'Olonne, Saint-Jean-de-Luz, Saint-Malo and many others have been refurbished over the past ten years, and the phenomenon continues. Regular reinvestment has now become the norm, resulting in more efficient products that reflect current consumer tastes. No more of your elderly aunt's hospital corridors (that, incidentally, had already started to disappear)! Refurbishment projects are now particularly ambitious, involving well-known interior designers. Recently renovated centres offer high quality environments, where the "medical look" has been replaced with an atmosphere

conducive to cocooning, relaxation and self-reflection. Indeed, thalassotherapy has massively invested in the wellness universe, adopting its codes along the way.

As well as now excelling in the world of wellness, thalassotherapy has also shrewdly reinvested in the health field. Thalassotherapy no longer focuses solely on providing a cure, but integrates a preventative dimension too. Modern notions of preserving health capital, managing stress, balancing the body and mind and so on are now at the heart of the thalassotherapy product. For example, in addition to traditional slimming and pre- and postnatal treatments, users can now choose from *Secrets of Longevity*, *Check-up Equilibre* et Santé and anti-aging treatments at Thalassa Sea & Spa (Accor



Institut Thalazur Ouistreham – Photo: B. Preschesmisky

group) and Thalazar, pick from a range of health treatments including *Digestion & Detox* at Relais Thalasso, select the soberly entitled *No Stress* or *Santé* at Valdys and Côté Thalasso, or book the *Sea & Health* treatment at the Saint-Malo thermal baths. Although the health element remains “soft” – associated with wellbeing and feeling good – thalassotherapy centres are surfing on the wave of the desire of French consumers to take care of themselves, maintain their health and age well. Incidentally, centres are also capitalising on what makes them different or what accords them their special status – i.e. the scientifically recognised virtues of seawater. The sector has further strengthened this strategic positioning through a process of standardisation that has led to the creation of an experimental thalassotherapy-specific Afnor standard (X 50-844).

Investments

The merging of wellness and health is also reflected in the investments made in technology and services. Thalassotherapy centres are renewing their equipment more frequently and are constantly on the lookout for new products – no longer is sports medicine or medical research equipment finding its way in. While cryotherapy has become widespread in centres, many other similar technologies are also being used – technologies that are not especially common in spas given their high cost. Consequently, they allow thalassotherapy centres to stand out in the market and simultaneously develop their expertise. The use of such technologies is complemented by a flourishing range of additional activities including yoga classes, mindfulness and meditation, sophrology, aquabiking and sports coaching.

In addition to investing in products and services, thalassotherapy centres have also endeavoured to improve marketing. Often hoteliers, French thalassotherapy operators have learned from the hotel OTA¹ experience – i.e. they are attempting to limit the prominence of digital intermediaries by diversifying distribution channels. It is not about being entirely closed to the use of OTAs, however. The question is more about preventing overdependence on OTA¹ and limiting commissions. This ambition is facilitated by the current movement towards a concentration of operators, since the sector is currently being structured and consolidated. The rise of groups, led by Thalassa and Thalazur, has made it possible to significantly improve marketing and to maintain a more favourable balance of power when negotiating with digital intermediaries.

Record figures

These developments have enabled thalassotherapy centres to achieve record figures in recent years. Since 2011, the sector has also regrettably been boosted by events in the Maghreb (Arab Spring, terrorist attacks in Tunisia and Morocco, etc.) that have persuaded consumers to return to the French coast. Between 2014 and 2017, the number of clients in French thalassotherapy centres increased by 11%, and revenues by 9%. Revenue per user – which fell by 14% between 2012 and 2016 – has risen by 4% since 2016. Estimates show that the 52 French centres generate over 160 million euros of thalassotherapy revenues, to which annexed services such as hotel accommodation, food and beverage, shop sales, etc. can be added, easily doubling this figure. The revenue from thalassotherapy is estimated, on average, at over three million euros per centre, excluding ancillary revenues.

In addition to high occupancy and encouraging revenues, the efforts made by operators themselves are leading to a change in the typical consumer profile. In particular, the following trends can be observed:

- A client base that is gradually getting younger: 40 and 50 year olds are increasingly using pools.
- A progressively masculine clientele: a trend that is slight, but undeniably there. Between 2012 and 2017, the proportion of male users rose by three points (from 28% to 31% of total users).
- A reduction in the average length of stay: the number of short-stay clients (five days or fewer) increased by 20% between 2012 and 2017, while the number of clients booking for more than five days dropped by 9%. Shorter stays make it possible to reduce the price and attract clients on a tighter budget. Note that this also resonates with the dominant contemporary tourism trend of a rise in short-break leisure demand. The reduction in the length of stay is also reflected in the decline in the number of treatments per user: -10% between 2012 and 2017.
- Busier days, with *farniente* (idleness) proving less and less popular: operators have observed that clients are becoming more energetic, seeking an increasing number of services and activities.

Evolutions

Looking to the future, the change in the consumer profile is expected to continue and have an impact on centres, the first being a move upmarket. Previously, high-end establishments were the exception in a market more oriented towards the Budget and Midscale sectors. The newest centres can be considered at least Midscale, and increasingly Upscale – Thalassa Sea & Spa in Trouville, Relais Thalasso in Pornichet and Radisson Blu 1835 Hotel & Thalasso in Cannes are cases in point. Even those that do not benefit from a prime location are positioned at least in the Midscale segment. This is consistent with the heavy investment costs that must be absorbed and with an increasingly



¹ Online Travel Agencies such as Booking, TripAdvisor, etc.

demanding clientele that calls for more services and better comfort levels.

However, the sector's move upmarket is not the only foreseeable development. Among those to come, the following can also be expected:

- Ever-increasing personalisation of treatments and services: this trend is omnipresent throughout the service industry, and thalassotherapy is no exception. Understanding this well, thalassotherapy operators are increasingly offering bespoke packages. This begs the question of how far the customisation of treatments will go with regard to the development of connected objects and health apps and the rise of tools for making on-the-spot diagnoses.
- Greater permeability of thalassotherapy and wellness: the shorter length of stay is progressively fudging the boundaries between thalassotherapy and wellness, a trend which is enhanced by an approach to health that increasingly focuses on health capital, aging well and the need to stay in shape: the expected results are more protracted and the desire for instantaneously feeling good stronger.
- Increasingly tight consumption flows: the last-minute booking trend is expected to continue growing. We may even start seeing this trend inside centres themselves, with the rise of apps allowing clients to book a treatment directly or organise their planning, for example. While this creates increasing complexity for existing teams, it can help optimise space and boost customer satisfaction.
- The increasing medicalisation of services: this is one of the major questions facing the sector, as there is now a growing demand for more "medical" treatments. Such treatments exist abroad, and have proved particularly successful for certain centres. However, current legislation does not allow all the treatments offered in these centres to be administered in France. But what about tomorrow? Beyond the complex legal issues involved and the scale of technical challenges to be resolved, the investments necessary

and the countless other barriers to be removed mean that this type of offer can only constitute a niche market at best, and should not be considered the future of thalassotherapy.

Financial investors

In parallel with the changing consumer profile, there is another factor likely to profoundly alter the face of thalassotherapy, namely the growing number of financial investors seeking to position themselves in the sector. This phenomenon is expected to intensify in the future, since the sector offers undeniable advantages for investors:

- Establishments located in exceptional locations: many centres were constructed before the French coastal law (1986) came into force. Benefiting from prime locations with sea views and direct beach access, these sites are unlikely to lose value and, given their rarity, are likely to become even more valuable.
- Sustained year-round trading: compared to traditional seaside hotels, thalassotherapy offers a significant advantage, namely customer complementarity. Thalassotherapy hotels attract leisure guests in summer and thalassotherapy clients the rest of the year. As a result, they achieved an average occupancy rate (OR) of over 70% in 2017, compared to an average of 63% to 66% for regional hotels as a whole, depending on the category². This illustrates year-round trading that translates into an OR in excess of 70% six months of the year. And these high occupancy levels were not achieved by lowering rates, since Average Daily Rate (ADR) stood at 186 € (excl. VAT), on average, in 2017, significantly higher than the 150 € (excl. VAT) and the 92 € (excl. VAT) recorded by Upscale and Midscale regional hotels, respectively, over the same period.
- High turnover: many thalassotherapy centres generate significant revenues – several million euros, with some even surpassing the ten million mark. This

² Data and subsequent figures extracted from In Extenso Tourism, Culture & Hospitality's monthly hotel benchmark

high level of trading is accompanied by comfortable Gross Operating Profit (GOP) ratios in well-managed establishments where the lodging component is correctly controlled. The combination of significant turnover and GOP is particularly appreciated by investors such as asset management funds, sovereign wealth funds, private equity funds, etc. These players have been very active in the hotel sector in recent years and may take a greater interest in thalassotherapy in the future.

The French thalassotherapy sector is particularly dynamic. Further to a challenging period, operators are reaping the rewards of their hard work and

investments, and performances have improved significantly in recent years. Although it is thalassotherapy operators that are benefiting, the sector's buoyancy is also drawing new investors and fuelling projects in other seaside locations such as Berck, Boulogne, Fécamp, Étretat, Saint-Hilaire-de-Riez and Villefranche-sur-Mer. Not all will come to fruition, but they do reflect the sector's vitality. In short, thalassotherapy – a tradition that is over a century old – is most certainly preserving its health capital.



Novotel Thalassa Dinard (AccorHôtels)

Alternative financing of tourism investments

In a context of rapidly developing worldwide outbound tourism, investment is both essential (for developing and adapting working tools to new tourist flows) and one of the main drivers of tourism economic growth. Private investment in tourist accommodation has recovered over the past few years, and working tools, notably, have evolved.

By **Michelle Fawcett**, Manager, Hospitality & Tourism, and **Matthieu Levy**, Consultant, Tourism & Culture - In Extenso Tourism, Culture & Hospitality

In addition to private tourist facilities, tourism investment also concerns the public sector, with local authorities increasingly seeking private backing in recent times. Given this, the financial engineering methods long used in the private sector are making their way into public investments in tourism and heritage. Not only will these public-private partnerships bring about development, they will also require public authorities to be better qualified in financial engineering to successfully reconcile two operating approaches that are very different today.

Trends in hotel real estate financing

In 2017, the volume of hotel transactions in Europe reached approximately €21.7 billion, up 22% compared to 2016, rendering the 2017 financial year the second best over the period 2005-2017 (after 2015, when the volume of transactions skimmed the €24 billion mark). In France, in a context of massive inflows of capital into real estate (over €10 billion in inflows for SCPIs¹ and general public OPCIs² in 2017³) and loan rates that remain particularly attractive, the

share of hotel assets in institutional portfolios seeking diversification and return is increasing.

Depending on the specifics of the hotel project (legal structuring, freehold or leasehold, portfolio or single-asset, etc.), various types of lenders can be approached for financing:

1. Traditional players – specialised banks and investment banks – remain the main sources for financing complex transactions, both with recourse (business loans, debt issue, securitisation) and without recourse (mezzanine debt). For example, a portfolio of 20 hotels in the United Kingdom (under the Crowne Plaza and Holiday Inn brands) is being financed through a commercial mortgage-backed security (CMBS) to the amount of c. £427m.

Maison Astor Paris, Curio Collection by Hilton - Photo: Maximilien.

1 *Société civile de placement immobilier*: Real Estate Investment Trust (REIT)

2 *Organisme de placement collectif immobilier*: Real estate investment scheme

3 Source: IEIF



2. More recent players, including specialised funds, provide a wide range of financial instruments (equity or debt) for financing hotel and tourism projects. In some cases, these tailored financing packages for institutional players and SMEs complement financing from Bpifrance⁴, as illustrated by France Hostels' raising of capital to support its development, or Les Bains, who used a €15 million bond issue from Zencap AM⁶.

Financing existing assets with a track record remains less risky and therefore more accessible. The real estate component of a tourism project, monovalent in nature, provides it with a certain degree of liquidity (guarantee for the lender) that varies according to its location and characteristics. The development of tourism projects located in seasonal destinations such as mountains or coastlines, for instance, renders the business model more sensitive to hazards, both external (weather, strikes, school holidays/ bank holidays, etc.) and operational (opening period limited to around four months per year in certain areas, recruitment of seasonal workers, predominance of leisure guests, etc.). In these seasonal destinations, operational risk is reduced when operators benefit either from a high-capacity asset (volume effect allowing them to better absorb fixed costs) or from managing several properties within a limited geographical range (possibility of creating synergies in terms of back-of-house staff, the transfer of seasonal staff between mountain and coastal destinations, for example).

Prior to financing seasonal tourism projects, whose risk/ return profile is generally higher than that of urban hotels, an analysis of the market, the project, financial projections and the quality of the operator are fundamental to assessing economic feasibility. For the development of tourist infrastructures requiring

significant capital, real estate lease financing remains the most appropriate instrument for project managers.

More recently, the creation of financing platforms to raise funds from individuals has become an alternative to traditional credit. While this financing solution (capped at c. €5 million) cannot replace significant real estate financing, it does allow project managers to take advantage of a loan (short or medium term) from the public and evaluate lender interest for the project in question.

The rise of private investment in public projects

Yet these impressive tourism real estate investment figures should not camouflage another phenomenon: the rise of private investment in public projects. Although less significant in terms of value, this phenomenon does have a strong leverage effect on the total volume of investments made. The contribution of private investment to public ventures is almost as old as the differentiation between public and private itself. However, the increasingly limited budgetary room for manoeuvre of local authorities is forcing them to more actively seek new ways of raising capital for tourism or cultural projects. Moreover, new tools are today reviving several more traditional financing methods. Thus, certain traditional models are still at work, but have evolved. For example:

- Patronage, but with new forms of financing possible today and having evolved somewhat in recent years.
- The hosting of private (thus lucrative) events in public venues in return for payment of a rent or equivalent. In this way, public authorities can finance part of their investments or efforts to increase visitor flows (marketing, etc.) through the injection of private cash, by offering business activities and services to venue users.



⁴ The French Public Investment Bank and ECA

⁵ Capital increase of €3.3 million completed in January 2018 with Bpifrance (via its France investissement tourisme fund) and Extendam (a European private equity player, specialised in hotel investment). Source: Bpifrance

⁶ The investment fund manager, Zencap AM, structured a €15 million mortgage bond issue for the company, Les Bains. This tailored financing solution aims to increase resources for development in France and abroad



Radisson Blu Hôtel, Bordeaux - Redman Hôtellerie

- Diverse legal public-private frameworks such as concessions or partnership agreements.

Patronage remains a classic tool historically used in the culture and heritage fields, in particular. According to the annual poll conducted by Admical⁷, patronage generated a total of €525 million for culture and heritage in 2016. With this in mind:

- Culture and heritage account for 15% of corporate philanthropy budgets in France, the second largest domain behind the social sector (17%).
- Financial patronage remains important, but new forms also exist and are being developed. These include skills patronage (making available a company's production/ services to support a specific project or mission), patronage in kind (donating material goods that involve transferring ownership to support a specific project or mission on behalf of a company) or sponsorship (material support provided in order to obtain a direct benefit through the promotion of a company's brand image).

The evolution of patronage and the rise of crowdfunding

New forms of patronage are emerging, including endowment funds – legal structures whose capital endowment generates financial income used to fund measures in the public interest. Such operations make it possible to overcome the uncertainty associated with traditional patronage, as financial income is regular and sustainable over time. Actions financed in this way are typically linked to the maintenance of buildings and collections, the undertaking of works, and R&D:

⁷ Corporate philanthropic network of companies, foundations and charities

- Initially, the general principle governing endowment funds was the “non-consumability” of the endowment. Policymakers have now adapted the general principle of inviolability to encourage the emergence – alongside organisations with inalienable endowments – of endowment funds whose statutes may stipulate that the capital endowment of the fund is “consumable”. In this case, endowments (gifts - excluding gifts from hand to hand - and legacies) are also consumable.
- A further legal form of financial contribution are “friends societies”, associations whose members financially support a museum, often to enhance collections.

In the broad sense, patronage has long remained the prerogative of large museums or cultural venues, but local authorities are increasingly seeing it as a potential lever for investment financing. For example, the Essonne department has recently created the *Essonne-Mécénat* foundation to collect donations from companies and individuals for the renovation of some of its cultural edifices, primarily the Chamarande and Méréville estates and the Foujita house-workshop. While the first round of fundraising generated a modest €50 000, this concerned private individuals only, and extending the fundraising efforts to companies should increase the availability of resources.

Crowdfunding is becoming increasingly important. Crowdfunding is a form of patronage that enables project leaders (whatever their nature) to seek funding from the general public almost exclusively through the Internet:

- According to the 2017 crowdfunding barometer published by the association, *Financement participatif France*, crowdfunding raised €336 million in 2017, against €167 million in 2015. In 2017, 1 655 603 people contributed to fundraising campaigns in France, with Culture constituting the second largest sector in which these funds are used (€45 million, according to the barometer).

- Crowdfunding is booming, and is being progressively used to finance local authority ventures, to such an extent that *Financement participatif France* held a training day in October 2018 on the theme “Public authorities: involving the community in local project financing”.
- It should also be noted that this method of financing has in fact been used for many years by certain players. The Heritage Foundation, for example, has favoured public patronage for more than two decades, raising over €14.5 million in 2017.

The latest example of seeking “private” funding for public cultural and tourism projects is *La Française des Jeux* (FDJ), who has launched two tools for financing heritage sites:

- *Mission Patrimoine* scratch card, introduced in September 2018: Ten per cent of the sales price (€1.52 per card) goes to the Heritage Foundation and directly contributes to restoring heritage sites.
- *Super Loto pour le patrimoine*, the heritage lottery also introduced in September 2018: €0.75 per ticket sold (€3) goes to the Heritage Foundation and is used to restore heritage sites.

The entire operation is expected to generate between €15 and €20 million for the dedicated fund set up by the Heritage Foundation for financing the renovation of 269 buildings selected under the *Patrimoine en péril* (Heritage in Danger) programme headed up by Stéphane Bern.

The emergence of new business models?

Although public authority investment in tourism and culture has long been largely financed through public funds, the goalposts are now changing. Local authorities are increasingly looking to private funding, either through traditional financing vehicles or more innovative ones (at least for our era, since lotteries and games of chance to finance construction work have been widely used by French kings over the centuries). This

movement is particularly strong, and during the last Inter-Ministerial Council on Tourism, the government placed investment as a priority and central to its tourism strategy, alongside international promotion. In this respect, the Caisse des Dépôts is expected to increase territorial investments to €500 million over five years, and BPI's (*Banque publique d'investissements*) budget (€200 million) is forecast to double.

In addition to government commitment, regions such as Brittany have placed public-private partnership at the heart of tourist development strategies, “making it possible to re-examine traditional approaches and develop new, more efficient and sustainable business and organisational models”. However, with some exceptions, private investment flows towards areas where there is a value effect, either in terms of returns or image.

One of the challenges for local authorities in the future will undoubtedly be attracting private investment by enabling value creation in the projects they support, and carefully managing the returns that can be generated by this value creation. Topics such as making the most of customer data, or long-term sponsorship, are already attracting attention and, although no business model currently exists for these, it is clear that rethinking public financial engineering will result in innovative ways of transforming them into euros and cents.



CLUB DES  DIRIGEANTS
DE L'HÔTELLERIE INTERNATIONALE
ET DE PRESTIGE

The CLUB was created in 2002 by 12 executives and now has 450 members representing over 150 four star, five star and luxury hotels in France. These establishments employ more than 25,000 staff members.

The CLUB is structured around four Committees, each dedicated to the following four positions: Chief Executive Officer, Director of Human Resources, Chief Financial Officer and Chief Technical Officer. Members meet regularly to discuss current topics or future issues related to their business activity. These meetings allow operational and transversal business practices to be developed.

The CLUB has developed a very wide network of influence for the benefit of its members with the aim of defending their interests and those of their hotels.

The CLUB is financed exclusively through the contributions of its members, which ensures its total independence and freedom of expression and thought.

The "History" page on our website sets out the reasons behind the CLUB's creation. Here, you will also find some examples of the topics addressed by each committee, as well as our values and a list of our member hotels. Indeed, you probably know several of them! Their leaders, whose loyalty we have been able to count on for several years now, will be able to tell you more about our commitments and activities.

For a first contact:

jp.lafay@clubdesdirigeants-hotels.org

Jean-Paul Lafay - President

06 07 27 33 62

www.clubdesdirigeants-hotels.org

Hotels as generators of socio-economic benefits and drivers of regional economic development

Hotels are a key contributor to the quality of a region's tourism offer. Some are tourist destinations in their own right and veritable driving forces that draw regular flows of visitors to an area. To survive, grow their business and deploy successful CSR¹ strategies, developers and hotel groups are increasingly emphasising their hotels' local roots and reporting the socio-economic benefits they generate. Indeed, certain properties now aim to become and be considered as real drivers of regional economic development.

By **Pierre Mescheriakoff**, Director and **Cyrielle Sénéchal-Chevallier**, Manager, Financial Advisory – Deloitte Economic Development (*Deloitte Développement économique*) – Major events

Economic benefits during construction and operation

Analysing the economic impact of a hotel can start from the design stage and continue during the operating phase. In addition to the direct impacts on construction, accommodation and Food & Beverage (the three main business sectors benefiting from hotel activity), a hotel also generates economic spin-offs across the entire supply and subcontracting chain, as well as, indirectly, on household consumption.

The creation of a new hotel contributes to attracting additional flows of tourists who will generate revenues for other economic actors in the area – leisure operators or retailers, for instance. The impact on the region will also depend on the hotel's positioning. The average spend of visitors to a region may be particularly high, for

example, when a hotel is positioned in the upscale segment, when it caters to corporate or international guests or when it offers a renowned restaurant.

Why the local impact of a hotel should be demonstrated

When a new hotel development is planned, it can be in the best interests of a developer or hotel group to convince local authorities of the merits of the new property and the socio-economic impacts it will generate. Indeed, being aware of these impacts may make it easier for local inhabitants to agree to the project's development, in a context where the fear of overtourism is progressively emerging in certain destinations (Paris, the Côte d'Azur, Barcelona or Venice, for example).

In this respect, the figures quoted in 2018 by the newspaper, *Les Echos*, should be

recalled: "In Venice, tourism provides a livelihood for 65% of the population and brings in 2 billion euros per year for the municipality. In the Catalan capital, 18% of the turnover of Barcelona's businesses is generated by tourism. Without tourists, nearly 1,200 businesses would be forced to close. Without tourism,[...] Versailles, as Blois or Chambord, could not be maintained or restored."

A strong territorial foothold that benefits regions

Hotels create jobs that cannot easily be relocated, some of which are filled by low-skilled workers. By nature, the hospitality workforce is less mobile and very territorially-based. In addition, a growing number of hotels are opting for shorter supply chains in their operations – an approach that allows them to limit their environmental impact and at the same time contribute to the local economy.

Club Med, for example, demonstrates its strong desire to work with local producers and distributors, estimating that an average 90% of Club Med Village goods and materials are purchased from suppliers in the country where the Village is located. For the past decade, its partnership with the NGO, *Agrisud International*, has enabled the group to support small local producers near its Villages in several countries.

Emphasising local roots can also be illustrated by the diversification strategies observed in the hotel industry in recent years, aimed, in particular, at attracting additional local customers. New components are being developed, including restaurants, concierge services and co-working spaces. These strategies help shore up hotel revenue, rendering it less sensitive to the tourism environment by relying more heavily on local custom and thus contributing to its development. In this respect, hotels can become real



Radisson Blu Hôtel, Bordeaux - Redman Hôtellerie

Deloitte Economic Development (*Deloitte Développement économique*)

Leveraging its network, Deloitte has developed key expertise in advising public and private actors on how to define strategies for boosting attractiveness and economic development. Our *Développement économique* – Major events team has undertaken numerous impact assessments of tourism infrastructure projects, evaluated the economic impact of hosting the 2023 Rugby World Cup in France and advised and conducted *ex ante* and *ex post* studies on the impact of the Formula 1 *Grand Prix de France*.

Our practice also assists organisations, sports federations and sectors in calculating economic impact on a national or local level.

Deloitte has been a pioneer in analysing the contribution of major events to the local economy, notably through increased tourism, enhanced territorial visibility and the development of infrastructure.



Motel One Paris Porte Dorée - Photo: Nadine Rupp/Ruppografie.

focal points for community life, which contributes to the local area's economic dynamism. This is the ambition of Mama Shelter, for example, whose restaurants account for around half of overall business activity. The interest shown by industry leaders in this type of concept and strategy is indicative of how the traditional view of hospitality is changing.

Global tourism strategies for maximum benefits

In many areas, hospitality now forms part of a broader tourism strategy which often also includes major cultural facilities, sports activities and rich events programmes. Leisure and entertainment activities generate tourist flows for the hotel industry, and vice versa. For example, Deloitte estimated that nearly 70% of the overall economic impact on the Southern region (€78 million) of the first *Grand Prix de France* held in 2018 at the Paul-Ricard circuit in Castellet benefited hotels and restaurants. On the other hand, an international event of this type could not have been held without an adequate supply of hotels and capacity in line with organisers' requests. There is no doubt in this respect that hotels significantly contribute to boosting the appeal and economy of a region.

Estimating a hotel's economic contribution, being able to justify the volume of jobs created, better understanding sensitive factors with regard to economic ramifications, improving the socio-economic footprint of a hotel in a specific territory while at the same time limiting its environmental one... these are the virtues of putting in place an impact measurement framework.

Putting owners plans AT THE HEART OF OURS

Hilton Garden Inn Nice Centre, France



40,000

INDUSTRY LEADING PIPELINE

With nearly **40,000** rooms under construction
in EMEA



500

**OVER 500 MANAGED & FRANCHISED
HOTELS IN EMEA**

More than **250** Managed hotels



14%

**14% REVPAR PREMIUM
OVER COMPETITION**

Globally driving better returns for owners



30M

LEADERS FOR INNOVATION

Over **30 million** digital check-ins, powered by the
industry leading Hilton Honors app. More than
8 million guests used digital key in 2018



82M

**MORE THAN 82 MILLION HILTON HONORS
MEMBERS BOOSTING PERFORMANCE**

Honors members drive **58%** of all occupied room nights



2019

EXPANDING IN FRANCE

Dynamic developments in France with many openings
in the coming years in Paris and in the regions.

A VARIETY OF MARKET-LEADING BRANDS. A WEALTH OF OPPORTUNITIES.



Personal data processing and the hotel industry in France: hotel management agreements will need to be revised

Hoteliers have a duty to use enhanced security measures to protect guests. This contractual obligation covers all aspects of guests' private lives, from the protection of their person and property to the protection of their image and personal or confidential data.

By **Sarra Jougla-Ygouf, Anne Epinat** and **Christopher Boinet**, Lawyers at the Paris Bar, Partners, In Extenso Avocats

Amending current hotel management agreements appears necessary

GDPR (General Data Protection Regulation - European Regulation No. 2016/679) and Act No. 78-17 on Information Technology, Data Files and Civil Liberties, as amended on 20 June 2018, aim not only to protect personal data but to safeguard the free movement of this data. In this digital era, the protection and movement of personal data must be supervised and regulated to avoid misuse, errors or accidents in processing, the like of which has been seen on several occasions these past few years.

Today, a news agency can hack into Air France's website to retrieve the names of celebrities travelling on board. Huazhu, a major Chinese hotel group, saw 141.5 Go of guest data – 150 million user accounts – go missing. Fastbooking, the online booking platform and subsidiary of AccorHotels, declared that it was the victim of a major cyber-attack in June 2018. And Marriott has just announced that hackers

have breached its reservation system, compromising up to 500 million customer accounts.

The time has come to mobilise hoteliers around these issues

How can these issues be addressed when hotel owners are negotiating a management agreement with hotel brand operators? While the responsibility for the operational management of the hotel is entrusted to the hotel operator, the owner retains the legal and financial responsibility for the property. Each year, the owner and operator set the budget and agree on the main hotel investments and operations, ensuring these are carried out.

Hotel management agreements fall under article 1984 et seq. of the French Civil Code: the owner-principal is therefore responsible for the actions of the operator-agent. Since 25 May 2018, and in accordance with the new regulations, an amendment/ annex to hotel management agreements has been required to provide

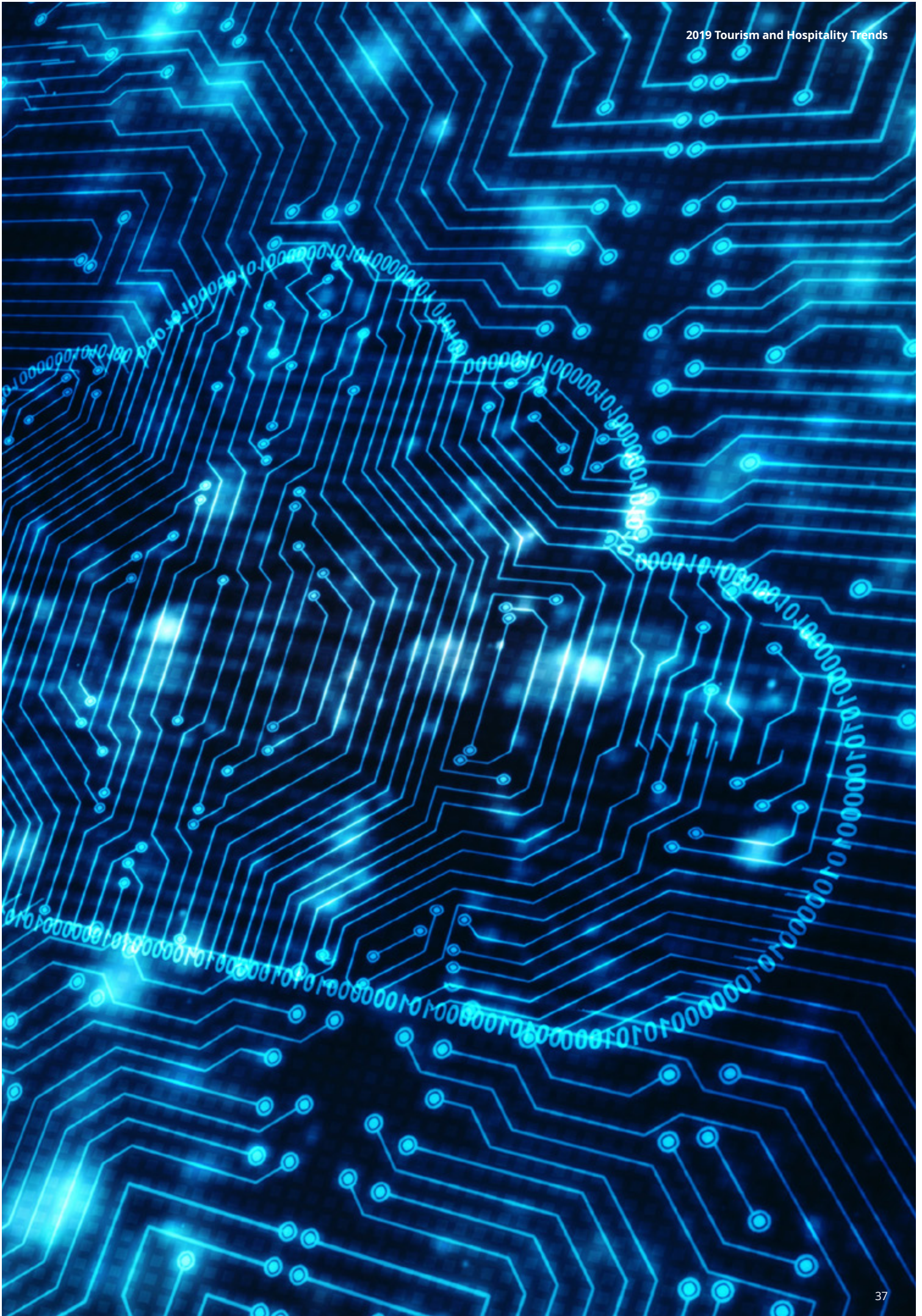
1 CJUE, gde ch., 13 May 2014, aff. C-131/12, Google Spain SL and Google Inc./ Agencia Espanola de Proteccion de Datos and Gonzales

CNIL Deliberation n°SAN – 2017-006 of 27 April 2017 imposing a fine on FACEBOOK INC. and FACEBOOK IRELAND

CNIL Deliberation n°SAN-2018-001 of 8 January 2018 imposing a fine on ETABLISSEMENTS DARTY ET FILS

CNIL Deliberation n°SAN-2017-010 of the 18 July 2017- HERTZ

CNIL Decision MED n° 2018- 007 of the 5 March 2018 serving notice on DIRECT ENERGIE and CNIL Resolution n° 2018-082 of the 22 March 2018 and decision issued to make public the formal notice to DIRECT ENERGIE



for the management of personal data and the distribution of the respective responsibilities of the owner-principal and the operator-agent in processing this data. In theory, the data controller is the person (natural or legal) who determines the purposes and means of data processing. In practice, the data controller may therefore be both the principal and the agent, depending on the data processing operations that each carries out. This will depend on the description and scope of the hotel management agreement and the obligations entered into by the parties. Failure to comply with GDPR may expose hoteliers to various types of legal proceedings:

- (i) **administrative proceedings**, initiated by the CNIL (the French Data Protection Authority), either following a complaint from a victim, an employee, a consumer association, etc., or during an inspection;
- (ii) **civil proceedings**, brought directly by victims who claim damages resulting from the unlawful processing of their personal data;
- (iii) and potentially **criminal proceedings**.

(i) Hoteliers are exposed to significant administrative penalties

These can range from a simple warning to a fine of up to 4% of the defaulting company's worldwide turnover, or €20 million. This is, therefore, a particularly serious sanction whose payment is not covered by the hotel's insurance company. Sanctions are imposed by the competent administrative controlling body – the CNIL, in France. This penalty will be imposed principally on the party considered to be the data controller, and at times on the subcontractor, if the latter has failed in their duty. If the operator-agent alone determines the purposes and means of personal data processing (generally the case, in practice), the operator-agent will be considered as the data controller and is the party that will be administratively sanctioned.

The owner-principal may be considered as a data co-processor if they initially carried out certain data processing operations or were solely responsible for doing so. Yet the imposition of an administrative sanction does not prevent the hotel guest, whose personal data has not been protected, or has been insufficiently protected, from engaging the hotel operator's civil or even criminal liability.

(ii) Hoteliers are exposed to theoretically minor civil penalties

A victim or a group of victims may act upon the hotel's civil or criminal liability if their personal data has been disclosed, lost or degraded. This could be the case, for example, if, through the disclosure of such unprotected personal data, a person's spouse accidentally learns that their husband or wife stayed in a hotel in with a lady or gentleman friend, or flew to Reunion Island when they were supposed to be in Saint-Brieuc!

Under the rules applicable to hotel management agreements, action may be brought against both the owner-principal and the operator-agent, subject to proof of damage (as delicate to establish as in matters concerning right to image). In addition, the civil liabilities of the owner or operator are usually covered by insurance.

(iii) Hoteliers are exposed to very severe criminal penalties

Criminal sanctions for breaches of data protection legislation are particularly dissuasive and can include **up to five years' imprisonment and/or a fine of €300,000**. This aspect should not be neglected either in the organisation of the hotel's operation and management.

2 Cass. 3^e civ., 15 Feb 2006, n° 05-11.263 FS-D, Maini c/ Cie européenne d'assurances and others (cassation CA Nîmes, 1^{re} ch. civ. A, 13 Jan 2004): Juris-Data n° 2006-032226

3 LIL 3: Act 78-17 of 6 January 1978 amended 22 June 2018: articles 45 *et seq.* and GDPR N°2016/679: article 58 §2 and 83

4 Classic rules of civil liability in tort (articles 1100 *et seq.* of the Civil Code)

5 Articles 50 to 52 of LIL 3 Act 78-17 of 6 January 1978 amended on 22 June 2018 referring to articles 226-16 to 226-24 of the Criminal Code

It is thus essential that hotel management agreements adapt to the GDPR risk

When a hotel is operated under a hotel management agreement, data may be collected either by the owner or by the operator, the latter generally being the party who manages and benefits from the information collected. The principal (or the owner of the hotel business) should take care to include a detailed clause in the agreement in which the hotel operator declares that it will perfectly comply with personal data protection regulations. The operator will also undertake to assume its liabilities in this regard in accordance with applicative legislation.

Consequently, any failure by the operator to comply with this obligation observed by a staff member or a hotel guest would also constitute a breach of the commitments made by the operator against the owner, enabling the owner to escape liability. However, to take into account the possible collection of data by the owner-principal, it is also essential that the hotel management agreement stipulate which data is diffused by the operator, and which responsibilities (that may overlap) both parties will have with regard to data protection. In cases where the hotel management agreement is already in operation, it is recommended that a detailed amendment be drafted to address the emerging GDPR issues.

Beyond the management agreement, hoteliers must ensure that their properties comply with data processing regulations notably by adopting a guest privacy policy and an employee privacy notice. These set out the technical standards for managing data, and raise the awareness of all persons within the hotel who will be required to process personal data. More generally, and further to a specific audit, hotels are also required under GDPR to set up a data processing register. These documents outline the rights and obligations of staff with regard to data protection, and good practices for using information systems.

Supervising the processing of guest data is all the more important as the risks are increasing today:

a rise in hack attacks (malicious software of all kinds) or data theft by unscrupulous employees (unfortunately danger often comes from within), for example. The riskier environment, coupled with higher penalties, means making hotels compliant and keeping this compliance "alive" within establishments. Indeed, the regulations now require that any security breach (hacking, data theft, data loss, etc.) be reported **within 72 hours** and any guest complaints with regard to their data be recorded and answered. A written trace of such incidents must be recorded in the data processing register, otherwise administrative, civil or criminal sanctions will be enforced.

With regard to hotel employees, it is the operator who is responsible for carrying out these compliance measures. It is likely that in the case of a reverse hotel management agreement, the operator's liability will increase, and it is difficult to appreciate how the hotel operator can avoid being held responsible for the execution of the hotel management agreement.

In conclusion and as seen, the regulations applicable to the protection of personal data constitute an interdisciplinary subject that primarily concerns service professions, of which hospitality is the most representative. In addition to the risks and penalties legally incurred, hoteliers risk their e-reputation, in particular (a new form of court of public opinion and perhaps the most feared) – a criterion of trust undeniably used by guests to select a hotel.

In Extenso Avocats

In Extenso Avocats, in partnership with In Extenso Tourism, Culture & Hospitality, advises hotel and apart-hotel owners/ operators and real estate/ hotel investment funds on issues relating to hospitality operations and service. Our practice also offers assistance with project development (construction/ renovation), wealth management and asset vesting.

In Extenso Avocats advises on how to negotiate/ renegotiate, draft and structure (in business and legal terms) hotel management agreements, at each and every stage.

Should we be afraid of the Anti-Fraud Act even if we are not fraudsters?

The arsenal acquired by the tax authorities under the October 2018 Anti-Fraud Act could affect companies that had no intention of defrauding.

By **Christophe Le Bon**, Tax Partner,
Deloitte | Taj, Law Firm

A 2012 Senate report estimated the cost of tax fraud in France at between 30 and 36 billion euros¹. This was a minimum, according to its authors, who did not exclude that the figure could reach 50 billion euros. In September 2018, a report commissioned by *Solidaire Finances Publiques*, the largest union representing France's tax authorities, put forward a figure of 100 billion euros². This estimate was not without criticism, based as it was on all reported tax reassessments: while very few were technically fraudulent, and not taking into account those abandoned further to the court's decision, the figure was doubtless overestimated.

Yet such connotations have been little heard. The announcement contributed greatly to fuelling taxpayers' sense of inequality, particularly since the report's authors pointed out that these 100 billion euros represented around 1.5 times the income tax paid by French taxpayers and would have largely made it possible to cover the state deficit, estimated at 82 billion euros at the time. The government had to respond, and to avoid being accused of laxity, it passed an anti-fraud bill in October 2018. In opening the debate in front of Parliament, the Minister of Public Action and Accounts described fraud as "a penknife assault on" and even "taking a stab at the Republican Pact". The tone was set.

There is no doubt that tax evasion is wrong and that authorities must have the means available to fight it effectively. But, as is often the case when the government decides to crack down on something, the overkill in terms of repression has not been conducive to nuance. In today's climate of suspicion against companies, few voices have been raised in parliamentary debates in their defence. The aim here is not to question the effectiveness of the Act, but rather to raise the alert about certain sanctions that potentially target companies that have no intention of committing fraud.

One of the most symptomatic weapons given to authorities and whose scope goes far beyond that of fraud is "name and shame". As its label implies, this measure allows the tax administration to publicly disclose on its website the names of certain legal entities who have been reassessed. In addition to naming the firm, its activity and its place of business, the nature and amount of the breach and any fines and surcharges may also be disclosed. This publication will not only concern firms which fraud, but will also apply to companies whose administration considers that they have committed an abuse of law punishable by a penalty of 80%. The reassessment amount must exceed at least €50,000. The abuse of law, when sanctioned by the 80% penalty, entails

¹ Report by Éric Bocquet on behalf of the Commission of inquiry into capital evasion, No. 673, filed on 17 July 2012

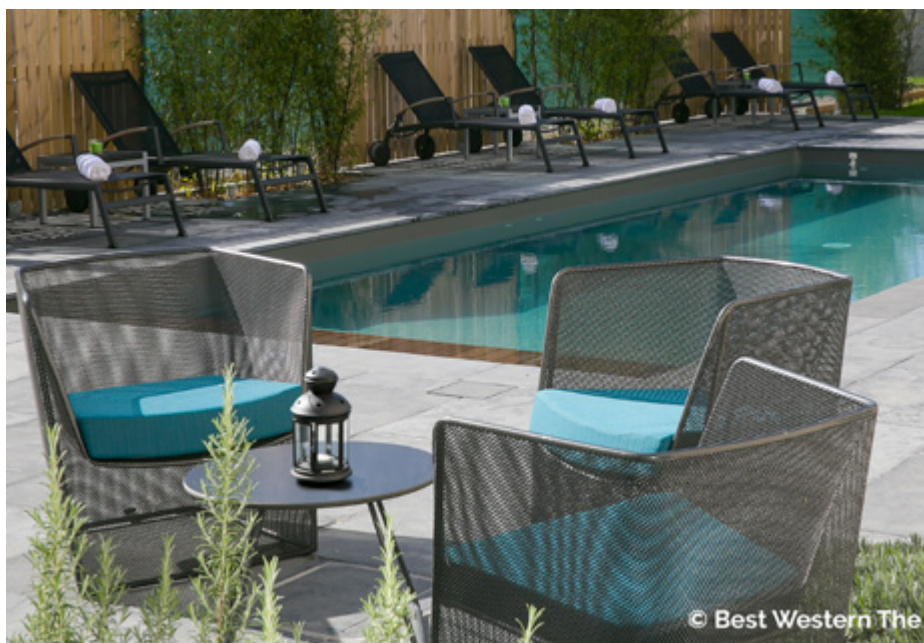
² <https://solidairesfinancespubliques.org/le-syndicat/media/presse/1704-rapport-sur-la-chute-de-la-presence-du-controle-fiscal-et-du-taux-de-couverture-du-tissu-economique-et-fiscal>

a fictitious transaction or a transaction whose sole purpose is to evade or minimise taxes.

Admittedly, abuse of law, if proven, is barely more commendable than fraud. But while fraud involves implementing manoeuvres that incontestably demonstrate the intention of their perpetrators to mislead tax authorities, abuse of law is more difficult to characterise. Its main criteria of application, i.e. the fictitious nature or the exclusively fiscal purpose of a transaction, are often subject to discussion. In particular, the line between abuse of law and tax optimisation is not easy to discern. Optimisation – or choosing the least costly solution in terms of taxation – should not be sanctioned if the solution chosen is legitimate in terms of the objective pursued. For instance, it is entirely normal that when running a business, a director will seek to minimise costs, including tax costs.

However, the tax authorities hold a more ambiguous position on optimisation. The website of the Ministry for the Economy and Finance shows a box that defines tax optimisation as a practice that "aims to reduce taxation and naturally relies on tax evasion mechanisms, i.e. an organisation that is not illegal but uses margins"³. For the tax authorities, optimisation, even if it goes through legal channels, is still reprehensible. It is therefore not impossible for a firm to find itself targeted by "name and shame" when its only "crime" was tax optimisation.

The position of the courts, as expressed by the Council of State⁴, differs from that of the tax authorities. However, the new measure allows the tax authorities to disclose the name of the company alleged to have committed an abuse of law before the question of the reality of this abuse has been definitively decided by a judge. If the company does not react, publication can thus take place 60 days only after the tax authorities have notified their intention. Admittedly, the publication should be withdrawn as soon as a company contests



Best Western The Wish Versailles, under management contract with TMH (Techniques et Management Hôteliers)

the fine. However, a company's reputation can easily be tarnished if the publication becomes known to customers or suppliers. This is particularly true in the hotel industry where clients often make online enquiries about the quality of services. Which of the two websites, Bercy's⁵ or the hotel's own, will be the first to be picked up by search engines? Even if the publication is withdrawn, the authorities are not required to publish a correction indicating that the company is contesting the reassessment. Indeed, this is only required if a court decision reverses the reassessment or penalty, i.e. several years after the publication of the alleged abuse, in most cases.

Can challenging the principle of presumption of innocence be discussed only in the case of tax sanctions? The question should have been addressed, and it is surprising that members of parliament did not bring the matter to the attention of the French Constitutional Court.

The automatic transfer of certain audit files to the public prosecutor is another

symptomatic measure of the extension of the criminalisation of taxation beyond the scope of fraud. Thus, for example, in addition to cases of fraud, the tax authorities will now have to transfer to the public prosecutor the facts leading to the application of the 80% penalty, such as in cases of abuse of law, or those leading to the application of the 40% penalty, such as in cases of deliberate breach (formerly called bad faith). Regarding the 40% penalty, the transfer should only take place if the company has already been subject to a similar sanction in the previous six years. In both cases, it is sufficient if the amount of the rectified duties exceeds €100,000. The application of the 40% tax increase is not exceptional, and is often applied to transfer pricing. The number of cases that should in principle be automatically referred to the public prosecutor is therefore likely to be very large.

If the facts brought to the attention of the public prosecutor lead only to a 40% penalty fine for deliberate breach, no further action should be taken by the public prosecutor, in theory. However, there is

³ <https://www.economie.gouv.fr/lutte-contre-fraude-evasion-fiscale-agressive>

⁴ In particular, a decision of the *Conseil d'Etat* of 16 June 1976, No. 95513, RJF 9/76, No. 399, which excludes from the notion of abuse of law the application of the most advantageous solution in terms of taxation

⁵ The French Ministry for the Economy and Finance

no guarantee that this will also be the case with regard to the 80% penalty for abuse of law. To date, the courts have reserved classifying as fraud only the most serious breaches, including buying or selling goods and services in cash without accounting for them or making purchases without submitting regular invoices, for example. The definition of fraud, however, is potentially broader, and is theoretically characterised by acts likely to mislead or restrict the power of control of the tax authorities. The discretion of the courts as to the nature of the conduct or evidence of fraudulent intent remains important. In the current context of suspicion towards anyone who has been the subject of a tax reassessment, there is no guarantee that situations that would not result in criminal prosecution today, will not be judged fraudulent in the near future.

In practice, it is doubtful whether the public prosecutor has sufficient resources to deal with all the cases that should be transferred. According to the National Assembly's report presented during the debates on the Anti-Fraud Act⁶, the number of cases transferred is expected to double, from an average of 1,000 cases per year to 2,000. Of all the cases transferred by the tax authorities to the public prosecutor to date, 93.4% have resulted in prosecution⁷, although only those likely to be unquestionably considered criminal were conveyed. Without this prior selection, and taking into account the rather broad criteria based on which cases will have to be transferred, it is possible that the 2,000 per year figure may turn out to be underestimated. However, the investigative and selection work that the public prosecutor will now have to carry out in place of the tax authorities doing so may prove substantial. The resources of the Ministry of Justice are far fewer than those of Bercy. However, the law provides for a form of collaboration between the two administrations; for example, by relieving tax authority officials of their professional secrecy obligations vis-à-vis the public prosecutor. The success of the measure

will undoubtedly depend on the proper functioning of this coordination. Consequently, it is important not to bet too quickly on the odds that a case transferred automatically will also be closed automatically. In the event of poor cooperation, there is a risk that a case may be processed too rapidly and unduly brought before the criminal courts.

So, to answer the question raised in this article, yes, firms should fear the criminalisation of the tax law. To guard against this, it is essential to make finance departments aware of the need to respect tax return obligations, to comply with the accounting treatment of transactions in accordance with French accounting standards, and to retain documents that make it possible to justify the reality of – or even the reasons for – operations carried out.

Should a tax reassessment result in a penalty, firms are advised to immediately contest the fine (primarily the 40% and 80% penalties), even if the reassessment amount appears insignificant. Too often, companies simply challenge the reassessment itself, believing that the penalties will fall on their own. If, however, the courts decide to ultimately uphold the tax reassessment, it may be too late to go back on the penalties if they have not been contested. Yet, as we have just seen, it is the penalties that trigger the main repressive measures provided for under the Anti-Fraud Act, and the consequences on the reputation of a company can be serious.

It is not uncommon for auditors to notify penalties for deliberate breach when the company has simply made a mistake. In this situation, if the mistake is undisputed, the reassessment will be upheld. On the other hand, the penalty may fall if it can be justified that the qualification of deliberate breach is abusive. This will notably be the case if the only criterion used to apply the penalty is the size of the reassessed amount or the repetition of the error. If the tax authorities are unable to justify the voluntary nature of the breach, the penalty should not be maintained.

The latest legislative developments in the area of fraud can be worrying and contrary to the relationship of trust hopefully expected between the authorities and firms. For a business, the solution is far from simple. It requires caution and anticipation and is, without question, likely to result in increasingly frequent recourse to the courts.



Deloitte | Taj, Law Firm, a Deloitte network entity

We have formed a specialist and dedicated team in the tourist sector, the hotel industry, leisure and catering. This team serves key actors in their operational issues and helps them to meet their profitability and security objectives. Our corporate lawyers are not only experts, but also initiators and project managers with regard to risks and governance.

In a context of increased tax levies and more frequent auditing of companies by French and foreign authorities, Taj offers assistance securing and managing your company's tax burden. Our service covers the management of everyday taxes and those relating to expansion and acquisition phases.

⁶ Report No. 1212 submitted on behalf of the Finance Committee of the National Assembly on the draft law on the fight against fraud, registered on 25 July 2018

⁷ See footnote n° 4

Hoteliers & Entrepreneurs



At B&B HOTELS,

we've shared our passion for hospitality and a genuinely entrepreneurial spirit for 30 years as part of the "Econochic[®]" service we provide our customers every day.

Our design-inspired, high-quality hotel service at a competitive price is now available in nearly 500 hotels in 10 countries in Europe and Brazil.

Come and meet our

Hoteliers & Entrepreneurs

and find out about their experience of B&B HOTELS.



See our hoteliers on the  YouTube B&B HOTELS and on  LinkedIn.

hotelbb.com

Disruption in the hotel industry: promoting skills and retaining staff

No sector is immune to a questioning of its business model, and the future of hospitality is conditioned by innovation with regard to improving the guest experience, particularly in high-end properties. The emergence of artificial intelligence may also partly contribute to raising the image of hospitality professions.

By **Philippe Burger**, Lead Partner, Deloitte Human Capital, and **Angélique Petel**, Manager, Deloitte Human Capital

Hotel guests are expressing increasingly singular expectations, becoming constantly more demanding and impatient. Further, lifestyles and consumption patterns are changing, particularly with the arrival of digital technology. To respond to these new behaviours and demands, hotels have to improve service levels and innovate by offering a distinctive product – one that is simultaneously connected, original, atypical, unusual, surprising and unique. And all this at the same time so that guests are assured an unforgettable, bespoke experience that encourages them to return!

Workforce robots and automation: a new order

This innovation is precisely about automation and artificial intelligence. While upscale hotels already offer the technology to close curtains automatically, switch off lights and air-conditioning and so on, some hotels in the US and Japan, for instance, are even more daring, going as far as employing workforce robots. In Tokyo, for example, Aiko Chihira, performs the typical tasks of a traditional hostess and communicates in Japanese sign language. Her female appearance has been designed to be accepted by guests and meet criteria that uphold and guarantee the property's brand image.

Although bearing little resemblance to a human being, the A.L.O. Botir robot is used as a butler at the Cupertino Aloft Hotel (Marriott) in Silicon Valley. The autonomous GPS-guided robot can travel independently between floors, delivering orders to guest rooms. Hilton's Connie (so called in honour of Conrad Hilton, the group's founder) has recently taken on the role of concierge in some properties, notably McLean, Virginia (USA). This tiny robot, less than a metre tall and equipped with artificial intelligence, informs guests about the hotel, local tourist attractions and nearby bars and restaurants.

Consequently, robots are performing all or some of the tasks of hotel staff in accordance with the property's requirements and guest expectations. As a result, hotel employees are free to concentrate on higher added-value, more productive tasks that are more rewarding from a professional and personal standpoint. Staff can thus focus on guest relations, one of the priority areas for developing the sector. In addition, the use of automated systems (closing shutters at night, switching off lights when the guest leaves the room, for example) has an additional positive impact in that these systems can effectively reduce energy consumption and maintenance costs.



Holiday Inn Express Paris CDG

The emergence of workforce robots may thus augur well for a new way of working, by replacing employees for certain specific tasks and eliminating “tedious” jobs through delegation to a machine. Porters, for example, could be replaced by automated systems or robots, where a guest’s luggage is delivered to their room on arrival and carried to the hotel lobby on departure with the help of a GPS guidance system.

The human being in the spotlight

On the other hand, some roles cannot be attributed to a machine. Human qualities such as attentiveness, availability, flexibility and approachability are deemed essential by guests and cannot simply be transferred. Thus, a concierge may see some traditional responsibilities partially delegated to a robot or machine but will retain and hone other skills. A personalised guest welcome and human contact are now key abilities required of a concierge in an upscale hotel, and the guest who opts for a hotel over a seasonal rental such as Airbnb is looking to be listened to,

understood, helped and assisted. They want their request to be heard, considered and satisfied¹. Some hotel concierges even provide expert assistance and services. For example, The Royal Monceau Art Concierge advises art lovers², the Rosewood Hotel Fragrance Butler informs guests about luxury cosmetics and perfumes³ and the Recovery Concierge helps regular guests at Ritz Carlton snap back from a hangover fast!⁴.

These hotels have thus embraced a strategy that creates synergies between humans and machines, rather than substitutes, which constitutes a new challenge for human resources departments. And these new ways of working will bring the hospitality industry more up to date. Employees will have to make full use of the tools and gadgets available and be trained in new technologies (mastering digital technology itself, synergies with robots, etc.) to use them effectively. However, given the specific nature of hospitality and its evolution, it appears essential to improve existing jobs and invent new ones. Indeed,

¹ *Luxury Attitude. Survey on service in the luxury domain*, 3rd edition, Éric Perey

² le.royalmonceau.com/art-cultures/julie-eugène-art-concierge/

³ *Rosewood hotel introduces fragrance concierge*, meetingscanada.com

⁴ *Hotel concierge helps soothe your hangover*, Joanna Prisco, abcnews.com



the guest experience can only be optimised if the impact of new technologies on hotel jobs and human-machine interactions at each stage of the journey are taken into consideration.

Thinking ahead to meet the industry's modernity challenge

Beyond this transformation, the hotel industry must face the arrival of a new generation in the profession: Generation Y, or Millennials, as sociologists call them. These new employees are more demanding, on the lookout for new experiences, flexibility and the development of their employability. They also strive to make a contribution from the off, seeking instant gratification and tangible results. To attract talent, the industry must value the various professions, particularly server or receptionist jobs, for example, as these suffer from a negative image. Why not innovate here too by promoting these jobs in much the same way as TV shows such as *Top Chef* or *Master Chef* have done, the purpose being to attract talent and guests?

But this also entails combining a skills strategy with an effective communication strategy, highlighting and promoting hospitality talents by publicising each profession. To this end, social networks have become veritable communication tools, and are even becoming essential for reaching out to the general public, young and old alike. Instagram and Facebook no longer hold any secrets for top chefs or pastry chefs, whose accounts showcasing their creations through photos and videos, revealing their professional talent, are constantly multiplying on social networks.

Lastly, increasing the hospitality industry's appeal and bringing it more up to date means raising the image of industry professionals by enhancing skills and rethinking certain managerial practices. In France, the sector's image is seen as somewhat traditional, with a very vertical – if not too vertical – management structure. In addition, in daily working life, military terms such as “brigade”, “chef”, “governess”, and so on, are often used. This somewhat classical management vision no longer fits

with the expectations of young employees who have a different perception of work that involves greater suppleness and flexibility, less impact on private life and a stronger need to be listened to. Given the industry's constraints, labour is scarce, and a talent war is taking place with hotels doing their utmost to recruit and retain the best profiles. New generations of employees seek more autonomy and flexibility, accentuating the generation gap. The digitalisation of the profession, growing guest expectations and the transparency between the internal and external constitute real opportunities to modernise the image of the industry and its various professions. In short, the hospitality sector has what it takes to strongly appeal to younger generations, provided that its culture and organisation are aligned with their expectations.

Deloitte Human Capital

In a context of profound change for the hospitality industry that is facing new challenges, renovation programmes can provide an opportunity to embark on even deeper transformation. Deloitte's Human Capital practice takes a global approach to advising clients: an approach that combines the quest for economic performance (organisational auditing, seeking out efficiency and design of new organisational models, simplification and optimisation of processes, etc.) with employee expectations (skills development and training, organisation of work, salary policies), whilst building on transparent and responsible social dialogue.

Process automation arrives in the hotel industry

Robotic Process Automation (RPA) can respond to innovation and customer service improvement objectives whatever the sector. However, innovation and customer service are especially key in the highly competitive hotel industry, and the RPA challenge is of considerable importance here. Let's take a look at this technological influence as it applies to hospitality.

By **Xavier Muller**, RPA & Intelligent Automation Partner, Deloitte

A growing use of Robotic Process Automation (RPA) to automate low value-added administrative tasks has been observed in all business sectors in recent times. These software solutions seek to assist the user in the processing of recurrent IT tasks, such as sending a payment reminder by email, resending a request when a deadline has passed and so on. Automation makes it possible to link different software programmes that were not initially intended to communicate with each other: in just a few clicks, the system can thus easily navigate between management software, spreadsheet programmes (Excel, for example), Internet browsers and mailboxes (Outlook, for instance).

However, RPA should not be confused with artificial intelligence (AI), a more advanced form of automation that relies on cognitive technologies to reproduce the thinking and decision-making of the human mind. RPA technology has matured and proven its worth through the deployment of numerous industrially organised projects, rolled out on a large scale in major companies that have over 50 RPA robots in operation.

RPA reduces repetitive employee tasks on a daily basis

RPA reproduces time-consuming and repetitive tasks with no added value by capitalising directly on existing processes. Freed from these boring and thankless tasks, workers can concentrate on higher added value tasks that require real reflection (which increases employee satisfaction and productivity). This is a win-win situation for both staff and companies that, depending on the nature of automated processes and how mature the organisation is with regard to automation, can achieve productivity gains ranging from 10% to 100%. Some 80% of employees in companies that have implemented RPA attest to being more fulfilled, notably because they have been assigned more rewarding tasks.

Moreover, by rolling out RPA in the organisation, companies see an increase in operational reliability, since RPA software does not make the same input mistakes as an employee who manually and repetitively performs the same tasks may do. Lastly, the challenge is to ensure that customers are not kept waiting. In this sense, RPA, which connects and links

the data needed to rapidly respond to customers (e.g. processing email queues), contributes to a smoother customer experience and improved customer satisfaction. Both are shown to increase significantly when RPA is implemented.

Identifying processes for automation

Not all processes within an organisation can be automated, so the identification of those that can is key for successful deployment. To this end, a preliminary study should be carried out in order to qualify and prioritise the tasks eligible for RPA. This will make it possible to propose actions to simplify processes, thereby maximising the potential of automation. A process is eligible and easily automated when it:

- is performed manually by one or more employees,
- is based on recognised and defined business rules,
- uses digitalised and structured digital input data,
- has few exceptions,
- requires no human judgement.

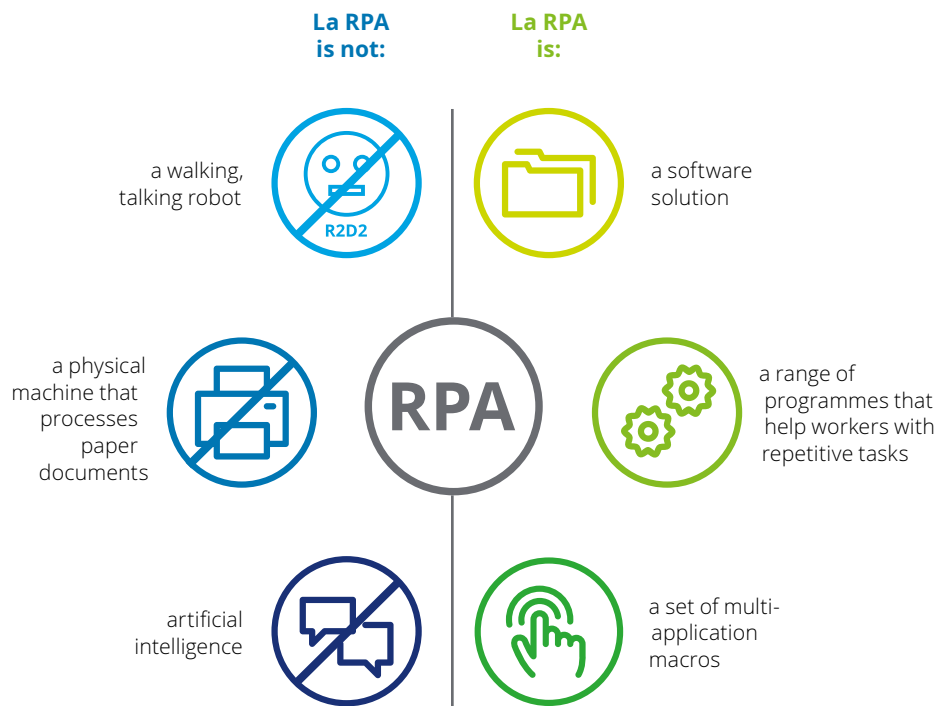
It is even more worthwhile to automate a task if it:

- is repetitive and used to process a large volume of operations,
- is intended to be carried out quickly in response to a customer request,
- responds to a compliance or quality issue.

RPA is a strategic choice adapted to each organisation

While many companies experiment with RPA by initially automating a small number of processes, deployment at the group level is more complex for the organisation in question. Although 68% of companies have launched initiatives in this area, just four per cent have implemented a large-scale roll-out (over 50 robots) – a figure up by one point only compared to the previous year¹.

Such solutions should thus be considered in the context of a business’ global strategic environment, and the



reasons for justifying the introduction of RPA understood: size of the organisation (SME or large company), positioning (Budget, Midscale or Upscale hotel, for example) or the need to respond to one or more of the following challenges:

- productivity,
- lightening the burden and providing added value for human beings,
- customer service.

Somewhat logically and for cost reasons, small operators will tend to use SaaS (Software as a Service) with pay-per-use billing, while larger operators will opt for the integration of a robotics platform. These strategies, which differ between hotel groups and are defined in accordance with their own criteria, thus vary in terms of the impact on implementation costs. The scope of such strategies remains vast, allowing each hotel group to adapt investments (and therefore return on investment), according to their short, medium and long-term strategic orientations.

While many sectors have already implemented RPA solutions, the hotel sector is beginning to roll them out in back-office functions.

¹ *The robots are waiting*, Deloitte, 2018

RPA for supporting hotel sales & marketing, HR, and finance and accounting functions

Particularly suited to the management of administrative tasks, RPA used in the hotel sector can provide support to teams in the following three departments:

- Sales & Marketing (reservation management, sales or self check-in, for example),
- Human Resources (processing of pay, holiday pay, maternity or sick leave, use of casual staff, overtime, etc.),
- Finance & Accounting (clearing, reconciliation, guest reminders, management of accounts payable, etc.).

RPA in Sales & Marketing

Responding to ever-increasing guest expectations means coming up with innovative solutions to improve productivity and service quality in hospitality. A case in point is IHG (Intercontinental Hotels Group) which, assisted by Deloitte, launched its first RPA roll-out in early 2018 with the Blue Prism software platform. To optimise processes and get the best out of its teams, IHG automated part of its travel agency information request process. In 12 weeks, the response time was reduced by a factor of three (from approximately 20 days to seven). In addition to improving efficiency, the data collected is of a higher quality and easier to analyse.

Automation has allowed IHG to focus on higher value-added tasks such as guest relations. The company has reduced its processing time from four minutes to one minute, completing 700 transactions per day, compared to 280 before the implementation of RPA (a 150% increase in capacity). In addition, RPA has made it possible to collect new information that encourages different types of analyses. It has also increased understanding of errors at source, thus enabling their reduction over the long term. Building on this success, IHG has elected to continue its automation journey. As Derk Weinheimer, Vice President Transformation & Continuous

Improvement, emphasises²: "It's a new way of working that we are establishing. It's a lever, a new tool in the toolbox. We see this as an ongoing part of our workforce now."

Robots are clearly collecting a mass of information upstream, allowing hoteliers and operators to receive all the necessary information on the guest stay, thereby avoiding numerous email exchanges verifying dates, room allocations and so on. Indeed, this advancement constitutes a real digital transformation with a measurable return on investment.

RPA in Human Resources Management

Hotels have to manage a large number of staff, which necessitates significant administrative monitoring of working hours, overtime, holidays, replacement staff, casual workers and so on. RPA makes it possible to facilitate the transmission of information between the various HR and payroll management systems. This, in turn, relieves the departments concerned of the need to enter and process basic information such as the monitoring of working hours or the management of payroll linked to casual staff, with the risk of error that this may entail. When software programmes fail to interact, data has to be entered several times over. Conversely, RPA provides users with the same information in an appropriate format for analytical purposes.

RPA in Finance & Accounting

From an accounting and management control perspective, RPA enables proficient reporting and regular cash flow, avoids the proliferation of unpaid invoices and facilitates the maintenance of vendor repositories, etc. For example, the robot can automatically select all due invoices from the aging schedule and prepare a standard reminder email with the reference of the invoice concerned and send this to the correct final recipient. These are extremely time-consuming tasks, even in a well-organised department. And the icing on the cake is that the robot will tirelessly perform the

same task over and over again without complaining about being bored!

With the robot busy performing these tasks, teams can focus on managing customer returns, disputes, etc. Here again, this is about putting people back at the heart of issues that are not only more fulfilling, but also more complex, and that require analytical and decision-making skills or human exchanges. Such technologies should be continuously improved by adapting to the evolving requirements of the hotel industry and by the return of increasingly demanding guests. While this new consumer technology has already attracted major hotel groups, there is no doubt that all categories of hotel should, in the more or less long term, reap the benefits. These inescapable advances in technology should in due course make it possible to boost the perception of hospitality as a profession – an industry that suffers from a negative image and struggles to recruit (see the article entitled, Disruption in the hotel industry: promoting skills and retaining staff, by Philippe Burger and Angélique Petel, page 44).

A thriving market

The growth in RPA can be extended to all sectors of the economy. For example, RPA technology has been widely adopted by the financial services industry and CAC40 companies, where it has proved itself a good solution to meeting productivity challenges and improving customer service. RPA is revolutionising the Sales & Marketing, Finance and HRM approach to managing hotels, whatever their size. While some large chains have already begun to roll out this technology, all hotels can undoubtedly use it to increase ROI in accordance with their own objectives and challenges.

² <https://www.blueprism.com/blog/increasing-value-and-creating-transparency-lessons-learned-from-intercontinental-hotels-group-ihg>



Intercontinental Sofia, Bulgaria - Photo: Will Pryce

Deloitte Robotic Process Automation & Intelligent Automation

Deloitte set up its RPA & Intelligent Automation team three years ago to assist clients in automating their business processes.

Our RPA & Intelligent Automation offer calls both on Deloitte's functional and technological expertise, which enables us to address business challenges using innovative and practical tools that can be deployed on a large scale. Deloitte supports its clients throughout the automation value chain, from the identification of automation opportunities to the operation of robots in production. With the contribution of cognitive

technologies, we are opening up the field of intelligent automation to our clients, enabling them to go further in the implementation of automated assistance.

Building on our experience, we have already successfully carried out over a hundred assignments to date. Initially a pioneer on the subject for banks and insurance companies, we have now extended our RPA & Intelligent Automation offer to all industry sectors, especially hospitality.

Challenges for tourism, hotels and restaurants in the face of the critical ecological and social transition

Despite overall growth in the tourism, hotel and restaurant industries, multiple environmental, social and governance (ESG) issues will have an increasingly rapid and drastic impact on these sectors in the short term. A whole new series of events is already heralding the economic impact of societal issues.

By **Catherine Jacquet**, Director and **Julien Rivals**, Partner, Deloitte Sustainable Development (Deloitte Développement Durable)

Current events are signalling a changing era

Overtourism is beginning to mobilise public authorities and local populations. In 2018, for example, several European authorities adopted policies to regulate mass tourism, since it generates too much noise, pollutes the environment, increases rents and alters a district or city's entire way of life. Although tourism undeniably provides a boost to the local economy, many inhabitants in crowded destinations such as Dubrovnik, Venice or Barcelona, are complaining that their neighbourhoods are being turned into theme parks. In these cities, public demonstrations are forcing local authorities to regulate the negative impact of tourism through taxes or access restrictions. And this, *a priori*, is just the beginning...

A further new development occurred in spring 2018 when the Philippine government took the decision to ban tourist access to the idyllic island of

Boracay, described by the country's president as an open-air "cesspool", due to unchecked development and an absence of adequate infrastructure. The year 2018 was also characterised by mounting debate surrounding the abundance of uncontrollable and untreatable plastic waste. Social networks and the media have been flooded by images of islands such as Santo Domingo submerged by plastic waste.

The industry must take these warning signs very seriously. Not only do they call into question the sustainability of destinations themselves, they also have a ripple effect on the entire economy and the image of tourism, hotels and restaurants in the very short term. It is no longer a question of leaving public authorities alone to deal with the issues through curative or repressive regulation. Rather, the solution lies in addressing the root causes of the underlying problems – right from the design stage of the offer or product in question – and in analysing

the ecosystem as a whole. This is because sustainable development is now a way of effectively transforming business models in response to the environmental, economic and social transitions that will radically transform our world by 2030.



In 2015, aware of the challenges of sustainability for the planet as a whole, the UN and the 193 signatory countries adopted 17 Sustainable Development Goals (SDGs) to be addressed by 2030, and these global objectives have now tended to become a guiding principal for companies.

The shared platform of the UN Global Compact and the GRI (Global Reporting Initiative) details these 17 objectives, as well as 169 targets to guide companies in their reflection, through the sharing of best practices.

Sustainability at the heart of global development challenges

At the end of July 2018, the World Tourism Organisation launched the Tourism for SDGs platform. This initiative aims to encourage public and private stakeholders to contribute, initiate and promote sustainable policies and practices to reduce the negative effects of tourism in terms of the use of natural resources, infrastructure, mobility and socio-cultural issues. This non-coercive initiative provides an interesting incentive framework: "Tourism4SDGs.org is a co-creation space that allows users to access a wide range of resources, add their own initiatives, findings and projects, motivate discussion and collaboration, and share content related to tourism and sustainable development."

These 17 SDGs, which affect all human activities, have therefore been reworked from a tourism sector perspective in a thought-provoking way. Among the major challenges facing the sector in the short term are the impact of greenhouse gas (GHG) emissions on the climate (Goal 13) and the management/ recovery of waste throughout the tourism, hotel and restaurant value chain, with a specific focus on plastic (Goal 12).

Going beyond simply adapting to climate change...

SDG 13 clearly publicises the inevitability of future climate hazards and the resulting natural disasters. Most countries, including France, have adopted an official Climate Plan (in 2017 for France) together with a National Climate Change Adaptation Plan aimed at increasing the resilience of economic activities to climate change. While the goal is to adjust activity to climate change to limit its damage, it does not go far enough and reflects a state of awareness that in retrospect fails to encourage engagement. Comprehensive approaches aimed at transforming business models from a sustainable perspective (transformational adaptation) must integrate prevention and a detailed knowledge of the impacts over a wide area (the famous Scope 3 standard, which analyses companies' direct and indirect emissions). In the tourism, hotel and restaurant industries, this means working with all agricultural sectors before purchasing goods. It means displaying the origin of products used, buying better, buying local (via partnerships) and enabling farmers to make a decent living by reducing the middleman. Analysing the entire purchasing and production chain is also essential to identify and reduce the production of unnecessary waste and to rethink how all forms of waste (food waste, in particular) can be eliminated.

Source: UNWTO, Tourism for SDGs Platform (2018)

... to effective waste management, which first and foremost means implementing an ambitious prevention and recovery plan

Waste is an issue central to all human activities, and the tourism, hotel and restaurant sectors are directly concerned. For example, while breakfast buffets served in some hotels undoubtedly reduce labour costs and offer an extensive choice to happy guests, they often result in significant food waste. An exemplary waste management policy requires real reflection at an early stage on how to prevent and recover waste. Some fast food players have understood this, since they must treat several types such as waste from the restaurant itself, considered household waste, and kitchen waste, considered as waste generated by economic activities or non-hazardous industrial waste.

McDonald's France, for example, has consistently strengthened its commitments since 1992. Aware that its fast food business (especially takeaway sales) generates waste, the group is determined to go beyond the regulations in *Livre V* of the Environmental Code, which stipulates that each company is responsible for the management of the waste it produces or holds until its final disposal or recovery.

McDonald's has thus co-constructed and implemented a waste plan based on three priorities:

- Eco-designing packaging to reduce its quantity, weight and volume, using a selection of renewable and/ or recycled materials.
- Fighting litter, in partnership with local authorities.
- Recovering all waste produced by developing national channels for the collection and recovery of delivery packaging, frying oils, aluminium and certain plastics; selective sorting – with the help of local partners – of wrapping and organic kitchen waste.

Rapidly coming up with a new philosophy for using plastic

Given its wide range of use in terms of materials and products, plastic is a particularly complex issue, made even more challenging by the limited development of plastic waste recycling in France. This is because it is difficult to capture the deposits (quantity and quality) and to structure a global approach that enables a better match between supply and demand to open up new markets for recycled plastic.

And yet plastic is everywhere, even in the small single-use items such as water bottles in hotel rooms, take away cups and straws, protective packaging on toiletries, etc. offered to customers. Even in upscale hotels, the plastic hunt is a hot topic. Since 2014, Relais & Châteaux, for example, has been sharing its properties' best responsible and sustainable practices on a dedicated platform, known as Moving Forward. To anticipate legal constraints and meet the new uses and expectations of its guests, the group is currently putting together a network-level motivating CSR strategy which includes the issue of plastic.

Plastic is present at all stages of the hotel and restaurant value chain – guest rooms, lobby, restaurant, kitchen, spa, swimming pool, etc. – not to mention suppliers and service providers. The first step is to identify, locate and quantify the types of single-use plastic items, and then understand how the guest experiences the hotel stay and at which stage they come across these various items. Whilst this operational analysis is being conducted, a study of the purchasing and recycling policies will uncover a property's level of commitment. Whether it is a question of hygiene, quality or aesthetics, the stakes are complex. Any change management approach may certainly start off with a quick win, but must rapidly translate into a change of attitude if the end-consumer and suppliers are to be successfully reached.

1 Study on the plastic recycling value chain in France, conducted by *Deloitte Développement Durable* in 2015 for the *Association Alliance Chimie Recyclage* (2ACR), ADEME and the Ministry of the Economy, Industry and Digital Sector

Beyond the three axes of climate, waste and plastic management outlined above, it is the 17 objectives and 169 targets set by the United Nations in terms of sustainable development that have an impact on the entire sector. These priority issues are strongly supported by all public actors who expect tangible and high-impact commitments from companies. However, other major latent and equally essential issues should not be left by the wayside. These include, for example, decent work and the duty of vigilance (social risk, image risk) and the respect for marine and terrestrial biodiversity, anchored in agro-ecological approaches to responsible consumption (there is a real expectation here on the part of consumers, who are increasingly concerned about being informed on these issues).

In a very short period of time, SDGs have become a veritable guiding principal allowing business to strategically and operationally position themselves on these transition issues. Although a labelling process could prove an interesting framework for launching this long-term task, social equality and the meaningful respect for all ecosystems are the only real foundations for sustainable global development.



The People Hostel, Les Deux-Alpes

Deloitte Développement Durable

Deloitte Développement Durable advises organisations on how to manage today's major transitions – energy, ecological, scientific, social and societal – in accordance with a demanding and creative sustainable development vision.

Our team of almost 130 consultants in France assists public and private actors with:

- Redefining business models and formulating strategies;
- Refining production methods and supply chains;
- Improving the design and reliability of decision-making and reporting tools.

To transform these transitions into opportunities for clients, *Deloitte Développement Durable* promotes a long-term vision of value creation that is shared by all stakeholders.

Our services, your contacts

In Extenso

Tourisme, Culture & Hôtellerie

Multi-disciplinary, tailor-made, operational services

- Market studies/ Financial feasibility studies
- Marketing assessments/ Positioning studies/ Benchmarks/ Marketing recommendations
- Definition and feasibility of tourist and cultural facilities
- Internal audits/ Process audits
- Facility programming
- Project Management Assistance
- Valuation of assets or asset portfolios
- Preparation of business monitoring statistics, particularly in the hotel industry
- Monthly monitoring of the French hotel industry: a sample group of 225,000 rooms (almost 40% of French hotel stock), analysed by quality level, geographical area and large urban centre
- Quantitative and qualitative surveys of the public
- Drawing up of territorial strategies (tourist, cultural, marketing, organisation, hotel lodging master planning)
- Sectoral/ thematic studies

Specialist in transaction support and assistance

- Assistance in seeking financing
- Assistance in seeking an investor
- Assistance in seeking an operator or choosing a consortium
- Support in the due diligence process
- Transaction assistance (buying, selling)

A diversified client base at all levels of the hotel development and tourist industry chain

- Independent hotel owners, from budget to luxury hotels
- Hotel chains, management groups
- Banks/ Institutional Investors/ Insurance
- Investment funds
- Developers/ Builders
- Public sector/ Regional authorities and public institutions (from local to national level)

Various sectors

- Traditional hotels, hotel-residences, holiday villages, multi-product complexes, rural accommodation, etc.
- Food & Beverage
- Congress centres, conference centres, seminar-hotels, exhibition sites, etc.
- Culture and heritage: museums, visitor centres, live entertainment, etc.
- Golf courses, leisure parks, water sports centres, etc.
- Health/ well-being tourism (thermal cures, thalassotherapy, spa, etc.)
- Mountain, coastal, urban, nature-based tourism, etc.

In Extenso Consulting in Tourism, Culture and Hospitality

Philippe Gauguier

Partner
Mobile: 06 85 93 67 50
philippe.gauguier@inextenso.fr

Olivier Petit

Partner
Mobile: 06 85 43 22 29
olivier.petit@inextenso.fr

Dominique Lecea

Director, Tourism and Culture
Mobile: 06 79 18 76 72
dominique.lecea@inextenso.fr

Anne Ravard

Deputy Director, Tourism and Culture
Mobile: 07 88 61 91 46
anne.ravard@inextenso.fr

In Extenso Chartered Accountants

Christophe Pacton

Partner (Île-de-France)
Tel.: 01 72 29 61 45
christophe.pacton@inextenso.fr

Lionel Tesson

Partner (Val-de-Loire)
Tel.: 02 47 87 48 00
lionel.tesson@inextenso.fr

Christian Bardet

Partner (Côte d'Azur)
Tel.: 04 93 06 55 74
christian.bardet@inextenso.fr

In Extenso Avocats

Christopher Boinet

Lawyer at the Paris Bar – Partner
Tel.: 01 45 49 49 99
christopher.boinet@inextenso-avocats.fr

Anne Epinat

Lawyer at the Paris Bar – Partner
Tel.: 06 85 43 65 53
anne.epinat@inextenso-avocats.fr

Our partner Transaxio Hôtel

Guy Boulo

Director, Partner
Mobile: 06 80 17 60 02
guy.boulo@transaxio-hotel.com

Guillaume Jalliffier

Director, Partner
Mobile: 06 49 21 83 44
guillaume.jalliffier@transaxio-hotel.com

www.inextenso-tch.fr

www.transaxio-hotel.com

www.inextenso-avocats.fr

Deloitte.

Deloitte is one of the leading companies in auditing and consulting in tourism, hospitality, leisure and catering. Our professionals provide clients with tailored services to support them in their key challenges through four major business lines*.

Auditing and Risk Advisory

Deloitte's audit and risk services teams have in-depth expertise in the challenges facing sector players reflecting our large number of client references regarding improvements to the reliability of their financial information and support with their risk management.

Our design of audit assignments and management of sector risk are illustrated by:

- a tailored audit procedure;
- cutting-edge expertise: actuarial services, Capital Markets, sustainable development;
- taxation, technologies, accounting principles;
- teams familiar with the specific characteristics of the sector;
- recommendations that take account of each client's specific issues and challenges.

Consulting

A team of consultants specialised in the sector have regular contact with tourism, hospitality, leisure and catering firms to support them in their operations. Our team is comprised of members experienced in the various key fields:

- **finance function:** transformation of the finance function, steering of performance, etc.
- **human capital:** transformation of the HR function, talent management, remuneration policy, etc.;
- **strategy:** portfolio analysis, commercial due diligence, benchmarks, construction of business plans, public-private partnerships;

- **governance of the IT function:** governance, strategy, audit and security of information systems;
- **operational excellence:** commercial efficiency of networks, cost reductions, management of transformation projects, supply chain, outsourcing.

Financial Advisory

Within our Financial Advisory business line, a team of experts dedicated to the sector works in close cooperation with our audit and consulting teams to secure and optimise the performance of an acquisition, merger or sale transaction, in France or internationally:

- acquisitions and sales;
- financial consulting at every stage of an M&A process (from researching the target to assistance in drawing up the letters of intent);
- restructuring;
- valuation;
- post-acquisition support and in the event of disputes;
- real estate.

Taj legal firm

Taj is one France's leading law firms, specialised in international tax and legal strategies. The firm today counts 525 professionals, including 63 partners, based in Paris, Bordeaux, Lyon and Marseille.

Our most reputed areas of expertise cover international taxation and transfer pricing, mergers and acquisitions, indirect tax services, tax inspection and litigation, global mobility tax, employment law, corporate law and law relating to failing companies.

Taj is a Deloitte network entity and works in close collaboration with more than 44,000 Deloitte legal and tax experts in over 150 countries worldwide.

Deloitte Transportation, Hospitality & Services Industry

Joanne Dreyfus

Partner
Tel.: 01 40 88 22 99
jdreyfus@deloitte.fr

Région Sud - Provence-Alpes-Côte d'Azur

Hugues Desgranges

Partner
Tel.: 04 91 59 84 36
hdesgranges@deloitte.fr

Taj

Christophe Le Bon

Partner, Tax Expert
Tel.: 01 40 88 72 09
clebon@taj.fr
www.deloitte.fr

www.deloitte.fr

* Our service offer may be subject to change in accordance with applicable independence regulations in the event that a Deloitte member firm is the statutory auditor or auditor of the entity or a related entity requiring the service offer.

2019 Hospitality Trends Partners

Hilton



Deloitte.

About Deloitte

Deloitte refers to one or more member firms of Deloitte Touche Tohmatsu Limited (DTTL), a UK private company limited by guarantee, and to its network of member firms, each of which is a legally separate and independent entity. DTTL (or Deloitte Global) does not provide services to clients. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms. In France, Deloitte SAS is the member firm of Deloitte Touche Tohmatsu Limited, and professional services are provided by its subsidiaries and affiliates.
www.deloitte.fr

Deloitte
6 place de la Pyramide – 92908 Paris-La Défense Cedex

About In Extenso

In Extenso, a member of the Deloitte group of companies, is one of the accounting firms in France. With a network of 4,900 staff and associates in 250 branches throughout the country, In Extenso offers a comprehensive range of business services to company directors, artisans, retailers, professionals and associations. In Extenso emphasises proximity, attentiveness and proactivity. Strongly anchored in the economic fabric of France, In Extenso is the preferred choice for 90,000 clients in all business sectors.
www.inextenso.fr

In Extenso - 63 ter, avenue Edouard Vaillant – 92100 Boulogne-Billancourt
Tel.: +33 (0)1 72 29 60 00

© January 2019 Deloitte SAS – Member of Deloitte Touche Tohmatsu Limited
All rights reserved – Studio design Paris

PARTNER

#FRANCE
2023