

Entering Africa and staying there



By Cari Van Wyk

18 May 2016

According to the [W Hospitality Group Hotel Chain Development Pipeline Survey](#) the number of planned hotel rooms in Africa is up with 30%. This growth spurt indicates a positive outlook for the hotel development industry in Africa, particularly Sub-Saharan Africa. We wanted to know more about operating in Africa and who better to ask than the vice-president and regional director for Africa and Indian Ocean operations for Starwood Hotels & Resorts (a company that has been operating in Africa since 1971) - Hassan Ahdab.



Hassan Ahdab at Meetings Africa

■ ***Tell us more about Starwood's footprint and history in Africa.***

Hassan Ahdab: Starwood Hotels and Resorts is one of the largest international hotel companies in Africa, currently operating 34 hotels with over 10,000 rooms across six lifestyle brands including Le Meridien, Sheraton, Westin, Luxury Collection, St. Regis and Four Points by Sheraton. With a legacy that dates back to 1971 with the opening of Sheraton Cairo, the company today has a strong presence in 13 countries including Algeria, Djibouti, Egypt, Ethiopia, Gabon, Libya, Mauritius, Morocco, Nigeria, Seychelles, South Africa, Tunisia, and Uganda.

■ ***Any big things in the pipeline for Starwood's future?***

Ahdab: Starwood will increase its African portfolio by almost 50%, with 24 hotels currently under development. Starwood will operate over 55 hotels with more than 15,000 rooms in 22 countries by 2020, generating employment opportunities for thousands of youth in the continent. We are also looking at bringing our cutting edge design-led lifestyle brand W Hotels and Upscale brands like Aloft and Element into the region and are currently developing hotels under these brands. By 2020, we will have 10 of our 11 lifestyle brands present in Africa and Indian Ocean.

While consolidating our presence in existing markets, Starwood is also set to debut in new countries like Guinea, Tanzania, Senegal, Madagascar, Mauritania, Mali, South Sudan, Rwanda and Kenya, thereby further consolidating its presence and increasing its market penetration

■ ***What are the key factors you look at before entering a new market or opening a new hotel in Africa?***

Ahdab: Emerging economy: Africa is emerging as an attractive investment destination and a key market for goods and

services. With a working population of 600 million set to double by 2040, overtaking both China and India and an improving business environment, Africa is poised to become the world's next emerging economy. What is more, Africa's frontier markets are promising to bud at a time when growth in the BRICs is set to slow. To turn its economic gains into sustainable growth and shared prosperity, Africa's public and private sectors must work together to connect the continent's markets, deepen regional integration, and adopt reforms that enhance competitiveness. With Africa's population expanding rapidly, to an estimated 2.5 billion by 2060, we will have a young and increasingly urbanized workforce, which presents an opportunity to reap a demographic dividend.

Rising middle class: Africa has a middle class that is almost as large as the entire populations of Russia and Brazil combined. The World Bank says that if Africa were a country, it would already be "middle income" (i.e. income per person of more than \$1,000 per year).

Connectivity: Africa's rising consumer class has resulted in a surge in mobile-cellular subscriptions and internet usage. As it stands, broadband coverage is at 16 percent and will likely reach 99 percent by 2060.

■ ***What are the main risk of operating in Africa? Any advice for operators looking to expand into Africa?***

Ahdab: Africa is still a market where we have been challenged with headwinds at every turn. It's still not easy to operate in Africa. While access to financing and better business regulations have eased hotel development in certain countries, infrastructure challenges continue to hinder development. Poor transportation infrastructure has historically restricted the connectivity of the Sub-Saharan region.

Air travel remains limited despite investments from nations in airports and/or local airlines, as seen in Kenya and South Africa. Construction remains expensive while poor road infrastructure and bureaucratic processes have led to construction delays. Given the aforementioned challenges, hotel operators and investors entering the market are often advised to collaborate with strong local partners and advisors to mitigate risks and navigate the development landscape.

Africa's dynamic security environment can also be a challenge. Today, we live in a highly volatile world rocked with challenges and Africa is no different, except being more susceptible to the range and diversity of crisis situations that confront us.

■ ***In your opinion, what African countries offer great potential regarding expansion and hotel property development?***

Ahdab: Hotels are a part of infrastructure development and we believe they provide opportunities for employment and contribute to the economic development of the country. Starwood sees itself as a key player in this process. The potential for hotel operators lies in setting up a network of hotels in the key cities that attract business travellers – upper upscale and upscale as well as mid-range and budget. Addis, Nairobi, Accra, Luanda and Maputo still lack good quality lodging to handle the growing business traffic coming into these cities.

East Africa presents an exciting opportunity as a relatively unexplored frontier play with material resource potential and

stable and progressive governments. Ethiopia is slated to be one of the world's fastest growing economies. Ethiopian Airlines is Africa's largest airline with Addis as the hub and could be the gateway to the continent in many ways providing newer opportunities.

■ ***What does the African hotel industry need, what is it lacking or have a shortage of, if anything?***

Ahdab: Undersupply of hotels, lack of branded hotels in large cities, out-dated hotel inventory and up-and-coming destinations have been major indicators and incentives for our African expansion strategy, on top of stronger GDP, tourism growth, and more air traffic.

ABOUT CARI VAN WYK

Cari Coetzee is a contributor to Bizcommunity Tourism, Agriculture and Lifestyle.

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