

ASIAN HOTEL & CATERING TIMES

PUBLISHED SINCE 1976

Vol 38 May 2013



SMOKIN'
Asia's growing love
affair with salmon

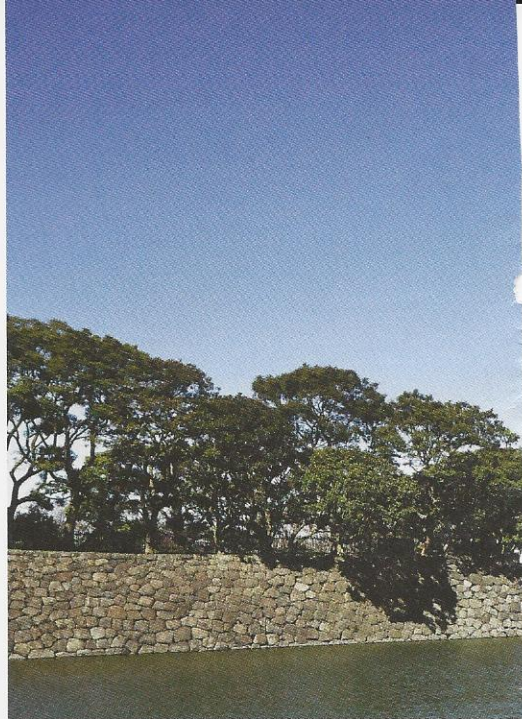
LOOKING GOOD
The evolution of the uniform

Hong Kong SAR HK\$50
China RMB50
Singapore S\$15
Malaysia RM30
Thailand Bt300

A YEN FOR HOSPITALITY
The industry is back on track in Japan

BACK IN BUSINESS

Tokyo is shedding its pricey image as multinationals move in and employees take command of their careers, writes *Michael Taylor*



Capitol Hotel Tokyo main lobby



The falling yen is having a positive impact on business from overseas says Ananya Narayan of Preferred Hotel Group

What a difference a decade makes! Ten years ago, hotels in Tokyo had the highest room rates in Asia. Now the average cost of one night is less than that of hotels in some of the Japanese capital's key regional rivals. It's not that Japanese hotels have become less expensive. Their pricing has remained stable while it has risen in other parts of the region.

"With rates being relatively stagnant over the last 10 years, Japan has gone from having the highest average room rate in Asia to now being substantially lower than Singapore and Hong Kong," says Ananya Narayan, executive vice president, Asia Pacific, Middle East and Africa, Preferred Hotel Group.

Another factor affecting room rates is the falling yen, which Narayan says depreciated 25% during the first quarter of 2013, and is having a positive impact on business from overseas. While prices might be steady in terms of the yen, they have dropped when calculated in foreign currencies. Confidence

in Japan, meanwhile, is also on the rise.

"There has been a tremendous upward shift in the level of business that Tokyo is seeing due to business confidence in Japan," Narayan says. "Abenomics", as it is being termed (the economic policies advocated by Shinzō Abe, the prime minister), has led to occupancies in the city rising as much as 20% to 30% at many hotels over the last two months, and there is now great potential for rates to start rising quickly as well."

Changing landscape

The Japanese capital has also seen a massive influx of multinational chains over the last decade, and this is altering the face of the city's hospitality industry.

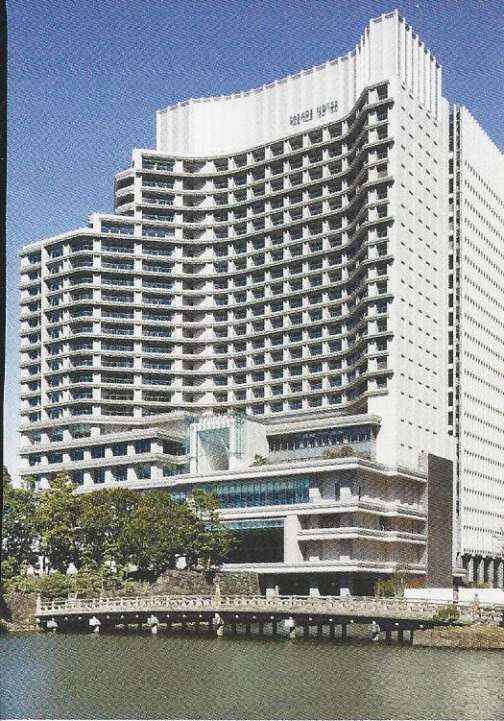
"In the last 10 years Tokyo has changed from being dominated by Japanese hotels and chains to now having a plethora of international chain hotels that have entered the market, especially in the five-star deluxe category – for example, Ritz-Carlton, Mandarin Oriental, Peninsula, Grand

Hyatt, Conrad," Narayan says, adding that the arrival of these multinational brands is having a spillover effect on the product and service style of the hotels that Japanese companies are building and renovating.

"You can see it in the renovation of the Capitol Hotel Tokyo, which has been rebuilt with international styling," Narayan adds. As a result, more than 50% of its guests are now from other countries.

According to Dan Nakamura, Visit Japan ambassador and former chairman of the Royal Park Hotel, a member of Summit Hotels & Resorts, there has been a large increase in the number of arrivals from other parts of Asia, which now account for 60% of visitors to Japan.

"Last year, the biggest number came from Korea, followed closely by China and Taiwan," Nakamura says. "There also seems to be an increasing number of visitors from Thailand, Indonesia, Malaysia and Vietnam. The demographics are generally well mixed, with more people below middle age."



Palace Hotel Tokyo



Visit Japan ambassador Dan Nakamura says that a large increase in the number of arrivals from other parts of Asia now account for 60% of visitors to Japan

Suguru Hirose, director of global sales at Palace Hotel Tokyo, says that some global bodies appear to be “rallying around Japan” following the triple tragedies that beset the country in 2011.

“They seem to be purposefully choosing Japan as their country of choice for hosting major international summits and meetings, and that generosity of spirit and support has very much been felt here in Japan,” Hirose says. “For example, the World Travel & Tourism Council chose to hold its annual Global Summit in Sendai, which was the area most devastated by the tsunami, and in Tokyo last spring, less than a year after the earthquake.”

Political factors

If Japan's challenges in 2011 were largely due to acts of nature, politics were at centre stage in 2012, with territorial disputes with Korea and China causing significant – if temporary – dips in the number of leisure travellers from the two countries. Business travel,

Pay-in executive lounge boosts room revenue

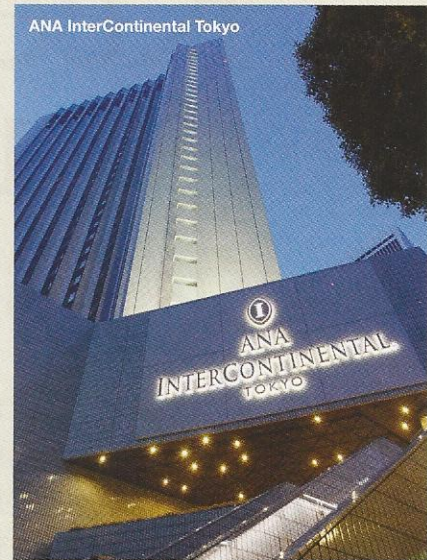
When Peter Carmichael took over as general manager at the ANA InterContinental Tokyo in 2012, 40% of guests visiting the hotel's expansive executive lounge – the largest in the city – were free upgrades gaining access by way of the hotel group's loyalty programme. This was a great perk for the guests, but it didn't do anything to bolster the hotel's bottom line.

With 850 rooms, the hotel has four distinct categories of accommodation, ranging from three to five stars. It was decided to phase out free access to the lounge. Now, anyone staying at the hotel – regardless of room category – can gain access by paying a daily surcharge.

“We felt that by marketing the lounge individually, we could realise 5% more room revenue,” Carmichael says.

The lounge was given a complete face-lift, the buffet and cocktail offerings were upgraded, and staffing was increased.

“Now everyone who goes in there



pays for it, and that allows us to provide a quality experience,” Carmichael says. “Even someone in our entry-level category can enjoy all of the benefits. It has had a very positive impact on our room revenue. It is seen as a ‘best practice’ for our company.”

Japan has gone from having the highest average room rate in Asia to now being substantially lower than Singapore and Hong Kong
Ananya Narayan, Preferred Hotel Group

however, was not significantly affected.

An even bigger challenge, according to Jens Moesker, general manager at the Shangri-La hotel, Tokyo, is a seismic shift in attitudes toward employment.

“Younger Japanese employees want a career path,” Moesker says. “They expect a promotion. They want to be engaged in their career planning. The whole concept of life-long employment has changed.”

In response, the hotel is going to start changing the way it offers training programmes.

“We used to tell them who needed to attend what,” Moesker says. “Now it will be à la carte. We will tell them what is available,

and they can decide what they want to take.”

According to Peter Carmichael, general manager at ANA InterContinental Tokyo, 2012 was the fifth best year in the hotel's 26-year history, with the best yet to come.

“From the perspective of an international hotel, anything more than 70% occupancy and you're doing back flips in the lobby; we're running north of 80%,” Carmichael says.

“We've had a long-term strategy of lifting our rates. With effective revenue management, effective utilisation of our meeting and convention space, and some cost-saving initiatives that did not affect our customers, we expect 2013 to be our best year ever in terms of profitability.” **AHCT**