

Hotel franchising set to grow across Europe as brands strengthen their foothold, says HVS report

Europe is likely to see a greater proportion of branded hotels coming on stream as the concept of franchising gathers pace amongst hotel operators in the region.

Until now, the uptake of franchise agreements in Europe has been relatively slow. However, according to a new report from global hotel consultancy HVS, an increasing recognition of the strength of a hotel brand and brand affiliation has prompted the concept to expand.

The fact around two-thirds of European hotel stock remains unbranded presents a huge opportunity for branded operators keen to expand.

The HVS report, *Hotel Franchising in Europe*, outlines the fact that franchising agreements enable rapid expansion for brands entering new markets. The franchises are increasingly operated with the assistance of independent management companies - the franchisor provides the brand name and marketing platform and the independent management company provides the expertise and know-how to manage the hotel.

Said report co-author HVS London director Sophie Perret: 'There is clearly a huge opportunity for growth of branded hotels in Europe, including franchises. A few years ago hotel operators were keener on management contracts. Now, franchise contracts are equally as likely to be proposed to owners by the brands.'

Europe has seen a slower uptake of franchise agreements compared with the US, where some 70% of hotels are branded, with half of those held under franchise agreements.

Over the past few years the presence of independent management companies has expanded greatly in Europe. This opens the door for expansion for both the franchisor and the owner.

The emergence and increasing presence of independent management companies has led to many brands making the strategic decision to expand via franchises as they know these companies can manage the properties efficiently and to a high standard.

'Independent management companies have a good track record and are an efficient way to grow brands. Their nimbleness certainly remains a key advantage compared with the heavier corporate structures of established brand operators,' added co-author Lucy Payne, a consultant and valuation analyst with HVS London.

'We don't expect the franchise sector to grow in Europe to the extent it is popular in the US; however, we do expect a significant uplift over forthcoming years,' added Payne.

2014 Hotel Franchising in Europe by Sophie Perret and Lucy Payne can be downloaded at <http://www.hvs.com/article/6934/hotel-franchising-in-europe-2014/>

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About HVS

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