THINC Africa to play host to operator vs owner debate

According to hospitality consultant, Joop Demes, there is great potential in Southern Africa for hotel brands, owners and investors. Founder Shareholder and ex-CEO of Pam Golding Hospitality, Demes has masterminded a number of successful condominium (sectional title) hotel applications in Southern Africa and consults internationally. He is regarded as one of the continent's specialists in condominium and fractional applications at the top end of the hospitality industry.

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“Southern Africa offers two types of opportunities to the bigger brands and operators. The first type is to follow the development of hotels at the three, four and five-star level and to enter into management contracts. The second opportunity is for owners to refurbish and rebrand and enter into management or franchise contracts,” said Demes.

Demes will be hosting a panel discussion on *New Aspects in the Negotiation of Management Contracts* at the inaugural Tourism, Hotel Investment and Networking Conference, THINC Africa, taking place in Cape Town from 6-7 September, hosted HVS South Africa. Other international heavyweight panelists include:

Andrew McLachlan, senior vice president business development, Africa and Indian Ocean,
Paul Anseh, vice president international hotel development, Marriott Hotels Group,
Phillipe Baretaud, head of development, Africa and Indian Ocean,
Accor hotels
Michael Cooper, vice president development Sub-Saharan Africa, Hilton Worldwide

The operator vs. ownership debate

The operator vs. ownership debate in the hotel industry is ongoing when it comes to which option offers the best return. At the top end in the luxury segment, the large global brands have aligned their operations away from ownership to management, with the risks and rewards being carried by owners. Demes says that the primary advantages for global operators are brand recognition and brand exposure. Operators also bring a contribution to the property improvement plan as well as a key financial contribution.

“In my opinion, in cities such as Cape Town, Johannesburg, and Durban as well as key cities in Africa, a management contract would be the way to go,” he said.

When it comes to the budget and economy segments, the preference is for owners to operate their own brands. This is mostly due to the challenge of generating reasonable management fees for the hotel brands.

Capital appreciation driven by income returns is a significant concern when it comes to the debate around ownership and needs to be factored into the overall return on investment calculation. “The risk/reward profile of Africa is much higher than most other places in the world. But if you’re looking at it as a long-term plan and you are employing professionals and brands across the way, so much of that risk is mitigated because you’re dealing with people who are familiar with global trends and used them previously in their experience in Africa,” said Tim Smith, managing partner HVS South Africa.

According to Demes, the challenges of investing in South Africa are far outweighed by the advantages, which include a well-developed economy, the attractive exchange rate, the availability of trained people and no delays in building. “The development opportunities are strong for Southern Africa for both local and international players. South African brands still tend to favour ownership, and remain preferred partners in the mid- to high-end segment, because of what can often prove to be inflexible international brand standards,” said Demes.