Managing changes in a unsettled economic climate
Tourism and hospitality trends 2017
July 2017
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Editorial

This decade may not be over yet – far from it! – but it is likely that the years from 2010 to 2020 will be seen as a period of upheaval, during which the adaptability of the tourist sector will have been severely tested.

Major structural changes are underway, driven by the rapid development in technologies and their growing place in our personal and professional lives. Customer expectations have also changed: concerns about sustainability and our environmental footprint, the desire for personalisation and "destandardisation" of products and services, the quest for sociability and a new kind of relationship with service providers, the expectation of versatile and multi-functional spaces, etc. These changes are having an impact on products and services in the hotel industry, which are being adapted, transformed and reinvented through the emergence of innovative concepts. They are also being felt in marketing (via the internet, on tablets and smartphones, via social networks, etc.), training of staff (who are being released from a wide range of administrative tasks to focus instead on being hosts and advisors) and cost management. Models are changing, forcing investors and operators not only to be adaptable and responsive but also to try to anticipate coming changes so as not to be left behind.

Economic uncertainty is another challenge the sector needs to address. Far from the gradual cycles of growth and recession of past decades, today's crises can be sudden, frequent and very difficult to anticipate. Economic and financial crises, whose shockwaves are often amplified by economic globalisation, but also social and security crises, with the series of attacks that have hit France, Belgium, Germany, Turkey and many other countries around the world over the past few years. Investors and operators must also adapt to this new order, which heightens the unpredictable aspect of business and development plans and requires greater anticipation, responsiveness and adaptability.

In this climate, in which the outlook sometimes appears obscure, any guidance is welcome. We hope that the articles in this new edition of Tourism and Hospitality Trends 2017, drawn up by our experts in the Tourism, Culture, Hospitality and Leisure sectors, will be of help in reaching your decisions. We hope you find it interesting!

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Tourism, Hospitality & Leisure
Tourism and hospitality trends 2017

A turbulent year marked by continued insecurity

Overall, activity in the French hotel industry ended the year down in 2016. Although the regions recorded a positive performance, the general trend was greatly influenced by the drop in performance in the hotel hubs of Paris and the Côte d’Azur.

By Philippe Gauguier, Partner, and Sacha Fournier, Manager,
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Data processed by Grégory Fortems, Consultant,
In Extenso Consulting in Tourism, Culture & Hospitality.

On a global scale, 2016 will have been generally positive for the hotel industry. Africa, the entire American continent, Oceania and even Europe have posted Revenue per available room (RevPAR) up compared to 2015. Within Europe, despite this growth in the hotel sector, three countries recorded significant falls in visitors and average prices – Belgium, Turkey and France. Insecurity certainly continues to be the main negative factor.

In addition to the tragic events that have struck France since January 2015 and greatly affected tourism, the hotel industry also has to come to terms with more long-term phenomena intrinsic to the sector, including sectoral developments (growth, mergers, increased quality, etc.) and changes to consumer behaviour and guests’ expectations. External factors have also had a notable impact, such as the success of online travel agencies (OTA) and increased competition from alternative destinations. This is no simple challenge for all those involved in tourism and the hotel industry, which must find short-term as well as long-term solutions to maintain the industry and drive it forward.

After a mixed year in 2015, 2016 was also difficult, reflecting the economic climate. The two traditional drivers of the hotel industry – Paris and the Côte d’Azur – suffered, dragging down French performance as a whole (see table 1).
The overall picture is not so bleak however. The final months of 2016 were stable, even positive, for France as a whole. The regions recorded growth for the second consecutive year. The Super-budget category recorded positive growth in mainland France (+0.2% in RevPAR). Ultimately, the prospects for the tourist industry in Europe and in France remain favourable.

**French hotel industry struggling overall**

The French hotel industry finished 2016 with negative RevPAR in the vast majority of categories. Although the regions achieved a positive performance, the general trend was greatly influenced by negative performances in the hotel hubs of Paris and the Côte d’Azur (see Table 2). Against this backdrop, only the Super-budget segment recorded RevPAR up slightly by +0.2% over the course of 2016. Having suffered from the rise in VAT in 2014, average prices in the Super-budget category rose in 2015 and again in 2016, mainly as a result of the closure or conversion into social housing of a number of ageing hotels. Following relatively stable occupancy this year, RevPAR increased.

All other categories recorded negative performance, with RevPAR down by between 4.1% and 7.5% in the High-end category, which was the worst affected due to the poor results of Paris and the Côte d’Azur, whose figures have had a severe impact on higher-end segments. In light of the sharp rise in available capacity over the past five years, this year and contrary to 2015, Luxury and High-end establishments adopted a more aggressive pricing strategy with a fall in average prices of around 5%. The strong regional performance in the Luxury category enabled a slight increase in visitors to be recorded (0.8% occupancy rate) and limited the fall in RevPAR. At the end of 2016, it is the only category in which RevPAR remains up over the past five years (4.4%).

The Mid-range and Budget categories, on the other hand, have recorded relatively stable average prices or a limited fall in this difficult period. But the sharp fall in visitors has impacted accommodation figures. Once again, the strong regional performance could not offset the sharp falls recorded in Paris and the Côte d’Azur.

**A year to forget for the Paris hotel industry**

Hotel owners in Paris have had a dire year. After the terrorist attacks in Paris in 2015 (January then November), there were hopes of a recovery within three months, as had been observed in similar cases.
Tourism and hospitality trends 2017

But the bad news continued in 2016, related primarily to safety fears following attacks in Brussels in March, in Nice on 14 July, in Turkey and in Germany, which had an impact on Europe generally in the eyes of the world. All of the traditional international visitors to Paris are therefore down (with the exception of the Near East and the Middle East), since American, European and Asian visitors are very sensitive to threat from terrorism. This year the Japanese dropped out of the Top 10 international visitors to Paris. In addition to terror risks, the Paris hotel sector also had to deal with floods (May 2016), as well as strikes throughout the first half of the year, which greatly affected the tourist sector in general and the hotel industry in particular. The security measures put in place, the successes in the fight against Islamic State, and even the successful organisation of the European Football Championship, were not enough to restore France’s image among tourists.

Over the first 10 months of the year, all of the categories posted record falls in RevPAR. August was particularly difficult, even disastrous, for a large proportion of hotel owners across the whole of Paris. The Luxury hotel sector’s RevPAR fell by 41.5%! While average prices were maintained in 2015, 2016 was the year for more aggressive promotional strategies. But cheap prices are not enough to attract customers who fear for their safety and the dual impact of the fall in visitor numbers and average prices pushed down RevPAR at the end of December by -13.4% for low-end hotels and by as much as -21% for Luxury establishments.

After 10 consecutive negative months, hotel occupancy started to climb again in the last two months of the year. The sector was boosted by the hosting of several business events (the ALL4PACK packaging and handling exhibition, Expobois and the Paris Horse Show). RevPAR even rose in most categories in December 2016, compared with the major impact in December 2015 of the terrorist attacks the previous month.

Paris remains an attractive tourist destination in real terms. Its average prices are among the highest of the major European and global cities. The Paris region continues to attract investors, with current projects representing an annual growth in the stock of 1.4% by 2025, excluding projects that have not been finalised or the potential effect of the Olympic Games in 2024.

Smaller fall on the Côte d’Azur than in Paris

The Côte d’Azur experienced an exceptional year in 2015. The first quarter of 2016 confirmed those trends and, until June, performance remained strong with rises in RevPAR for the Luxury and High-end categories of 10.5% and 2.9% respectively. But after Paris and Brussels, the Côte d’Azur was hit by terrorism, in Nice, during the 14 July celebrations. From 15 July, hotels recorded a large number of cancellations. Event cancellations and changes of venue (including a Rihanna concert, the Nice Jazz Festival and the European Cycling Championships) made the situation even worse. Operators sought urgent solutions by targeting a wider range of guests (groups), adopting a very aggressive pricing policy and handling a number of last minute requests. However, like Paris, these emergency measures had limited success and could only lessen the damage marginally. The entire summer season, critical for hotel performance on the Côte d’Azur (30% to 35% of sales over two months, depending on the category) was severely affected.

Nevertheless, some operators recorded a rise in business customers in 2016 (following several years’ decline) during pre- and late season, bringing valuable occupancy during the week, even if business remained quieter at the weekends. Despite this rise and a slight recovery in the last months of the year, 2016 ended slightly down for the Luxury category (-0.7% in RevPAR) and sharply down for the Mid-range category (-7.1%). Over the past five years, however, the trend remains positive for the higher categories, particularly due to strong figures in 2015.
Table 1. Results in France in 2016

<table>
<thead>
<tr>
<th>Categories</th>
<th>OR 2016</th>
<th>Change 16/15</th>
<th>Change 16/12</th>
<th>ARR 2016</th>
<th>Change 16/15</th>
<th>Change 16/12</th>
<th>RevPAR 2016</th>
<th>Change 16/15</th>
<th>Change 16/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luxury</td>
<td>61.0%</td>
<td>0.8%</td>
<td>-0.1%</td>
<td>€444</td>
<td>-4.9%</td>
<td>4.5%</td>
<td>€271</td>
<td>-4.1%</td>
<td>4.4%</td>
</tr>
<tr>
<td>High-end</td>
<td>66.9%</td>
<td>-2.1%</td>
<td>0.5%</td>
<td>€193</td>
<td>-5.5%</td>
<td>-4.1%</td>
<td>€129</td>
<td>-7.5%</td>
<td>-3.6%</td>
</tr>
<tr>
<td>Mid-range</td>
<td>63.3%</td>
<td>-4.2%</td>
<td>-5.3%</td>
<td>€106</td>
<td>-1.1%</td>
<td>-1.9%</td>
<td>€67</td>
<td>-5.3%</td>
<td>-7.1%</td>
</tr>
<tr>
<td>Budget</td>
<td>64.9%</td>
<td>-2.6%</td>
<td>-0.7%</td>
<td>€64</td>
<td>-1.9%</td>
<td>-4.5%</td>
<td>€42</td>
<td>-4.5%</td>
<td>-5.1%</td>
</tr>
<tr>
<td>Super-budget</td>
<td>63.0%</td>
<td>-0.1%</td>
<td>-6.6%</td>
<td>€41</td>
<td>0.3%</td>
<td>1.8%</td>
<td>€26</td>
<td>0.2%</td>
<td>-4.9%</td>
</tr>
</tbody>
</table>

Source: In Extenso Consulting TCH
NB: the ARR (Average Revenue per Room) and RevPAR amounts exclude VAT

Table 2. Results by geographical area in 2016

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Luxury</td>
<td>€375</td>
<td>-21.0%</td>
<td>-23.2%</td>
<td>€281</td>
<td>-0.7%</td>
<td>15.6%</td>
<td>€192</td>
<td>9.6%</td>
<td>16.1%</td>
</tr>
<tr>
<td>High-end</td>
<td>€155</td>
<td>-15.5%</td>
<td>-15.8%</td>
<td>€105</td>
<td>-5.5%</td>
<td>4.1%</td>
<td>€92</td>
<td>3.9%</td>
<td>12.8%</td>
</tr>
<tr>
<td>Mid-range</td>
<td>€99</td>
<td>-14.6%</td>
<td>-17.8%</td>
<td>€65</td>
<td>-7.1%</td>
<td>-3.0%</td>
<td>€56</td>
<td>2.3%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Budget</td>
<td>€64</td>
<td>-13.4%</td>
<td>-15.7%</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>€39</td>
<td>1.7%</td>
<td>-2.4%</td>
</tr>
<tr>
<td>Super-budget</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>€24</td>
<td>2.0%</td>
<td>-3.9%</td>
</tr>
</tbody>
</table>

Source: In Extenso Consulting TCH
NB: the ARR and RevPAR amounts exclude VAT

Exceptionally dynamic regional hotel sector
The regional hotel sector achieved a strong performance in 2015 by making the most of favourable conditions (weather, school year, benefits of an odd-numbered year with more large events). This trend was confirmed and amplified in 2016 and the regions achieved very good results by the end of the year, with positive indicators across all categories. This is the good news for this year, contributing performances that limited the fall for France as a whole.

The French coastal resorts made the most of a good summer season, boosted by a number of events (e.g. the Brest 2016 maritime festival) and extended by an Indian summer. The cities that hosted the European Football Championship took full advantage of the Euro 2016 effect. For Bordeaux, Lille, Lyon, Marseille and Saint Etienne, the months of June and July were very good. At a more structural level, the trend for regional cities is positive, with very favourable results overall in 2016. This is what has driven the greatest growth in the number of hotels in recent years.

The Luxury market ended 2016 with the highest rise: +19% in RevPAR in December and +10% year-to-date. The higher categories again confirmed their dynamism with a clear rise over the last five years: +16.1% in RevPAR in the Luxury sector and +12.8% in the High-end sector.
Dynamic regional cities

The French regions are positioning themselves as the driver of the hotel industry in France. At a time when Paris and the Côte d'Azur are suffering from the security situation, the other French cities are providing a boost by capitalising on trade fairs and events to retain their appeal.

By Olivier Petit, Partner, and Sacha Fournier, Manager,
In Extenso Consulting in Tourism, Culture & Hospitality.
Data processed by Grégory Fortems, Consultant,
In Extenso Consulting in Tourism, Culture & Hospitality.

The French regions recorded a very strong performance in 2016, even compared with a good year in 2015. Within these regions, the large urban centres provided a real boost to the hotel industry. They have had to absorb the steady growth in the number of hotels over the past five years (+1.5% of annual growth for five years in the largest urban centres, compared to +0.3% for the national average) as well as growth in alternative accommodation options. These threats appear to have passed.

In 2016, a favourable regional dynamic generated very positive results compared with the very negative climate in Paris and on the Côte d'Azur (see table 1).

Impressive results for High-end and growth for Super-budget
In the large regional urban centres, the hotel industry is in good shape. At the end of 2015, we qualified the positive performance overall by highlighting the mixed results achieved regionally in low-end categories. In 2016, with a few exceptions, indicators were up across all categories. Unfortunately Nice and, to a lesser extent, Marseille were exceptions. Performance overall was also positive.

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1 See in this study the article "The French hotel stock registers diverse changes", by Samuel Couteleau and Thierry Mailliez, page 14.
In this context, the High-end hotel sector performed well above average, with rises in RevPAR in 2016 (excluding Nice) ranging from +3.0% for Strasbourg to +20.2% for Lille (despite cancellation of the Grande Braderie following the Nice attack). Over the past five years, rises have been even more significant, from +3.5% for Nice and as much as +32.4% for Bordeaux!

Of course, the RevPAR levels in these areas cannot be compared to those in Paris or on the Côte d’Azur, but the High-end hotel sector in our large urban centres appears to have found its positioning and client base and its results are improving year-on-year.

This difficult year saw a notable trend reversal with the Super-budget hotel sector at last returning to growth – modest at a national level (+0.2% in RevPAR), but stronger regionally (+2% in RevPAR at the end of December 2016).

Table 1. Results by geographical area in 2016

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</tr>
</thead>
<tbody>
<tr>
<td>Bordeaux</td>
<td>€161</td>
<td>7.0%</td>
<td>32.4%</td>
<td>€65</td>
<td>4.6%</td>
<td>14.2%</td>
<td>€47</td>
<td>6.0%</td>
<td>14.4%</td>
<td>€29</td>
<td>2.4%</td>
<td>5.5%</td>
</tr>
<tr>
<td>Lille</td>
<td>€88</td>
<td>20.2%</td>
<td>28.1%</td>
<td>€59</td>
<td>5.6%</td>
<td>12.5%</td>
<td>€49</td>
<td>2.2%</td>
<td>-1.0%</td>
<td>€27</td>
<td>1.1%</td>
<td>-5.2%</td>
</tr>
<tr>
<td>Lyon</td>
<td>€105</td>
<td>7.4%</td>
<td>14.9%</td>
<td>€66</td>
<td>6.3%</td>
<td>5.9%</td>
<td>€52</td>
<td>5.9%</td>
<td>7.2%</td>
<td>€29</td>
<td>4.6%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Marseille</td>
<td>€97</td>
<td>5.2%</td>
<td>13.4%</td>
<td>€64</td>
<td>-2.8%</td>
<td>0.0%</td>
<td>€41</td>
<td>-4.2%</td>
<td>-9.1%</td>
<td>€27</td>
<td>-4.9%</td>
<td>-9.3%</td>
</tr>
<tr>
<td>Montpellier</td>
<td>€97</td>
<td>4.5%</td>
<td>20.6%</td>
<td>€62</td>
<td>5.9%</td>
<td>-4.4%</td>
<td>€48</td>
<td>-1.0%</td>
<td>-0.2%</td>
<td>€24</td>
<td>-6.2%</td>
<td>-12.6%</td>
</tr>
<tr>
<td>Nantes</td>
<td>na</td>
<td>na</td>
<td>na</td>
<td>€58</td>
<td>5.9%</td>
<td>7.1%</td>
<td>€42</td>
<td>6.6%</td>
<td>6.8%</td>
<td>€29</td>
<td>1.7%</td>
<td>6.9%</td>
</tr>
<tr>
<td>Nice</td>
<td>€133</td>
<td>-6.8%</td>
<td>3.5%</td>
<td>€68</td>
<td>-11.2%</td>
<td>-7.4%</td>
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<tr>
<td>Rennes</td>
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<td>na</td>
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<td>na</td>
</tr>
<tr>
<td>Strasbourg</td>
<td>€84</td>
<td>3.0%</td>
<td>6.3%</td>
<td>€69</td>
<td>2.2%</td>
<td>3.6%</td>
<td>€47</td>
<td>2.3%</td>
<td>3.8%</td>
<td>€26</td>
<td>4.4%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Toulouse</td>
<td>€87</td>
<td>4.9%</td>
<td>10.1%</td>
<td>€59</td>
<td>4.9%</td>
<td>-1.9%</td>
<td>€41</td>
<td>5.1%</td>
<td>0.9%</td>
<td>€30</td>
<td>5.6%</td>
<td>3.8%</td>
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</tbody>
</table>

Source: In Extenso Consulting TCH
NB: the ARR and RevPAR amounts exclude VAT
Regional activity drives tourism sector

Large events obviously have a positive impact on the hotel industry, although traditionally there are fewer major events in even-numbered years. Nevertheless, certain urban centres have been able to capitalise on trade fairs (e.g. Funexpo, Bikexpo in Lyon, the 33rd congress of the French Society of Endocrinology in Bordeaux and the 77th congress of the Social Housing Union in Nantes). The success of the European Football Championship fully played its part in the major urban centres, as demonstrated by the results in June and July. Lille was one of the cities that benefited most from the event and ended the year with RevPAR up in all categories as a result of the boost from Euro 2016, particularly the matches played in Lens.

Aside from these events, regional dynamism overall, and the resulting attractiveness, also benefited the hotel industry in the urban centres. Improvements in the image of destinations and their marketing at a national and international level have had a positive impact. In 2016, Bordeaux was named by Lonely Planet as the most attractive destination in the world. In 2013, Marseille was named European Capital of Culture by the European Union Council of Ministers, enabling Bouches-du-Rhône hotels to achieve record visitor numbers (3.2 million tourists generated more than 5.7 million overnight stays in 2013).

These local successes helped enhance France’s image internationally. They should be confirmed in 2017, a year more favourable to the events market (e.g. Marseille European Capital of Sport and the Handball World Cup in Paris). And, in the longer term, perhaps the 2024 Olympic Games?

Occupancy Rate
The Occupancy Rate (OR) gives the average level of occupied accommodation over a given period, by comparing the number of rooms occupied with the number of rooms available (excluding rooms used by house staff). Rooms that are complementary and free of charge are not included when calculating occupancy rate.

Average Revenue per Room
The Average Revenue per Room (ARR) reflects the average price at which a room is sold over a given period. It takes into account reductions and special offers (seasonal prices, group prices, conference prices, etc.). It is calculated by dividing accommodation sales (excluding breakfast, telephone calls and other related revenue) by the number of rooms occupied over the period in question.

Average Revenue per Available Room
The Average Revenue per Available Room (RevPAR) is calculated by dividing accommodation sales by the number of rooms available for sale over a given period. It can also be calculated more simply by multiplying OR by ARR. RevPAR is the ultimate hotel indicator, reflecting an establishment’s performance based on a combination of quantitative (occupancy) and qualitative (average price) data.
Tendances du tourisme et de l'hôtellerie 2017
Contrasting trends in the French hotel sector

New ventures, disposals, closures – differing trends depending on types of hotel and region, but low overall growth for the last five years.

By Samuel Couteleau, Senior Manager and Thierry Mailliez, Manager, In Extenso Tourism, Culture & Hospitality.

At the start of 2016, France had 17,400 hotels and 638,5001 rooms. Between 2011 and 2016 this figure fluctuated as a result of three main factors:

• the disappearance of hotels (closures, conversions into holiday rentals or B&Bs, etc.): around 410 hotels and 7,900 rooms per year on average;

• the creation of new hotels (construction, conversion and renovation of hotels closed for more than five years), representing 140 hotels and 6,700 rooms per year;

• the return of hotels to the market (repositioned obsolete hotels, hotels reopened after one to five years of closure, etc.), representing 140 hotels per year and almost 3,000 rooms, also incorporating changes in capacities recorded on the market (capacity extensions and reductions).

The outcome of these various movements shows:

• a fall in the number of hotels of around -0.7% per year on average over the five years analysed, representing a loss of around 650 hotels between 2011 and 2016;

• an increase in the number of rooms, with average annual growth of 0.3% or over 9,000 additional rooms over the period.

Fall in the number of hotels but increase in the number of rooms.

Therefore, in terms of hotel numbers, new and refurbished hotels did not offset the closures. However the newly created hotels and those returned to the market offer a higher average capacity (48 rooms on average), resulting in the increase in room capacity.

1 According to the In Extenso Tourism, Culture & Hospitality database (see inset).
Mixed changes
However, this growth rate in the number of rooms remains relatively low and reflects the maturity of the French hotel market. By way of comparison, the hotel stock in the European Union experienced average annual growth of 1.5% between 2009 and 2014, including 0% for Italy, 0.5% for Germany and 1.1% for Spain. The United Kingdom has also stood out in recent years for the dynamic growth in its supply of hotel rooms, boosted by events such as the 2012 Olympic Games in London.

This low growth in the number of French hotels results from differing changes according to hotel type and region.

In terms of types (see Table 1), almost 85% of the hotels that have closed since 2011 were Super-budget or Budget and often ageing or obsolete. Lost capacity in the Super-budget segment has been offset by the construction of low-end hotel chains (although in different locations).

The Budget segment, meanwhile, has lost over 3,000 rooms in five years. It still accounts for more than four out of 10 rooms at national level and has therefore naturally borne a significant share of the fall in capacity, representing 18,000 rooms in five years. The 9,500 rooms created and returned to the market have not been enough to maintain the overall volume of supply. Furthermore, the decline has been influenced by the repositioning of more than 100 hotels (nearly 4,000 rooms) in the Mid-range and High-end segments.

Lastly, the Mid- to Luxury range has gained more than 11,000 rooms since 2011. On the one hand, higher category hotels are less subject to closures and, on the other, around half of the hotels created over the past five years have been in one of those ranges.

The Paris region and regional cities account for 53% of rooms created in the last five years.

Apparent stability
In terms of regions (see Table 2), the Paris region and regional cities accounted for 53% of hotel rooms created in the last five years. In the Paris region, the 4,200 additional rooms over this period include more than 80% in the inner and outer suburbs, where land is easier to develop and large hotels can be built. The hubs of Roissy CDG, Marne-la-Vallée/Disneyland and La Défense have therefore continued to strengthen their range of large operators. Inner-city Paris is the hub which has lost the largest volume of rooms (almost 2,900 in five years). This figure corresponds to a major trend towards renovation of a proportion of the stock. Over 1000 rooms will therefore return to the market in the short- to medium-term, including several emblematic hotels (Crillon, Lutetia, etc.). Conversely, the majority of rooms lost in the inner and outer suburbs have disappeared for good (hostels that it will be very difficult to bring back to the market).

Excluding the Paris region and tourist resorts, the majority of growth is in regional cities, which have experienced a surge of interest over recent years, from investors as well as national and international operators. This movement has been supported by local authorities, which want to develop a Mid-range and High-end supply of international standing. On the other hand, supply has fallen sharply in rural and semi-rural areas. The projects that are completed are not enough to offset the many hotel closures, linked to a deep-rooted change in the market as a result of regulatory changes, changes in customer behaviour and expectations and a new generation of operators, among other reasons.

25 Hours Hotel Paris North Terminus
Photo: Stephan Lemke.

2 Source: Eurostat.
In French tourist resorts, despite a significant volume of closures, since the start of 2016 hotels have offered the same number of rooms as in 2011. However, this apparent balance between closures and new ventures conceals a wide variety of changes depending on the spaces and/or types of resort in question:

- on the one hand, the coast (particularly small and medium-sized resorts) and large winter sports resorts have proved dynamic. Investors are active in those destinations, but often find it hard to achieve an economic balance for their project given the high cost of the land or hotels. Growth in supply is therefore driven by the High-end hotels in a number of large winter sports resorts and by several developments on the coast (often hotels attached to a thalassotherapy centre);

- on the other hand, there is a major problem maintaining hotel numbers in small and medium-sized winter sports resorts, heightened by the sale opportunities available to hotel operators.

Trends therefore vary depending on the different levels of hotels and the types of regions. For developers, assessing future opportunities relies more than ever on detailed analyses of existing supply and market environments.

**Classifications and strategies**

This retrospective analysis of changes in hotel stock was carried out with the help of the In Extenso TCH commercial accommodation database. This records the number of hotels, residences, holiday villages and hotel-clubs in France on 1 January of each year, including equivalent and similar establishments. The individual categorisation of each accommodation unit enables precise tracking of changes in supply (new ventures, closures, repositioning, etc.) at a number of geographical levels.

Following the redefinition of classification standards for tourist accommodation in 2009 (1 to 5 stars, instead of 0 to 4 luxury stars previously), operators have adopted a range of strategies, including the choice of whether to apply for certification, whether to upgrade to a higher category or remain unchanged, etc. As a result, qualitative analysis of tourist accommodation over several years is not relevant if based on the official classification, as the results show an increased proportion of unclassified hotels and a misleading number of upgrades, since most result from adaptation to the new classification scale.

To avoid this bias, we have categorised hotel numbers at a national scale by examining hotel chains and price positioning. Supply is therefore broken down into five levels:

- **Super-budget**: accommodation focusing on guests’ basic requirements, with a very restricted range of services and for which the price factor is essential in the customer’s choice. These establishments are generally awarded 1 or 2 stars. Example hotel chains: B & B, hotelF1, Ibis Budget, Première Class, etc.;

- **Budget**: accommodation offering a restricted range of services and facilities, aimed at a broad public and focusing on price as well as the range of services. These establishments are generally awarded 2 or 3 stars. Example hotel chains: Adagio Access, Appart’City, Campanile, Comfort, Escale Océania, Holiday Inn Express, Ibis, Ibis Styles, Kyriad, etc.;

- **Mid-range**: accommodation at an intermediate level, offering a wider range of services and facilities than the Budget hotels but less comfort and lower prices than the High-end supply. These establishments are generally awarded 3 or 4 stars. Example hotel chains: Adagio, Best Western, Citadines, Courtyard, Golden Tulip, Holiday Inn, Mercure, Novotel, Quality, etc.;

- **High-end**: accommodation at the higher end of the market, primarily in the 4-star category, and therefore offering a wider range of services. However, they do not have the prestige of the Luxury hotels and target a slightly broader public. Example hotel chains: Hilton, Pullman, Radisson Blu, Sheraton, etc.;

- **Luxury**: the country’s most prestigious establishments, distinguished by their location, construction quality, layout, range of services and reputation, and aimed at an exclusive clientele. This accommodation is generally classified as 5 star, with the distinction of a luxury hotel. Example hotel chains or networks: Four Seasons, Mandarin Oriental, Luxury Collection, The Leading Hotels of the World, Relais & Châteaux, etc.
## Table 1. Qualitative change in the French hotel stock between 2011 and 2016

<table>
<thead>
<tr>
<th>Type</th>
<th>Supply of rooms 2016 (thousands)</th>
<th>Distribution of supply by type 2011</th>
<th>AAG* from 2011 to 2016</th>
<th>Net room balance over 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Super-budget</td>
<td>126.0</td>
<td>19.9%</td>
<td>19.7%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Budget</td>
<td>270.0</td>
<td>43.4%</td>
<td>42.3%</td>
<td>-0.2%</td>
</tr>
<tr>
<td>Mid-range</td>
<td>181.2</td>
<td>27.9%</td>
<td>28.4%</td>
<td>0.6%</td>
</tr>
<tr>
<td>High-end</td>
<td>49.4</td>
<td>7.1%</td>
<td>7.7%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Luxury</td>
<td>11.8</td>
<td>1.7%</td>
<td>1.9%</td>
<td>1.9%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>638.5</td>
<td>100.0%</td>
<td>100.0%</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

*AAG: Average annual growth

Source: In Extenso Tourism, Culture & Hospitality databases.

## Table 2. Distribution and change in the number of hotels in France by location since 2011 (volume of rooms)

<table>
<thead>
<tr>
<th>Sub-territory</th>
<th>Share of the hotel stock 2016</th>
<th>AAG* from 2011 to 2016</th>
<th>Room balance over 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paris region</td>
<td>25%</td>
<td>0.5%</td>
<td>4200</td>
</tr>
<tr>
<td>Regional cities</td>
<td>22%</td>
<td>1.3%</td>
<td>8,850</td>
</tr>
<tr>
<td>Large urban centres</td>
<td>11%</td>
<td>0.5%</td>
<td>1,650</td>
</tr>
<tr>
<td>Small urban centres</td>
<td>10%</td>
<td>-0.1%</td>
<td>-400</td>
</tr>
<tr>
<td>Rural and semi-rural areas</td>
<td>16%</td>
<td>-1.0%</td>
<td>-5,200</td>
</tr>
<tr>
<td>Coastal resorts: Large resorts</td>
<td>5%</td>
<td>0.1%</td>
<td>150</td>
</tr>
<tr>
<td>Other resorts</td>
<td>6%</td>
<td>0.3%</td>
<td>550</td>
</tr>
<tr>
<td>Winter sports resorts: Large resorts</td>
<td>2%</td>
<td>0.7%</td>
<td>450</td>
</tr>
<tr>
<td>Other resorts</td>
<td>2%</td>
<td>-1.7%</td>
<td>-1,150</td>
</tr>
<tr>
<td><strong>France</strong></td>
<td>100%</td>
<td>0.3%</td>
<td>9,100</td>
</tr>
</tbody>
</table>

*AAG: Average annual growth

Source: In Extenso Tourism, Culture & Hospitality databases.
Hotels are improving their environmental performance at every level

Sustainable development is at the heart of strategic thinking and actions and will become part of all hotels and sectors in the hotel supply chain, even before the reservation is taken. Raising awareness of all those involved is key...


The future will need to involve an integrated approach to sustainable development (SD). Manufacturers, real estate and construction players, as well as service companies are aware of this, because sustainable development is currently at the centre of all economic players’ strategic thinking and development plans.

The majority of operators in the real estate sector have therefore incorporated SD requirements. Some are also proactively involved in innovation or compliance with industry practices, beyond the regulatory requirements of the RT 2012 thermal regulation standard. In particular, some have adopted innovative insulation processes. In tertiary and residential real estate, SD is being driven by changes to standards, the increasingly common reference systems of sustainable construction and operation certifications as well as by environmental and social requirements related to investor governance.

One sector is struggling however – hotels. Hotels are major real-estate assets, in permanent operation, which use a range of technical equipment and a large and complex organisation to coordinate services for guests. This means that they consume fairly high quantities of a wide range of resources and are becoming increasingly environmentally aware. However, these efforts pale in comparison to the sustainable development impacts of a hotel’s construction and operation.

Commitment must be shown at all hotel management levels.
If it wants to adapt itself to guest’s needs, the worldwide hotel industry must adopt a sustainable development approach encompassing a hotel’s complete lifecycle and supply chain as well as using technologies to master and reduce these environmental impacts, whether potential or real.

An overall approach
Before 2010, sustainable development in the hotel industry was mainly limited to waste separation, reductions in consumption of energy, electricity, gas, water, etc. and increasingly changing a guest’s bath towels and bed linen every few days rather than daily. However, an ecological approach in the hotel industry is not limited to these initiatives, although they remain essential. An overall approach needs to be devised which includes the property asset, the guests’ experience during their stay, as well as raising awareness and educating hotel staff and the various hotel industry professions.

A hotel development project therefore needs to incorporate environmental performance issues, which can be addressed at the design stage and when choosing technical and architectural solutions. An overall cost approach must systematically be established to optimise and anticipate the operational phase. The property must therefore be at the heart of the environmental approach and represents a major driver for improving lifecycle performance.

Similarly, sustainable development must incorporate the overall strategy of the hotel and its management processes, rather than trying to operate in tandem with its activities. Commitment needs to be shown at all levels of hotel management:

- staff management;
- supplier selection (purchasing managers) for catering and accommodation;
- logistical aspects;
- technical department;
- environmentally-friendly upkeep and maintenance;
- well-being and comfort of guests and staff;
- etc.

A hotel’s economic development depends on both sustainable development and the proper management of staff and the products and services offered. It all needs to have a meaningful place in an integrated strategy. Value should then be created according to the economic model chosen and sustainable development initiatives taken, with the risk, if it is not properly understood, of threatening the business’s survival.

Guests, meanwhile, are also aware of this environmental challenge and are ready to contribute to it, provided they are not made to feel guilty or restricted. Customer satisfaction, which is at the heart of the hotel service, must therefore be taken into account and new methods must therefore be introduced to avoid impacting the levels of satisfaction.

Environmental initiatives at a global level
The major hotel groups have meanwhile introduced their own environmental protection initiatives. For instance, some have developed programmes to assess the sustainable performance of their establishments based on pre-defined criteria.

The AccorHotels group is one of the founders of this initiative. Through its Planet 21 programme, each hotel in the group is assessed according to a range of criteria, including use of ecolabelled products, sourcing via national and local suppliers, monitoring of energy consumption. Similar and no less ambitious programmes have been introduced by other key players in the sector, including the Wyndham, InterContinental Hotels and Pierre & Vacances groups.

Other large hotel groups are also looking into the adoption of certification labels relating to construction and sustainable operation (HOE², LEED³ and BREEAM⁴). These labels provide professionals with leverage in the design, construction and operating phases of the hotel. According to the American organisation US Green Building Council (USGBC), more than 800 hotels are certified or in the process of LEED certification worldwide (excluding the US and Canada)⁵.

This need for genuine environmental efficiency in hotel operations has led to the emergence of specific ecotags.

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1. Planet 21 is an open platform of shared knowledge on the sustainable development of the Accor hotel group. Its aim is to focus on four strategic areas by 2020 (working with its employees, involving its customers, innovating with its partners and working with local communities) and two key issues (food and building). Source: www.accorhotels-group.com/fr/developpement-durable.html
5. Sources: http://www.breeam.com/projects/explore/map.jsp?sectionid=0&projectType=
   Residential&adviser=&cerPlace=&buildingName=
   &client=developer&cerBody=&assessor=
   &addressPostcode=&countryId=&partid=10023
   &Submit=Search
This type of certification, which is very well-known in the world of construction real estate, is therefore now attracting the attention of a number of hotel groups and developers. LEED “Hospitality” certification, for instance, which was published in 2014, provides a working framework for professionals and certifies hotel construction and renovation projects and their operational launch.

Figures for the equivalent French HQE certification, awarded by Certivea and mainly applicable to the French and international market, are more modest. According to Green Soluce and France GBC, only 11 hotels are certified in France, representing 1% of all certified French buildings. This type of certification process is very expensive, which is one of the reasons the hotel sector has turned its back on it. However, it remains a good tool for guiding hotel developers and operators in the steps to take to improve environmental performance (see graphs 1 and 2).

When it comes to respecting the environment, the most crucial phase of a hotel’s lifecycle is its operation. Environmental certifications are divided into two main categories: new-build and renovation on the one hand and operation on the other. Only two hotels are certified NF HQE Operations out of a total of 186 properties in France7.

Nevertheless, these facts need to be put into perspective compared with the three major certifications in the hotel sector – LEED, BREEAM and HQE8 (see graph 3). BREEAM and, in particular, LEED certifications are more common internationally, with 86% of the world’s hotels certified (excluding the US and Canada)9, although certified hotels represent a small fraction of the certification market.

These low certification figures can be explained by the fact that groups and individuals who own hotels are more attracted by bespoke certification services. This need for real environmental efficiency in hotel operations has led to the emergence of eco-labels for the sector, notably Green Globe10 and Green Key11, which are major players in hotel certification. The organisations that launched environmental labels have taken on board the issues faced by the hotel sector to define reference systems corresponding to those issues, thereby capturing a significant share of the certification market.

By 2012, Green Globe had already certified over 300 hotel and tourism companies by signing with hotel groups like Movenpick, Club Med and more specifically the Carlton Intercontinental in Cannes and Le Bristol in Paris12.

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7 “Which business sectors are certified for active operations?” in Barometer of environmental certification 2016, Nicolas Regnier and Meka Brunel, Green Soluce, p.15, 2016.
8 This categorisation excludes the US and Canada, which together account for a majority of LEED certifications, with a total absence of BREEAM and HQE certifications. To enable a global comparison, this geographical area was excluded so as to obtain similar orders of magnitude. The growth of LEED certification in North America is so significant that it overshadows the competition between LEED, BREEAM and HQE in the rest of the world.
Green Key has so far certified over 2,500 hotels and establishments, including chains such as Carlson Rezidor, Starwood Hotels & Resorts\(^\text{13}\).

**Reasons for the change**

**Hotels need to be better designed, better constructed and better maintained**

The key focus is on construction. The technical and architectural solutions, construction choices, materials used, etc., are key to facilitating the hotel’s operation, controlling environmental impacts and operating expenses as well as favouring responsible behaviour by the hotel guests and staff.

The hotel room should be fitted out with durable equipment and products, with a low impact on the environment and on people’s health, as well as being easy to maintain. It must also be adapted to the behaviour of guests and maintenance staff. Technical management, regulatory and supervisory bodies as well as information and communication technologies (ICT) provide a level of control that reduces waste and optimises performance. Lighting can be managed to optimise the contribution from natural light, water consumption can be drastically reduced by using more efficient sanitary facilities, permanently connected to a control centre to immediately detect any faults.

In general terms, the communal areas of the hotel and its amenities (restaurants, spa, laundry, etc.) also need to be considered from a strategic perspective before launching a project in order to minimise the impact of the development and enable operators to control and monitor performance.

**Sustainable development performance will become a key focus for the hotel industry, at every stage in its lifecycle.**

**Relying on best practice and certifications**

Professionals in the field of construction and sustainable operation certifications (BREEAM, LEED and HQE) have examined the hotel industry and created specific versions for this business sector. The bodies responsible for issuing these certifications are therefore able to offer simple or more complex solutions at the design, construction and operation stages in order to preserve and improve biodiversity and nature in order to:

- reduce the contribution to global warming (energy consumption);
- improve the comfort and well-being of persons;
- conserve and re-use water;
- promote sustainable and regenerative materials;
- promote the sustainable economy;
- improve occupants’ living environment, notably the comfort and quality of internal air.

For example, the American LEED certification, encouraged by a recent global expansion outside the US, particularly since the launch of its V4 reference system in 2009 (following LEED 2009)\(^{14}\) (in more than 150 countries)\(^{14}\), is rolled out in various ways:

- a new construction project or major renovation of a hotel can use the Building Design and Construction (BD+C) version of LEED\(^{15}\);
- a hotel that wants to have a complete makeover without affecting its structure, facade and equipment can use the Interior Design and Construction (ID+C) version of LEED\(^{16}\);
- an existing operational hotel can apply for LEED Operations & Maintenance (O+M) certification\(^{17}\).

Making use of these construction and sustainable property certifications can only benefit the hotel sector.

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\(^{12}\) Source: http://www.veilleinfotourisme.fr/medias/fichier/121011-dossier-de-presse-green-globe_135039564106.pdf

\(^{13}\) Source: http://www.greenkey.global


\(^{15}\) Dedicated to constructions proposing a temporary accommodation solution with or without a catering service.

\(^{16}\) Dedicated to the inside spaces of hotel establishments or any establishment offering a temporary accommodation solution with or without a catering service.

\(^{17}\) Dedicated to the operation of existing establishments with or without a catering service.
Tomorrow, an innovative and responsible hotel industry

The hotel industry and all its dependent sectors need to be flagbearers for innovation and promote a responsible and sustainable approach in the sector. They must change the guests’ behaviour and anticipate their new needs.

TripAdvisor has now started monitoring hotels’ sustainable development commitment via TripAdvisor GreenLeaders Program. Once other major booking sites such as Booking.com and Hotel.com start taking environmental factors into account, hotels’ commitment to environmental issues will become one of the main booking criteria. To avoid missing out on this trend, hotels will succeed by anticipating and thinking about the future generations who are their potential guests.

Hotel investors and operators must anticipate this risk, as has been the case in corporate, commercial and logistics real estate. Currently, real-estate professionals attract investors and users to these sectors through green value and sustainable innovation.

An eco approach promoting comfort

The hotel industry will follow a similar path in future, focusing on the efficiency resulting from sustainable development at all levels and throughout its lifecycle. Another key factor to take into account is that the new generation of consumers places great emphasis on environmental issues.

A number of initiatives stand out in particular. For example, initiatives launched by the Six Senses hotel group combine luxury with respect for the environment. Rather than adopting a programme, the group has chosen to optimise the potential of each site it operates. This strong commitment has harnessed the environmental approach to promote comfort and preserve a number of beautiful natural spaces. The result is rooms equipped with natural ventilation, vegetable gardens, and centres for composting and sterilisation of bottles.

In another example, taking an integrated approach to sustainable development, the AW architecture and interior agency and Delporte Hospitality are developing a hotel room concept that is:

- close to nature (natural materials, solar energy, natural ventilation, light and sound ambiance adapted to the time of day, ecological cleaning products);
- energy efficient (solar panels, heat recovery, water economiser, purified water);
- ecologically sourced (raw materials that are local, recycled or produced by responsible networks);
- relaxing (the room helps occupants take care of their physiological needs by offering comfort and quality rest);
- modular (the layout allows the room to be rearranged as needed and according to the time of day).

Known as “Chambre Origine”, this concept is innovative in that the complex design and equipment must appear simple, obvious and intuitive for users so that they are able to use the space as required (work, rest or relaxation).

The Chambre Origine is therefore certainly an ecological initiative and uses innovative techniques and equipment.

The Chambre Origine ultimately aims to be the room of the not-too-distant future, with developers hoping to offer a prototype from 2020. The concept was developed by AW2 and Delporte Hospitality, in partnership with Deloitte.

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18 Source: www.tripadvisor.fr/GreenLeaders
19 Source: www.sixsenses.com/resorts/samui/sustainability
20 Source: www.laurentdelporte.com/origine-chambre-developpement-durable-equiphotel
Tourism and hospitality trends 2017

Graph 1. Distribution of NF HQE certifications by activity in France (in %)

For new and old constructions.

Graph 2. Distribution of NF HQE Operations certifications for new constructions and renovations in France

Source: Barometer of environmental certification 2016 - Green Soluce, p.5.

Graph 3. Hotel certification globally (excluding the US and Canada)

Source: "Which business sectors are certified for operations and new operations or renovations" in Barometer of environmental certification 2016, Nicolas Regnier and Meka Brunel, Green Soluce, p.15, 2016
Museums and heritage sites – strategies to attract Millennials

Young people from Generation Y and Z are big fans of cultural products, which they consume eclectically via networks. To capture and then retain them, professionals need to adapt to the behaviour of these "channel hoppers", who are unpredictable and eager for anything new.

By Anne Ravard, In Extenso Tourism, Culture & Hospitality.

Eighteen to 30 year-olds are major consumers of culture, more than their elders and in many cases more than previous generations at the same age. Driven by the increase in access to equipment, particularly in schools, by the spread of digital devices and the considerable increase in the range of devices available, cultural proliferation is an undeniable phenomenon which began with Generation Y.

This sought-after target group of young people has radically different expectations, consumption methods and influences compared with previous generations. They are at the cutting-edge of underlying changes, meaning that cultural attractions now need to adapt their public policies, from defining what they offer to their promotion strategies.

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"The cultural practices of the French, summary data 1997-2008", Olivier Donnat, in culture etudes, Ministry of Culture and Communication, Department of Studies, Forecasts and Statistics, May 2009. Note that the reading of books and printed press are an exception to this growth in practices.
Table 1. Propensity of respondents (aged 18 to 35) to visit an exhibition or museum according to the message being communicated (in %)

<table>
<thead>
<tr>
<th>Characteristics or complementary messages</th>
<th>Usual customers</th>
<th>People looking for pleasure and social activities</th>
<th>People who like to interact with others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Propensity to visit an exhibition</td>
<td>63</td>
<td>8</td>
<td>47</td>
</tr>
<tr>
<td>Proportion that is subtracted from the propensity to visit or that is added to it, according to the message conveyed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special attention involving attending an exhibition when it is not open to the general public</td>
<td>9</td>
<td>-1</td>
<td>-9</td>
</tr>
<tr>
<td>Offer of varied and high-quality food</td>
<td>-17</td>
<td>24</td>
<td>22</td>
</tr>
<tr>
<td>Layout that favours open conversations rather than whispering</td>
<td>-17</td>
<td>13</td>
<td>18</td>
</tr>
<tr>
<td>Search for pleasure above all</td>
<td>-15</td>
<td>27</td>
<td>-15</td>
</tr>
<tr>
<td>Desire to see something new</td>
<td>-7</td>
<td>20</td>
<td>-3</td>
</tr>
<tr>
<td>Option of taking part in an interactive adventure</td>
<td>-7</td>
<td>-5</td>
<td>20</td>
</tr>
</tbody>
</table>


Eclecticism, networking and rejection of the Establishment

Hyper-connected, equipped and very regular users of digital devices, the young adults of Generations Y and Z2 are equally consumers of traditional practices. It even appears that visits to exhibitions and the theatre complement digital consumption rather than replace them. It is all the more paradoxical that the physical nature of the place visited, contained in a defined space, makes it hard to respond to expectations of consumption on demand, freedom of choice and the new relationship with time, stemming particularly from the circulation of online content.

Their use of the web has encouraged young adults to think in terms of networks, feedback and images. The legitimacy of the Establishment is replaced by individual opinions, bypassing traditional recommendations from friends and family. They are open to recommendations from strangers in the network3. Cultural consumption therefore provides the ingredients for the identity individuals wish to project. It becomes part of their profile and daily interactions, helping them to form relationships through shared tastes. Furthermore, just as they project themselves, they are also receptive to the projected tastes of other anonymous individuals.

Young people’s reasons for visiting are moving away from traditional incentives of learning.

Young people’s tastes are more eclectic, varied and spontaneous, fuelled by the considerable range of cultural options at their disposal. This curiosity is beneficial to cultural venues, allowing the most diverse events to find an audience among this group. It is also, inevitably, an obstacle to their loyalty. They are also much less likely than their elders to visit venues several times a year4. This is the generation of “channel hoppers”, always in search of the new and unpredictable, used to having access to everything quickly and being surprised at every exhibition or event.

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2 Generation Y covers persons born approximately between the start of the 1980s and the middle of the 1990s. Generation Z starts in the second half of the 1990s.

3 “Cultural practices among young people and transmission institutions: a clash of cultures?”, Sylvie Octobre, in culture prospective, Ministry of Culture and Communication, Department of Studies, Forecasts and Statistics, January 2009.

The decline of trust in expertise is accompanied by the rise in experience as a way of forming one's own opinion and as a method of consumption. Young people’s reasons for visiting are moving away from traditional incentives of learning. They are looking for an experience combining knowledge, emotion and exchange, a complete experience that will stimulate contemplation and awareness, on the one hand, and pleasure, on the other. These motivations and visiting behaviour are not uniform however. Firstly, the age bracket reflects very different economic and social realities depending on whether the young adults are students, working people at the start of a career or young parents. Furthermore, the overall increase in cultural consumption has not eradicated all social inequality. Although it is gradually being reduced, some young people remain excluded from cultural consumption (around 10%), and the level of consumption still varies sharply depending on the level of educational achievement. In 2011, Alex Gofman and Howard R. Moskowitz distinguished three profiles of young adult visitors to museums (see Table 1):

- regular visitors (40%), who have the same expectations as other visitors;
- young people seeking pleasure and social activities (31%); expectations involving pleasure, exchange and novelty;
- young people willing to interact with others (29%): expectations focusing on interactive games and conversation.

Attracting young adults means adopting their rhythms and spaces.

From tailored exhibitions to targeted communications

Attracting young adults to venues then retaining their loyalty therefore requires a tailored public policy. Here we discuss several key principles that can provide the foundation for a growth strategy.

Adopting their icons, adapting to their habits

“Icons” can be artists, symbols or codes in which young adults recognise themselves. The artists popular with young adults will obviously be invited to come to the venues, particularly for events such as concerts and performances, while ensuring coherence between the artistic proposal and the venue, which must not become simply a backdrop to a disconnected offering. The numerous collaborations with the “traditional” arts by American hip-hop dancer Lil Buck are one recent example demonstrating that combining genres can make sense and be a source of enrichment.

Beyond the use of social networks to communicate, their circulation of content also attracts young people’s curiosity. For the Parallèles Paris-Musées campaign, the Paris Musées association asked Instagramers to reinterpret some of its works as a means of modernising the image of museums and reaching new audiences. Adapting to their ways of consuming also means adopting the “series” principle of telling a story in instalments. The Museum of the Great War in the Meaux Region, for instance, told the story of the soldier Léon Vivien in the form of a Facebook feed, so combining the appeal of a true story, a serial and the use of a medium popular with young people.

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9 Campaign carried out by the Paris Musées association with the Kindai agency. See: https://www.instagram.com/parismusees/
It also involves promoting recommendations by visitors themselves, by encouraging spontaneous, on-the-spot feedback via spaces designed as a stage for visitors, with connected collaborative devices allowing them to post to the web from the venue. This was demonstrated in the experience offered via the work of photographer Dow Wasiksiri at the 2015 Photoquai biannual in Paris, which encouraged visitors to photograph themselves against the usual backdrop to his shots printed in actual size, then post them on the internet. Lastly, to attract young adults you need to adopt their rhythms and spaces, particularly by occasionally extending the evening opening hours. The museum must also go out and meet its public by being present in the places students live, socialise and travel. It involves creating unexpected encounters with a work of art or a word that arouses curiosity. An example of this are the exhibitions of reproduction works of art in the Paris underground, which present the work itself rather than simply a poster for the exhibition (e.g. the Quai Branly museum’s Photoquai exhibitions or Keith Haring by the Paris Museum of Modern Art and 104).
Surprise and a sense of the exceptional

Young adults embrace serendipity – quickly finding something you are not really searching for – as a way of life\textsuperscript{13}. A generation of happy coincidence, along with the right to make mistakes and to change your mind, they expect surprises and exceptional experiences. Traditional loyalty-building strategies are not for them, except when it involves creating a series of targeted and unusual events, for example the “Before” evenings at the Quai Branly museum, which offer a different multi-disciplinary evening every first Friday of the month.

More than other visitors, Generations Y and Z are attracted by offers that are new and time-limited. The unique and/or exclusive aspect of an offer not available anywhere else – e.g. a promotional price, backstage pass or special event – creates a sense of urgency around the visit. The experiment in 2008 of free evening opening for 18 to 25 year-olds in four large Parisian museums amply demonstrated that, as well as the issue of price, it was the sense of rarity that attracted them\textsuperscript{14}.


\textsuperscript{14} “The free late night opening, a good idea for young people and museums”, Bruno Maresca, in Crédoc, consumption and ways of life, no. 215, October 2008.
Happy coincidence and serious pleasure – key words for the development of future events.

Experience and immediate pleasure

Venues offer events dedicated to young people on a fairly regular basis. These events are attractive not only because they are specifically designed for them, but also because they provide a fun and sociable occasion that meets their need for experiences and "serious pleasure". The "Vivez Lézard" evenings at the Decorative Arts Museum are reserved for 18 to 25 year-olds and take place once a month. Other events are less frequent, such as the evening for single people at the Musée Aquatique in Nancy during the "Parce Queue" exhibition at the end of 2012.

New mediation tools are constantly being offered. These combine discovery, new knowledge and games. Playing is no longer an activity just for children but is also available to adults. These "serious games" are often digital and technology allows the development of bespoke, "gamified" tours such as the "Book of Centuries", a tablet-based investigation at Fontainebleau Château. Other content is offered in the form of transmedia campaigns, in which several types of media, both physical and virtual, each contain complementary elements of the story. The campaign organised for "Tour Paris 13" in 2013 is one successful example.

Providing experiences ultimately means developing participation, giving visitors the keys to the venue or the exhibition. By giving them an opportunity to speak and entrusting them with the spaces, organisers offer an active visit which increases the feeling of membership, encouraging meeting and exchange. The Portland Museum of Art (USA) and the new Museum of Man in Paris have on-site recording booths. These allow visitors to record a video message to be broadcast in the exhibition and often also online. In a less hi-tech example, walls are made available to visitors (in the "Dali fait le mur" exhibition at the Espace Dali in 2014, or "La Fabrique de l'œuvre" at the Fine Arts Gallery of Angers in 2015) to leave messages, drawings and contributions that are visible to everyone.

These few examples of strategies targeting young adults demonstrate genuine engagement with this group, requiring significant human and financial resources. Nevertheless, in many ways, these generations’ new expectations appear to indicate some of the visiting trends will see in the future. Each venue will therefore need to focus its efforts on young adults according to this category’s current potential, as well as the willingness and possibility, where applicable, to test different events and development initiatives which could be extended in the future.

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15 Tool developed in 2013 by the Mosquito agency for the Fontainebleau Château
17 Project Object Stories: http://portlandartmuseum.org/objectstories/
The uberisation of the hotel industry – new consumer behaviour

The rapidly growing sharing economy is having an impact on many business sectors. Hotels and tourism are no exception and they must also address new consumer behaviour and expectations. The best way to respond is through innovation!

By Joanne Dreyfus, Partner, Tourism, Hospitality and Leisure, Deloitte France and Jean-Marc Liduena, Partner, Consumer & Industrial Products, Deloitte France

In 1995, eBay was the pioneer and others have followed since. In fact, although the sharing economy started with the online auction site in the US, many other companies and sectors have embraced collaborative sharing since then, boosted by the internet and e-commerce. This inescapable trend is part of the evolution of new consumption methods, in France and worldwide, also driven by the new generation of consumers. This economy – which knows no borders thanks to digitalisation – has ended up giving its name to a new method of consumption, encompassing many sectors, and “Uber” has now entered many languages.

Traditional models called into question

We now talk about “uberisation”, among other phenomena, to evoke and characterise the sharing economy, collaborative consumption, the peer-to-peer or demand economy, although this idea is not limited to the term “uberisation”. In any event, this complex tool can be characterised by seven main aspects: disruption, usage, innovation, exchange, digital, interdependence and dynamic.
Indeed, traditional models are being called into question and large companies, including those in the hotel industry and tourism, feel that they are being put under pressure by these individual users, who have drastically transformed the market in record time. The use of a specific good or service has now become more important than owning that good or service, creating a new approach that provides a different perspective on our daily life via the user experience. This exchange, which enables us to connect people searching for a product or a service with those who have a product or service to offer, can take the form of a swap, sharing, sale or rental. It is supported by digital platforms (internet, mobile, tablet, payment system, etc.). Consumers find themselves at the centre of the exchange and the number of intermediaries is reduced to a minimum. The price can therefore be adjusted in real time according to supply and demand. There is widespread adoption of these services worldwide and, whether B2C or B2B, many sectors of the economy are feeling the effects:

- accommodation (Airbnb as well as HomeExchange and HomeAway);
- B2C services (DogVacay, TaskRabbit and Parking Panda);
- trade and retail (eBay, Chegg, Etsy, Kid, Poshmark and Yerdel);
- media (Spotify and wavelength);
- B2B services (Eden MacCallum, freelancer.com, up, Wikistrat, LiquidSpace and WeWork);
- finance (Funding Circle, Kickstarter, Prosper, TransferWise and LendingClub);
- transport (BlaBlaCar, Getaround, Kuaidadi, olv and uber);
- others (Doctor on demand, Feastly, Fon and LeftoverSwap);
- new sharing sector (Guesthop).

### Uberisation – an up-and-coming concept

There is no universal agreement on its definition. Yet “uberisation” is a trend being talked about all around the world. From innovation to technology, startups and new consumer behaviour, this collaborative practice has transformed traditional methods of consumption. It has the ability to move investments that would previously be reserved for more established companies, towards the individual (redistribution and entrepreneurship). Founded in 2009 in San Francisco by Garrett Camp, Travis Kaelnich and Oscar Salazar, Uber – the company which gave its name to the concept of “uberisation” – connects users with car drivers via the internet. Since then, this economy has expanded outside the US and the word has ended up being applied to a more general function. We now use uberisation to evoke and characterise the sharing economy, collaborative consumption, interdependence, and the peer-to-peer or demand economy. “Uber” has now entered all languages worldwide.

This demand economy – with estimated turnover of $26 billion (more than €24 billion) in 2013 – is set to reach $100 billion (€94 billion) by 2019. And experts believe that this market, currently dominated by four sectors (finance, transport, commerce and accommodation), could double in size every 18 months. Finance and transport account for 23% of this market share while commerce and accommodation are just behind at 18%.

All of which means that this economy, which is riding on an undeniable wave of enthusiasm, has dramatically affected all traditional market sectors and players. However, some experts point out that this economy appears to be creating more economic value than it destroys.

#### The emblematic case of Airbnb

Like all sectors of the economy, the hotel industry is affected by this new global consumption trend. The most high profile example in the tourism sector is Airbnb. In 2014 alone, the site registered 10 million users and 40 million overnight stays, with 80 million estimated for 2015 – figures to watch in the years to come. Some experts estimate that Airbnb accounts for 10% of available accommodation. This new form of tourism offers significant advantages, providing bedrooms that can host larger families than a more traditional hotel room. Rented accommodation mainly corresponds to houses or apartments and less frequently private rooms in a house or apartment. The renting of whole apartments or houses represents 58% of properties rented and 80% of total revenue. This phenomenon is mainly seen in New York, but also in Paris, London, Amsterdam or Barcelona. Airbnb also offers an integrated bespoke travel solution. The “tour operator” is therefore looking to sign partnerships to offer its guests guided visit and experiences, to organise stays of several days that include guided visits, accommodation, meals and airport transfers. This solution increases revenue.

The first Airbnb prepaid card for international customers, trialled in New York, has also been introduced for those spending more than $1,000 during their trip to the US. This allows Airbnb to offer a complete travel experience, with travellers benefiting from a 10% discount in the form of credits which can be used on the next trip (but not for hotel expenses).

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2 Source: Reuters
To do this, Airbnb has expanded its partnerships with established brands in two ways in order to strengthen its own brand image. Firstly, to stimulate demand:

- American Express (for specific locations): Amex users can use their loyalty points to cover Airbnb booking costs (with a 15% reduction on Airbnb bookings in Hong Kong);
- Tesla: recharging points in 100 Airbnb locations;
- Virgin America: allows customers to win points by booking with or being a member of Airbnb;
- Olympic Games in Rio in 2016: official supplier of alternative accommodation (bookings via the Olympic Games booking platform).

Airbnb is also trying to expand these services to offer users a complete range of services, from delivery of food and meals to cleaning, concierge services, laundry, communication with guests, repairs, emergency services, design, etc.

In November 2016, Airbnb announced it wanted to position itself on the market as a travel agency, through which it will be “possible to buy a plane ticket, rent a car, plan activities and even do the shopping.”

All these marketing innovations are enabling Airbnb to expand and grow very rapidly, with this economic model acting as a gateway to a fragmented economy. Airbnb has satisfied a demand previously not met. It is a pioneer in the long-stay market for families, for which traditional hotels are costly (obligation to rent several rooms for one family). The traditional hotel industry has meanwhile positioned itself as a leader for short-stay business trips and has minimal exposure to long-stay business trips compared with Airbnb.

Airbnb’s core business seems to be moving towards a fragmentation of services and applications compared to traditional online travel agencies (OTAs). Airbnb is an aggregator in the fragmented alternative accommodation market. Although holiday rentals compete in some segments with the traditional hotel industry, the majority of rentals on the market are not catered for by hotels. In other words, there is a niche that could be profitable if it were exploited better or differently.

Moreover, as regulations come into force, it is likely that the Airbnb economic model will become less attractive. In fact, taxes are “collected in 200 cities and in San Francisco new measures are due to be examined by the city council”. And from 1 May 2016, owners in the German capital, Berlin, will not be able to rent their whole house without authorisation.

From January 2017, hosts in London can no longer rent their house for more than 90 days and no more than 60 days in Amsterdam. However, this new restriction does not apply to bedrooms rented within houses. In 2015, Airbnb alone accounted for 5% of bookings in Madrid and 9% in Barcelona. This market is set to increase by around 12% in 2016.

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5 “Likely IPO has Airbnb shy to pick a fight” by Katherine Doggett, 13.12.16, http://www.hotelmanagement.net/legal/likely-ipo-has-airbnb-shy-to-pick-a-fight
6 idem.
From a societal perspective, the new tourism and travel consumers are open to the idea of sharing, want alternatives to the current economic models, subscribe to the ecological and environmental movement and no longer see possession and/or ownership as indicative of social status. As for companies, they aspire to a sustainable economic model.

At an economic level, the effects of the 2008 crisis are still being felt. Consumers want lower purchase prices while earning additional income. Within this trend, they want to obtain less costly loans and optimise the value of the goods that they already possess (e.g. car, house).

What about technology? The meteoric rise of digital, the developments of mobile platforms (smartphones and apps), the rapid development of secure online payment (PayPal from 1998) and the communities of interest are encouraging new consumer behaviour.

**D for major “disruption”**

All this is a factor in defining new business models focused on:

- use rather than possession (more choice, greater flexibility, lower cost, less inconvenience);
- a preference for digital access (easy, by and for everyone, everywhere, precise and personalised platform, numerous real-time statistics);
- more social interaction based on trust and the need to associate emotions with a brand;
- customer/supplier relations that are also changing: the customer is also becoming the supplier; the relationship is direct, with few or no intermediaries.

At the centre of this model is the individual, who has abruptly and rapidly turned the market on its head, circumventing traditional barriers to entry while avoiding investment, cost and wage bill constraints.

In this context, traditional brands and sectors need to adapt to new consumer behaviour and find their role (by investing and playing the game). The hotel industry sector is not alone. Many players in the economy are involved in this great global/general upheaval, in France and elsewhere.

Players will therefore need to develop products whose lifespan is more important than price (resale potential), understand that use prevails over possession, ensure brand consistency for primary and secondary customers (purchase and resale) and promote and build social responsibility.

Moreover, companies that seek to understand the issues surrounding the sharing economy could create extensions to their main business. They also need to involve consumers, who share via their networks, and employees, who also share (e.g. Twelpforce). In any event, this new vision requires an undeniable marketing campaign.

However, this new model must overcome four major challenges, relating to:

- regulation (UberPop is banned in France, Airbnb has been restricted in Berlin);
- tax (agreement on tourist taxes for Airbnb in Amsterdam);
- trust and insurance (some hosts have had their property wrecked);
- e-reputation (need to identify users and service providers, to quantify trust).

**An innovative leader is a leader who shares.**

I for "innovation" – a necessity

Innovation is now the main driver of companies in the sharing economy, the key to the demand economy. And among this large number of companies, not one sells a product.

The majority of traditional companies seek to innovate around their product range and focus on that challenge. Over the past 10 years, they have focused their efforts more specifically on the product performance criterion.

Across all sectors as a whole, the leading companies have succeeded in innovating by each working on a specific point from the 10 or so that Deloitte has identified (see graph 1) and each company has a favourite segment.

Companies in the new demand economy assert their major difference by focusing almost simultaneously on all areas of innovation. More specifically, these new companies are working on seven of the 10 criteria identified, relating to configuration (profit model, process), product range (product performance) and experience (service, channel brand and customer engagement). These issues are clearly an advantage for their commercial innovation. These factors give the companies real value-added and make them de facto leaders in the new collaborative consumption markets.

L for "leadership" – which must innovate and share

The new leadership model in the demand economy is built on one guiding principle – "share everything". Three criteria appear to stand out: strategy and operations (open innovation), values (exchange, trust and subsidiarity, flexibility, "no intermediary", entrepreneurship) and talent (shared). The demand economy therefore requires and stimulates new leadership models to manage the strategy and implement innovations.

A leader who receives is therefore a leader who gives. That leader will give more responsibilities and autonomy to his or her employees, by allowing greater flexibility in working hours and choice in terms of projects and career, as well as by flattening the hierarchy to create a more horizontal structure. An employee who participates in decision-making contributes to building the company and becomes an "intrapreneur". This is very different from the traditional leadership model, in any sector.
Repositioning the strategy and governance of hotel groups.

Repositioning
Given this environment, hotel and tourist industry professionals need to reposition their strategy and governance. The diversity and complexity of the areas affected require reflection which is both rapid and long term. Otherwise, there is a risk of weakening/endangering the activity of these professionals. Not all economic sectors are affected with the same intensity, which is why adaptation is possible. However, it appears important to rethink company strategy and governance, to reflect differently on innovation, digital, the corporate vision, the commercial valuation of products, irrespective of what type they are.

Hotel and tourist industry professionals can take up this challenge by studying the parameters to be modified from a product and marketing perspective. The arrival of new competitors practically obliges them to do so. This is facilitated by new digital tools, which are drivers of creativity and added value. Traditional hotel industry players have a role to play in this market, that they have begun to conquer through social networks (e.g. Facebook, Twitter), websites (bookings, services, TripAdvisor, etc.).

These advances simply need to be made more concrete and supported by innovation partners, change professionals and specialists within these organisations, from an external perspective.

The Deloitte Greenhouse – a think-tank dedicated to strategic and collaborative innovation

On 6 May 2015, Deloitte France launched Greenhouse, a new member of the Deloitte network. This think-tank pools the firm’s expertise to support directors’ innovation projects. Its strength also lies in the network of startups and partner schools as well as the network of facilitators talented in developing ideas and solutions by promoting the collective intelligence of working groups, whatever their size.

Clients who benefit from the Greenhouse expertise are able to free themselves from the usual reference framework, to think differently and therefore to develop new ideas for innovative solutions and move from reflection to implementation of a strategic plan based on alternative models. Based on specific collaborative workshops on innovation, change, analysis and/or transition, this concept rests on three pillars: exploring, structuring and deciding. To do this, dedicated teams draw on skills in strategic analysis, change management, risk management, evaluation of business models and digitalisation of the company. The objective is an in-depth transformation of the operational models that have shown their worth but need to be “revisited” in order to adapt to economic and social changes.

Over 1000 sessions have already been organised worldwide and over 100 in France and, at its clients’ request, Deloitte has developed a mobile version of Greenhouse to be installed wherever there is the potential for innovation.

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Deloitte France
Olivier Willi, Greenhouse leader

Graph 1. Ten types of innovation levers for players in the demand economy

<table>
<thead>
<tr>
<th>Profit Model</th>
<th>Network</th>
<th>Structure</th>
<th>Process</th>
<th>Product</th>
<th>Performance</th>
<th>Product</th>
<th>System</th>
<th>Service</th>
<th>Channel</th>
<th>Brand</th>
<th>Customer Engagement</th>
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<td>Configuration</td>
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Source: Deloitte, 2016.
In 2017, budgeting hotels’ local taxes with reform of rental values

The increase in the relative burden of local taxes in hotels’ budgets forces professionals to anticipate their expenses as precisely as possible, which is not always easy. Yet in the hotel industry real estate is the main asset (for owners) or a major expense (for tenants). We examine the issues and outlooks...

By Christophe Le Bon, and Frédéric Boulard, Tax lawyers, Taj legal firm.

For many hotels, income tax is no longer the main expenditure item in terms of tax burden. The prize now goes to local taxes, including property tax and the business land tax (CFE). We would have liked this change to be the consequence of a fall in the effective rate of income tax. But the few scarce measures taken in recent years that are favourable to companies – such as the CICE¹ – are not enough to explain this fall. We have to face facts – what has fallen with regard to income tax, is more the income than the tax.

¹ Tax credit for competitiveness and employment.

In these sluggish times, the necessity to anticipate expenses correctly is therefore essential. An under-estimation of several thousand euros can be enough to transform an estimated positive result into a loss. In the hotel industry sector, real estate is the leading asset, or one of the main expenses when the operator is a tenant. Local taxes, determined according to the value of
The property, therefore become one of the main budget items. This primarily concerns property tax on built properties. In theory, this is only payable by the owner of the building, although in the majority of leases, it is one of the charges passed on to the operator. It also relates to the CFE payable by the operator, whether owner or tenant. These two taxes are therefore one of the main expense items that will need to be estimated as precisely as possible.

The base and rate can cause variations in local tax charges.

Charges difficult to anticipate

Unfortunately, predictability is not a defining characteristic of local taxes. To estimate the charges for the coming year, many operators simply carry forward the charges for the past year, adjusted by the increase in the cost of living. Given the impossibility of accurately predicting the amount of charges that will feature on the demands received in October and November, this, as far as we are aware, is the best possible formula. But it does not necessarily prevent unpleasant surprises, since differences correspond to rises more often than falls.

Two factors are likely to cause variations in local tax charges: the base and the rate. The base corresponds to what we call the rental value. For the majority of hotels, it is estimated from the value of comparable hotels in a similar category, located, if possible, in the same geographical area. The valuation of comparable assets dates from 1970. In principle, the rental value varies little. It should only increase by adjustments for inflation, which has been very low in recent years (between 0.9% and 1.8%). Nevertheless, the risk of a major change in the base can never be excluded. So when the rental values initiated in 2013 were revised, the tax authorities compared the surface areas declared by the owner with those used to estimate the initial rental value (in principle those indicated on the building permit). In the event of an increase in surface area, it would bill the hotel for the difference.

If we assume in this situation that the surface area is beyond dispute, it is necessary to ensure that the authorities have correctly weighted the additional surface areas when preparing their adjustments. As an example, based on equivalent additional surface area, the impact is different depending on whether or not the hotel has increased the number of rooms or parking spaces. Whereas the additional square meterage of the rooms should be fully taken into account when calculating taxes, the additional square meterage of car parks should only count for 10% (i.e. a weighting coefficient of 0.1).

The authorities also frequently challenge the value of the reference building and use a higher square-metre valuation if they consider the comparison to be out of date. Of course, these decisions can be appealed. But in the majority of cases proceedings will be heard by an administrative court and may take a very long time. Challenges to the original rental value remain exceptional.

When estimating property tax and CFE, the rate remains the main area of uncertainty. This is because it is composed of several rates specific to each of the local authorities whose budget is funded by the tax in question. In most cases, these are the town, department (only for the property tax) and, where applicable, the municipal authorities. Taxation rates therefore vary each year depending on local authorities’ financial requirements. The local authorities then vote on the rates during the first quarter. This means that they are never known when the operator draws up its budget. The increase in the rates is subject to limits. Firstly, it must be proportional to the change in the local authority’s budget. The maximum rate voted by each authority must also not exceed two and a half times the average rate for the same tax at the departmental or national level, as the case may be. However, this means that, if the rates applied one year are close to the departmental or national average, they can more than double the following year.

This was the case for the property tax in Yvelines in 2016. It is a major factor of uncertainty.

Variations may conceal significant disparities between regions.

Reform of rental values and uncertainty

Uncertainty is likely to persist, or even increase, in 2017. This year will see the implementation of the reform of rental values. And this reform will affect all companies with commercial premises. Therefore, all hotels are likely to be affected, with industrial premises and residential properties not yet concerned. In relation to the reform, rental values have been revised down on the basis of declarations made by owners from 2013. These declarations concern the surface area and rental value of the building. The authorities have reviewed all property rental values by zone on this basis. The change is significant insofar as the latest update to values dates back to 1970 and implementation of this reform had to be postponed several times since it was initiated in 1990. The reform will apply to:

- the rental values used to determine property tax and CFE charges;
- related taxes included on the same declaration.

It will be difficult for companies to know the new bases that will be applied to them until they receive their tax bills (in October or November 2017 at the latest). In fact, the new bases should only be communicated on a provisional basis to the local authorities at the start of the year, with the final amounts in
according to their specific situation. A first estimation of the change in rental values was carried out by the authorities in 2011\(^2\). The experiment covered five departments, including Paris. The results could indicate some unwelcome surprises. In Paris, the increase in rental values had been estimated at between 66% and 70% for one-star hotels and between 80% and 84% for two-star hotels. Regionally, the changes were more mixed. Sharp falls were expected in Pas-de-Calais compared to sharp rises in Haute Vienne.

New simulations were carried out in 2015 and in 2016\(^3\). The results are much more reassuring than those published in 2011. But they were only communicated at national level, meaning that the relatively limited changes announced could conceal much more significant rises and falls regionally. We do not see how the increases announced in 2011 could have been totally reversed in a period of four or five years, even taking into account the adjustments introduced by legislation (see below), particularly in Paris.

These bases should still not enable rental values to be determined; they can only be determined during the second half of 2017, after the application of rental coefficients intended to adjust the rental value of certain properties. If we can believe these latest estimations, the average property tax charge should fall at the national level by:

- 9.5% for two- and three-star hotels;
- 8.6% for one-star hotels;
- 6.4% for four-star hotels and above.

In the hospitality industry in the widest sense, only resort hotels or hotel-residences should see an average increase in their charges, of 13.5% and 7% respectively. Overall, the hospitality industry is likely to experience a 2.9% increase in charges.

These rises or falls already take into account two adjustments applicable to the rental values: the “neutralisation coefficient” and the “bottoming out” system. The neutralisation coefficient aims to limit the change in rental values so as to conserve the same weighting for the revalued premises (commercial premises) in the local authority’s budget compared to other buildings (industrial and housing). The “bottoming out” system, meanwhile, should limit, the changes in rental

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\(^2\) Report to the Parliament on the consequences of the review – Results from the experimentation undertaken in 2011.

\(^3\) Report from the General Management of Public Finances before MEDEF on the review of rental values of business premises - December 2016.
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 management of everyday taxes and those relating to expansion and acquisition phases.

values for premises existing in 2017, throughout the “smoothing” period (until 2026). These changes will only be taken into account for half of their amount. These adjustments were not included in the 2011 figures. This would therefore provide an initial explanation for the major differences noted between the sample of five departments carried out in 2011 and the results of the 2016 estimation.

A third adjustment to charges – the smoothing system – should be added to these two adjustments applicable to rental values. Smoothing should allow this change to be staggered over 10 years. This provision is advantageous for companies affected by the rise, since they will only feel the full effects of the increase in the property tax and CFE charges from 2026. On the other hand, this move is not welcome among those expecting a fall in charges. For example, the average fall in charges for four-star hotels would not be 6.4% in 2017 but 0.64%. The amount corresponding to the 0.64% reduction will be deducted from the charges in each of the following years until 2026. By accumulating all of the reductions in charges over 10 years, the 2026 charge (excluding the variation linked to the change in rates) should therefore eventually be 6.4% lower than in 2016.

According to the same principle, the average increase in charges for resort hotels should be 0.7% in 2017; the same increase in charges will be applied to the charges for the following nine years, to reach an accumulated increase of 7% by 2026.

All of these adjustments give us hope that any rise will not be disproportionate to the charges as calculated before 2017. To date, however, the changes communicated are only averages for the country as a whole and could therefore hide major disparities between regions. We can therefore only recommend the greatest prudence in budgeting for property and CFE taxes in 2017. Simply carrying forward charges from 2016, even adjusted for the cost of living, risks being insufficient. An estimation incorporating a double-digit increase would undoubtedly be more appropriate. We await a possible pleasant surprise in October and November 2017.

Taj, legal firm

The Taj legal firm has 466 employees in France, including 57 partners, located in Paris, Bordeaux, Lille, Lyon and Marseille. Taj specialises in taxation and business law.

Taj is a member of Deloitte Touche Tohmatsu Limited and works in close cooperation with over 38,000 corporate lawyers and tax lawyers from Deloitte located in over 150 countries.

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.
Human capital – a question of sector appeal and customer satisfaction

In a tourism market experiencing significant upheaval, the sector is struggling to recruit. To attract applicants – and retain them – professionals are competing to come up with new ideas and innovations aimed at the new generation. The objective is to become an attractive employer, adapt training practices and improve customer service.


The tourism market in France employed 1,266,712 people in 2015, representing a fall of 7% compared to 2014, according to the Central Agency of Social Security Organisation (Acoss). The majority of these employees work in the catering sector (around 45%) followed by transport (air, rail, sea, etc.) representing around 21% and accommodation (around 17%). France has recently fallen to fourth place behind the United States, Spain and China in terms of revenue from international tourism.

The employment market in tourism has been marked by almost continuous growth for a number of years, with increasing recruitment prospects. Every year, 70,000 permanent jobs and 400,000 seasonal jobs need to be filled in the hotel industry and catering sector1. Despite the fall in activity in the sector, estimated at €900 million, due to the feeling of insecurity following the attacks in 2015 and

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To tackle these challenges, certain needs have been improved in terms of the skills and behaviour of tourist sector employees. They now need to demonstrate greater cross-disciplinary management and digital skills, at all levels. However, professionals still seem to have difficulty attracting and recruiting these kinds of profiles. This is partly explained by the poor perception of the jobs among the general public, including difficult working conditions with low salaries, restrictive hours, poor work-life balance and few opportunities for career advancement.

The majority of the professions available are as receptionist, kitchen staff, chamber maid or waiter, which attract few applicants. Tourism is therefore seen by applicants today as a source of interesting and enriching initial work experience but not as a sector in which to build a career.

There is therefore a significant discrepancy between customers’ new expectations, the skills required to meet them and the qualifications of employees and job-seekers. With this in mind and in order to improve communications about the professions that exist, Atout France, the national tourism development agency, has updated its reference base of jobs and professions in the sector, providing a map of jobs and their distribution, which can then help encourage mobility and a better match between training and market needs.

The challenge for sector players is to adapt their leadership.

Innovative recruitment solutions
All these professions are changing and new ones are emerging. For example, positions in Yield Management (in charge of optimising sales by adjusting prices according to the volume of customers) are increasing, as are Data Analyst positions. Data analysts are in charge of analysing all the aggregated information about the customers of a hotel, restaurant or theme park in order to better understand the desires/needs of customers and customise the offer accordingly.

The tourism industry needs to position itself favourably to attract quality applicants, retain them and develop an enviable reputation with the aim of becoming a preferred employer.

The challenge for sector players is to adapt their leadership in order to attract Generations Y and Z by developing an open and welcoming working environment by promoting the attractiveness of the tourist industry.

In terms of attracting and retaining talent, we are currently witnessing several innovative initiatives by market players.

The first independent e-tourism group in Europe, Voyage Privé, launched a recruitment campaign in 2015 called “adopteunchef.com”3, in which the roles are reversed – job-seekers select their employer. This initiative is in line with current trends, with young graduates joining the job market now more in a position of customer than employee. It is therefore up to the company to meet their expectations

2 The purpose of the Tourisme Qualité (“Quality Tourism”) brand is to guarantee tourists quality services, federate the steps taken by tourism professionals over the entire French territory and give France an image of excellence at the level of the welcome, know-how and enhancement of this heritage. The purpose of this label is to steer tourists towards establishments holding this “brand”.

rather than the other way round. Applicants have around seven to 10 minutes to present themselves to several recruiters whose interest and questions focus more on the applicant’s personality and reasons for applying, rather than their qualifications and experience. The objective is to open up the range of possibilities to extremely varied applicants and give a chance to as many people as possible.

Mariott International is another example of an innovative strategy. The hotel group wanted to modernise and transform its induction and training programme for young graduates, in line with the expectations of new generations. To do this, the group designed and implemented a development programme using virtual reality technologies, with computer-simulated role-playing inspired by reality, in order to prepare young graduates to rapidly take on management and supervision roles.

One of the features proposed allows users – called “travellers” – to meet at a “hub”, access a library with videos, tutorials and quizzes, a Town Hall with access to presentations by Mariott managers and senior executives. Two years after the programme’s launch, the company had already received over 20,000 applications for just a few hundred places.

At the end of 2015, Mariott International launched a hotel simulator, a kind of video game with ultra-realistic assignments such as “we can’t find a room for this guest, what do you do?” The hotel has 500 rooms, with restaurants and a conference room. On their side, the “travellers” must manage room prices and guest feedback (tweets, ratings on the website or TripAdvisor), for instance. How they manage these different aspects impacts their final score with a focus on two factors: profitability and customer satisfaction. The majority of participants in this programme have gone on to become managers.

This type of innovation enables players in the tourism sector to increase their appeal among new generations, particularly Millennials, who are very fond of initiatives involving new technologies. This also plays an important role in terms of retaining and developing talent.

Deloitte’s human capital team

In a particularly complex environment, human resources are being reinvented to strengthen their role within the company, to be a real driver of performance and so fully participate in value creation.

Via its network of 11,000 consultants worldwide, including 180 in France, Deloitte’s human capital team can provide support to help you achieve your ambitions, from design of your HR policies to the transformation of your HR function and the introduction of effective HRIS.

5 “Graduate program”.
6 Programme entitled “Voyage Global Leadership Development Program”
Our services, your contacts

In Extenso
Tourism, Culture & Hospitality

Multi-disciplinary, bespoke and operational services
- Market studies/Financial feasibility studies
- Marketing diagnosis/Positioning studies/ Benchmarks/Marketing recommendations
- Definition and feasibility of tourist and cultural facilities
- Internal audits/Process audits
- Facility programming
- Assistance to the project owner
- Valuation of assets or asset portfolios
- Drawing up business monitoring statistics, particularly in the hotel industry
- Monthly research on the French hotel industry: a sample group of 225,000 rooms (almost 40% of the French hotel stock), analysed by range level, by geographical area and by large urban centre.
- Quantitative and qualitative surveys of the public
- Drawing up of territorial strategies (tourist, cultural, marketing, organisation, master plans of hotel industry development)
- Sectoral/thematic studies

A specialist in transaction support and assistance
- Assistance in seeking financing
- Assistance in seeking an investor
- Assistance in seeking an operator or choosing a commercial network
- Support in the due diligence process
- Transaction assistance (acquisition, sale)

Diversified customers, at all levels of the hotel development and tourist industry chain
- Independent hotel owners, from "budget" establishments 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, tourist residences, holiday villages, multi-product complexes, rural accommodation, etc.
- Catering
- Congress centres, conference centres, hotel-seminars, exhibition sites, etc.
- Culture and heritage: museums, interpretation 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

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Deloitte is one of the leading companies in auditing and consulting in tourism, hospitality, leisure and catering. Our professionals provide their 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 player’s specific issues and challenges.

**Consulting**
A team of consultants specialised in the sector have regular contact with players in tourism, hospitality, leisure and catering to support them in their operations. It is composed 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 the 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:

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

**Taj**
The Taj legal firm brings together a specialist team of corporate lawyers and tax lawyers dedicated to supporting players in tourism, hospitality, leisure and catering with their transactions.
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In France, Deloitte calls on diversified expertise to meet the challenges of its clients of all sizes from all industries - major multinationals, local micro-companies and medium-sized enterprises. With the expertise of its 10,300 professionals and partners, Deloitte is a leading player in audit, risk advisory, consulting, financial advisory, tax & legal and accounting, based on a multidisciplinary offering and a set of action principles attuned to the requirements of our environment.

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