

# The Economic Ascent of the Hotel Business

# 13

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Design and setting by P.K. McBride

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# 13 The Economic Ascent of the Hotel Business: Future Options

## Overview

### The conventional approach

The conventional wisdom about the development of the hotel business is based on three metrics: historic trends in hotel revenue per available room (RevPAR), the current stage in the economic cycle, and the volume of planned hotel construction. Each metric on its own provides useful information. The problems arise when they are combined into the belief that changes in hotel RevPAR mirror changes in GDP in any economy and that the rate of hotel construction accelerates when GDP and RevPAR are growing and it shrinks when they decline. It has been convenient for many in the hotel business to accept this belief as a simple way to make sense of extremely complicated matters. However, like all superficial schemes, the devil is in the detail. The conventional wisdom does not take into account the complexities of economies, the realities of business and the diversity of social behaviour, but they cannot be ignored. It ignores any conception of the place of the hotel business in an economy. It has nothing to say about the economic ascent of the hotel business and it reduces the comprehension of the future of the hotel business to guesses. Central to the analysis in this book is the assumption that the hotel business is too significant economically to have the analysis of its dynamics and its future prospects reduced to three metrics that are producing too many flawed investment decisions, too many flawed development strategies and too many flawed marketing strategies.

### The Otus approach

Drawing on details from four major economies: the USA, Britain, France and Germany, I have illustrated that, at any time, each economy has a unique structural balance expressed here as the numbers employed in each of the five economic segments: agriculture, industry, citizen services, market services and experience businesses. Each segment is different in terms of the type of work undertaken

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