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Example

THE SOUTH AFRICAN HOTEL INDUSTRY 1990 TO 2010: STRUCTURE, SEGMENTATION AND SPATIAL CHANGE

JAYNE MARGARET ROGERSON
The South African Hotel Industry 1990 to 2010: Structure, Segmentation and Spatial Change

Jayne Margaret Rogerson

Thesis
Presented in fulfilment of the requirement for the degree

PHILOSOPHIAE DOCTOR

In

GEOGRAPHY

In the

FACULTY OF SCIENCE

Of the

University of Johannesburg

Supervisor

Prof Nicolaas J. Kotze

October 2012
DECLARATION

I declare that this thesis is my own original work, conducted under the supervision of Prof. Nicolaas Kotze. It is submitted for the degree of Philosophiae Doctor in the Faculty of Science at the University of Johannesburg, Johannesburg. No part of this research has been submitted in the past, or is being submitted, for a degree or examination at any other university.
ACKNOWLEDGEMENTS

The writing of this thesis has been a journey that has been shared by a number of people. I would firstly like to thank the University of Johannesburg for awarding me the New Generation Scholarship which provided me with three years of generous funding which facilitated this research. Thanks to Prof Nico Kotze, my supervisor, for his support during the writing of this thesis. A special big thank-you to Wendy Job who produced the high quality maps and Figures for this thesis. Thanks to Stacey Hope-Bailie who provided substantial input into the building of the two data bases. On a more personal level I would like to acknowledge my parents who have always supported and believed in me. To my two children, Jono and Bella, you have both been very patient and understanding when I have been moody and irritable during the writing of this thesis. To Bella, many thanks for your editorial assistance and to Jono, congratulations on your stripy blazer, I will hopefully soon be joining you with my own new academic outfit. Finally, and most importantly my love and thanks to Chris, this thesis would not have started or finished without you.

A substantial amount of original research from this thesis has been published in accredited journals. An overview of the changing structure and spatial patterns of the South African hotel industry is in press with *Applied Geography* and will be published at the end of 2012. The research on hotel segmentation has been published in three journals. The boutique hotel industry research was published in *Urban Forum* in 2010, the all suite hotel research was published in *Tourism Review International* in 2011 and the material on the limited services hotel was published in *Urban Forum* in 2011. Intra-urban change in the three coastal cities of Cape Town, Port Elizabeth and Durban was published in *Urban Forum* in 2012. The detailed references for each of these publications can be found under Rogerson J.M. in the reference list of this thesis.
ABSTRACT

Geographical research, with its central concerns on place, space and the environment has been an important element of the growth and consolidation of tourism studies. Recent geographical research in tourism has investigated a variety of issues. Several areas where the contribution by geographers is notable include: destination planning and management, innovation, tourism entrepreneurship, human mobility, conservation and bio-security, international business, poverty reduction and pro-poor tourism and global environmental change. The movement of people away from their place of permanent residence creates a demand for lodging and other services in order to satisfy their tourist needs. The establishment, evolution and upgrading of the commercial accommodation sector, which includes hotels, guest houses, bed and breakfasts, backpacker hostels and home-stays, is an important research area for tourism scholars and geographers. Accommodation provides a temporary home for the tourist and different accommodation types, notably hotels, assume an important function in cities. Notwithstanding the central role played by hotels, the hotel sector is under researched within the disciplines of economic geography, urban studies and tourism scholarship. Since 1990 and the upsurge in tourist arrivals, scholarship on tourism research has become a prominent avenue of enquiry for South African geographers. Whilst there has been some research on mainly small forms of accommodation, the hotel, which is the most visible expression of tourism has been largely ignored. This thesis provides a contribution to the neglected issues regarding the production or supply of accommodation. The broad goal of this investigation is to understand and investigate the fundamental restructuring which has taken place in the South African hotel industry over the period 1990 to 2010. This restructuring of the hotel sector involved a set of both structural and spatial changes. The study period begins with the demise of apartheid and South Africa’s re-entry into the international tourism economy and ends with South Africa’s hosting of the 2010 FIFA Soccer World Cup. This study provides a detailed analysis of the changing structure and spatial organization of the hotel sector in a developing tourism economy. It further investigates the hotel as a type of property asset class and undertakes an analysis of the drivers of the changing structure of hotel development. The study then investigates the appearance and growth of the phenomenon of market segmentation in the South African hotel industry. The research further seeks to interpret the spatial changes occurring in the hotel sector at both the national and intra-urban scale of locational choice and finally explores the different geographies of hotel change as differentiated by factors of hotel quality, size and segment. This thesis seeks to re-dress the gap in knowledge of the South African hotel sector, whilst acknowledging that additional avenues of hotel research require further investigation.
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<table>
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<th>Acronym</th>
<th>Definition</th>
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<tbody>
<tr>
<td>AA</td>
<td>Automobile Association</td>
</tr>
<tr>
<td>ASGISA</td>
<td>Accelerated and Shared Growth Initiative of South Africa</td>
</tr>
<tr>
<td>CBD</td>
<td>Central Business District</td>
</tr>
<tr>
<td>DEAT</td>
<td>Department of Environmental Affairs and Tourism</td>
</tr>
<tr>
<td>DTI</td>
<td>Department of Trade and Industry</td>
</tr>
<tr>
<td>FIFA</td>
<td>Fédération Internationale de Football Association</td>
</tr>
<tr>
<td>GEAR</td>
<td>Growth, Employment and Redistribution</td>
</tr>
<tr>
<td>IPD</td>
<td>Investment Property Databank</td>
</tr>
<tr>
<td>REIT</td>
<td>Real Estate Investment Trust</td>
</tr>
<tr>
<td>SAT</td>
<td>South African Tourism</td>
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<tr>
<td>SATOUR</td>
<td>South African Tourism</td>
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<tr>
<td>TGCSA</td>
<td>Tourism Grading Council of South Africa</td>
</tr>
<tr>
<td>USA</td>
<td>United States of America</td>
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<tr>
<td>V &amp; A</td>
<td>Victoria and Alfred Waterfront</td>
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CHAPTER ONE

INTRODUCTION

1.1 GEOGRAPHICAL RESEARCH ON TOURISM

Tourism studies represent a complex multidisciplinary field (Sharpley, 2011; Darbellay and Stock, 2012). With its growing significance in the global economy for economic development, tourism has expanded in importance as a subject for academic inquiry. Arguably, as Paris (2011: 103) observes “the study of tourism occurs from multiple disciplinary perspectives, often in a blurred area that combines applied business and social science”. Hall (2005) asserts that tourism shows most of the characteristics of a discipline, including an established presence in universities, academic associations, and distinct channels of publication as regards books and journals. Although tourism is one of the world’s largest economic sectors certain social scientists view it as ‘shallow and frivolous’ and “have been slow to accept it as a legitimate component of development alongside such things as industry, agriculture, and professional services” (Klak, 2007: 1037). It is suggested that the ‘illegitimacy’ of tourism as a scholarly inquiry can be linked “to the common view of tourism itself as pleasure and escapism, the dualistic opposite of the day-to-day real world of hard work” (Klak, 2007: 1037). This sentiment was echoed recently by the Canadian geographer Alison Gill who stated that the field of tourism studies “has been held back from acceptance as a serious academic inquiry because of the widely held public perception that, since it studies ‘fun’, it must therefore be frivolous” (Gill, 2012: 9).

With its central concerns on place, space and the environment, geographical research has been an important element of the growth and consolidation of tourism studies (Pearce, 1979; Hall and
Page, 2006). Nepal (2009: 130) traces the earliest tourism research by American geographers to the 1920s. In a seminal contribution Douglas Pearce (1979) identified six major areas of interest for geographical research in tourism; spatial aspects of supply, spatial aspects of demand, the geography of resorts, patterns of movements and flows, tourism impacts, and models of tourist space. More recently, the work of Gill (2012) provides a useful overview of the historical contributions made by geographers to the study of tourism. She argues that these contributions “have more or less paralleled the paradigmatic shifts of the discipline as a whole” (Gill, 2012: 6).

During the 1960s and 1970s positivist approaches dominated geographical studies, including the use of gravity models, the categorization of tourist facilities and activities into discrete functions and hierarchies, and examination of the distribution of tourism establishments “in a concentrated, random, or uniform pattern” (Mitchell, 1979: 238). According to Pearce (1979: 247) at this time “the geography of tourism was mainly concerned with the spatial differentiation of tourism and the recognition of general regularities in its occurrence”. Geographical studies broadened with the emergence of behavioural and humanistic approaches. With debates about applied geography tourism found a more defined niche among a range of applied topics relating to planning, public policy, regional development, recreation and sustainable development (Nepal, 2009; Gill, 2012).

From the 1980s and 1990s political economy approaches became more widely used in tourism studies. In particular, as discussed by Awang et al. (2009) and Telfer and Sharpley (2008), several geographers applied political economy perspectives to analyze the impacts of tourism upon destinations in the developing world. Classic works are those by Britton (1982) on the political economy of tourism in the ‘third world’ and on tourism’s role as “a major internationalized component of Western capitalist economies” (Britton, 1991: 451). Much of the impetus for the expansion of geographical research on urban tourism issues was driven by the rise of post-Fordist economies (Ioannides, 2006; Gill, 2012). The ‘cultural turn’ in social sciences also found expression in a range of geographical investigations on tourism (Debbage and Ioannides, 2004; Hannam and Knox, 2010; Wilson, 2012). Recent tourism geographical studies point to a trend towards a greater theoretical engagement in tourism research.
investigations, including postcolonial, feminist, sensory and performative perspectives (Hannam, 2008; Hannam and Knox, 2010; Wilson, 2012). In addition, there is evidence of rising concerns about sustainability and climate change (Saarinen, 2006). Nevertheless, despite progress in geographical studies on tourism, some critics point to continued neglect. Ioannides (2006: 82) writes of the ‘silence’ and of “tourism’s marginalization in economic geography”. Likewise, it has been stated that the community of economic geographers have “failed to fully acknowledge tourism” (Gibson, 2009: 532) and simply have “not taken tourism seriously” (Gibson, 2009: 527).

A recent major overview of progress in geographical studies of tourism by Hall and Page (2009) highlights the different types of issues that have been investigated. Importantly, it argues that “geographers have made a substantial contribution to the field of tourism overall” (Hall and Page, 2009: 4). Several research areas are identified in which particularly strong contributions have been made by geographers, inter alia, destination planning and management, innovation, tourism entrepreneurship, human mobility, conservation and biosecurity, international business, poverty reduction and pro-poor tourism, and global environmental change (Hall and Page, 2009: 11). New and emerging foci for research contributions are appearing in the interface between geographical studies and hospitality management. In particular, the works of Daniel Bell (2007, 2009) stress the significance of a research agenda based on host-guest relations (hospitable encounters) and of understanding the production and organization of ‘spaces of hospitality’. The commercial spaces of hospitality are viewed as critical nodes for tourism consumption and further are important elements of tourism-led urban regeneration (Bell, 2007). Bell (2009) suggests the relevance of spatial analysis to interpreting the development and changes of “the hospitality infrastructure” of regions and cities, including what he terms as hospitality restscapes, hospitality foodscapes, and hospitality drinkscapes.

Wall et al. (1985: 604) argue that “by definition tourism involves the movement of people away from their place of permanent residence and their temporary sojourn in other locations”. This
form of mobility triggers a demand for lodging and other services (car hire, restaurants, tours) in order to satisfy tourist needs (Timothy and Teye, 2009). Tourism scholars argue the “provision of commercial accommodation has been a rapidly expanding service industry and the structures built to cater to the needs of tourists have become increasingly visible in the landscape” (Wall et al. 1985: 604). As tourism expands the provision of commercial accommodation appears as a business sector, including hotels, guest houses, bed and breakfasts, backpacker hostels and homestays (Timothy and Teye, 2009). The establishment, evolution and upgrading of this commercial accommodation sector is an important research issue for tourism scholars, including for geographers (Pearce, 1979). The accommodation sector offers “temporary homes away from home for tourists, and, as such, are the focal points from which most tourism activity emanates in a destination” (Shoval et al., 2011: 1594). Hall and Page (2006: 108) stress that tourism accommodation assumes “an important function in cities”. Tourism accommodation affords the opportunity for visitors to stay periods of time, forms the base for tourist’s exploration of the urban and (non-urban) environment and contributes towards local spending.

Solnet et al. (2010: 139) observe that within the broad commercial accommodation sector the hotel industry “plays an important role in the context of tourism systems”. Medlik and Ingram (2000) maintain that hotels assume a significant role in most countries, providing facilities for the transaction of business, for meetings and conferences, for entertainment and recreation. Arguably, therefore, “hotels are as essential to economies and societies as are adequate transport, communication and retail distribution systems for various goods and services” (Medlik and Ingram, 2000: 5). Notwithstanding the central role played by hotels within tourism systems and city landscapes as well as for the making of modern urban tourism, the hotel sector is under-researched both in urban studies and tourism scholarship. In the extensive international literature on urban restructuring and spatial change, the accommodation sector in general and hotels in particular are overlooked by geographers especially as compared to other urban functions such as housing, retailing or office development (Shoval and Cohen-Hattab, 2001: 911). The paucity of economic geographical research on hotels is especially noted. Among others Niewiadomski (2009, 2012) draws attention to the limited international scholarship which has been produced by
geographers and in particular by economic geographers on the hotel industry. In one contribution the hotel industry is described even as a “research lacuna” for economic geographers (Niewiadomski, 2009: 1).

Globally, the growth of international tourism research is uneven. Not surprisingly, international research on tourism as a whole is dominated by works on North America, Western Europe and Pacific Asia. One recent analysis disclosed that in the annals of modern tourism scholarship, research on Africa is limited as compared to the vast weight of material on other parts of the world, in particular for the global North (Rogerson, 2007a). This observation is supported by an examination of research contributions published in leading tourism journals, which discloses that, in the main, tourism knowledge is about North America and Europe as well as increasingly about Asia and Australasia. By contrast, the amount of African tourism research was described as “low” (Xiao and Smith, 2006: 497). The need for more research on tourism in sub-Saharan Africa is highlighted by the estimates made by the World Travel and Tourism Council that by 2010 tourism was expected to account for 7 percent of GDP and around 10 million jobs or one in every 20 employment opportunities in sub-Saharan Africa (Seif and Rivett-Carnac, 2010: 627). Africa offers many of the leading global tourism attractions and, notwithstanding negative stereotypes and media images of crime, hostility and underdevelopment, the growth of international arrivals has outpaced global averages since 2005 (Ketter and Avraham, 2010; World Bank, 2012).

Since 1990 South Africa has been one of the most rapidly growing tourism destinations in Africa (Twining-Ward, 2009). With the end of apartheid and democratic change South Africa experienced a remarkable growth in international tourism arrivals as well as changes in the nature of domestic tourism. Until the period of early 2000s minimal geographical research was available for understanding the tourism economy (Rogerson and Visser, 2004). During the last decade tourism research has been a prominent avenue of enquiry for human geographers and a number of important studies have appeared (Visser and Rogerson, 2004; Rogerson and Visser, 2007, 2011a, 2011b). Although the accommodation sector is a central element of the South African tourism system this has been largely overlooked in geographical studies (Visser and
Hoogendoorn, 2011) with the exception of works on small scale forms of accommodation, including guest houses (Visser and Van Huyssteen, 1997, 1999; Nelwamondo, 2009), home stays (Kwaramba et al., 2012), backpacker lodges (Rogerson, 2007b) and bed and breakfast facilities (Nuntsu et al., 2004; Rogerson, 2004a; Darkey and Horn, 2009). Undoubtedly, despite it being the most visible expression of tourism in the country, the hotel is the most neglected element of the spectrum of tourism accommodation in South African research.

1.2 AIMS, SCOPE AND RESEARCH METHODS

Within tourism geographical scholarship, this thesis is a contribution to neglected issues regarding the production or supply of accommodation, which is a primary component of the tourism system (Timothy and Teye, 2009). The broad goal of this investigation is to understand the radical restructuring which has taken place in the South African hotel industry over the period 1990 to 2010. Between 1990 and 2010 a major restructuring of the hotel industry took place in parallel with the enormous expansion which was recorded in international and regional tourism arrivals as well as the growth of domestic tourism. This restructuring of the hotel sector involved a set of both structural and spatial changes. The beginning of the study period coincides with the demise of apartheid and the first movement towards South Africa re-entering the world tourism economy. The close of the study is marked by the country’s hosting of the 2010 FIFA Soccer World Cup, a mega-event which brought global attention upon the state of the country’s accommodation industry.

The specific aims and contribution of this study are as follows.

- Within the international context of the oversight by geographers of the hotel sector, to provide a detailed analysis of the changing structure and spatial organisation of the hotel sector in a developing tourism economy;
With the hotel contextualised as a form of property development and more broadly as a type of property asset class for investors, to undertake an analysis of the drivers of the shifting structure of hotel development;

To analyse the appearance and growth of the phenomenon of market segmentation in the South African hotel industry and of the emergence and specific dynamics of several new segmented forms of hotel development during the study period;

To interpret the spatial changes occurring in the hotel sector at both the national scale of locational choice and the intra-urban scale of location; and

To unpack the different geographies of hotel change as differentiated by factors of hotel quality, size and segment.

Conceptually, this research is informed by a body of theoretical works which draw upon property and business studies, tourism and hospitality scholarship, and economic geography. From property and business studies the research is grounded upon an understanding of the hotel property as a form of investment and of the growth strategies of hotel chains. From tourism and hospitality scholarship, the study draws upon the concept of market segmentation and of the differentiation of the hotel industry, its products and property developments. From economic geography, the research draws upon literature which analyses the determinants of location choice for hotel investments at both macro- and micro-scales of decision-making. In understanding locational change the study builds upon a ‘components of change’ approach which permits an interpretation of shifting patterns of hotel development in relation to the establishment of new hotel properties, the closure of existing hotel properties, and the tracking of properties which remain as hotel establishments throughout the study period.

In methodological terms, the research involved use of a range of different investigative approaches, which resulted in the collection of both quantitative data and qualitative interview material. Overall, there were two phases of data collection. The first stage of the research involved the preparation of comprehensive lists and construction of separate data bases of all
hotel establishments for the years 1990 and 2010. Grobler and Diedericks (2009: 8) lamented that in their research “it became clear that no single data base with the names of all hotels in South Africa could be found”. Further, as acknowledged by the national department of tourism, currently South Africa “lacks an adequate data base of the tourism supply side” (Department of Tourism, 2011: 15). For the hotel sector in particular, no official record is maintained of registered hotel establishments in the country. This omission had important repercussions in the build-up to the 2010 FIFA World Cup for, as Ferreira (2011a: 101) points out, “the lack of an integrated national accommodation data base created the false impression of an undersupply of graded accommodation”.

In the absence of any official data sets on hotel establishments, the initial task in this research was therefore to build a comprehensive and accurate data base of all graded hotel establishments in the country for the years 1990 and 2010. This challenging task involved the triangulation of a range of different hotel listings and was undertaken over a period of six months. The core source that was used for the construction of the 1990 data base was the 1989 SATOUR list of hotels. This particular listing of hotel establishments was updated by cross-checking against other 1990 directory listings. In addition, the listing was supplemented by a separate analysis which was conducted of hotel listings for hotels established in the former ‘independent’ Homelands and not included in the SATOUR list. The neglect of the former Bantustans meant that, for example, casino resort hotels such as Sun City were omitted in the SATOUR list. In order to clean the data base establishments were cross-checked against other available (often incomplete) listings such as that provided by FEDHASA. The final audited list allowed the identification for each hotel establishment in 1990 of its location, size (by number of rooms), and quality of accommodation (by star grading).

For the 2010 audit the procedure used to construct the data base was to triangulate information from a number of different hotel listings. These included the published lists of the Tourism Grading Council of South Africa for 2010 and the AA Accommodation Guide for 2010. Both
these sources proved to be inadequate, however, by themselves as the only hotels listed were those which paid for a listing. In view of this shortcoming, internet searches were undertaken in order to cross-check information provided in the two published sources and to identify other hotel establishments not captured in these two guides. In the case of the major cities and tourist destinations hotel lists were available through local tourism boards. For all the leading hotel chains operating in South Africa in 2010 it was possible to download listings of their hotel portfolios. The most useful internet accommodation search engines were those of SA Venues, Where to Stay, Sleeping Out, the Solomon Guide, Safari Now, the Portfolio Collections, Exclusive Getaways, Rooms for Africa, SA Cheap Hotels, and Country Roads. Taken together, this group of sites allowed a comprehensive data set to be built-up and checked for major cities and secondary cities. Further checking for the existence of hotels in small towns, and in particular of small hotels that did not have a presence in the published guides or online lists, was undertaken by a Google search for hotels in small towns.

The master list for 2010 was cross-checked against the 1990 listing with telephone calls to ascertain the continued existence or closure of over 400 establishments, mainly one star independent hotels. This exercise allowed the identification of net change in the population of hotels and the classification of each hotel in one of three categories: (1) births (ie new hotel properties in 2010 which were not in existence in 1990), (2) deaths (ie establishments listed in 1990 but not in operation in 2010), or (3) stayers (ie establishments which existed in 1990 and were still in operation as hotels in 2010). Considerable care was taken to cross-check addresses of hotel establishments in 1990 and 2010 in order to capture changes of hotels, which often were the result of take-overs or the repositioning of hotels within certain hotel group portfolios. One example can be given of the 5 star Maharani Hotel which is situated on the Durban Beachfront in 1990; in 2010 this hotel appears listed as a 3 star Garden Court Marine Parade. On a first examination, this hotel might be classed both as a death for the 1990 list of hotels and a birth by 2010. Nevertheless, by the close cross-checking of listings and with follow-up telephone calls this hotel is revealed as a stayer, a hotel that had been downgraded in quality as a result of restructuring within the hotel group. This type of change in the nature of the hotel was revealed
as a common phenomenon as a result of the detailed cross-checks and triangulation of information that was undertaken over the six month period. Another difficulty that was revealed in the cross-checks related to the large number of street name changes in the period of post-democratic transition. These name changes meant that a further set of checks were required of street maps in 1990 and 2010 in order to verify whether particular hotels could be classed as births, deaths or stayers.

The final data bases in Excel provided a comprehensive information record for each hotel establishment giving for 1990 and 2010 its province, town or city, hotel name, street address, size (by number of rooms) and star grading. Further information was recorded on whether particular hotels were part of major hotel chains and offered additional facilities such as conference rooms or health spas. Further, in the cases of the four cities of Cape Town, Johannesburg, Durban and Port Elizabeth, which were selected for detailed scrutiny as case studies of intra-urban change, an additional layer of information was recorded in terms of the actual suburb listing of each hotel.

The quality grading of hotel establishments for 2010 was that given by the Tourism Grading Council for South Africa (established in 2000). The Tourism Grading Council of South Africa grades hotels from one to five stars based upon the following criteria:

- The requirements of a one star hotel is that it be of acceptable quality, clean and functional accommodation, a continental or simple breakfast, and soap and bath towels in the bathroom.

- A two star hotel is required to be of good quality in overall standard, a breakfast with a limited variety and soap as well as hand and bath towels in the bathroom.

- A three star hotel is required to be of very good quality in overall standards of furnishings, service and guest care, guests should be offered an extensive variety at breakfast, the bedroom should be more spacious with additional furniture such as a desk
and the bathrooms should have at least shower gel, wrapped soap, shampoo and both a hand and bath towel.

- A four star hotel is required to be of superior or excellent quality in terms of the overall standard of the furnishings, service and guest care. A fully cooked breakfast must be served over an extended period and guests can also be served at their table. The bedrooms must have a working area with a desk. Guests can expect to have eighteen hours of room service available and the bathrooms should have amenities such as shampoo, shower gel, wrapped soap, hair conditioner, body lotion, hand and bath towels, a shower cap, bath sheet and face cloth.

- A five star hotel is expected to offer exceptional quality and luxurious accommodation matching the best international standards with high levels of service and guest care and quality furnishings. Twenty four hours of room service must be provided. Guests should be provided with a cooked breakfast that is available all day and can be served in both the dining room as well as guest’s rooms. The eating area must provide a service to the guests at the table. All bedrooms must have a working area or a desk. The bathrooms should have a full range of amenities. Health and beauty facilities should be provided either on site or at a nearby facility. Most five star establishments are also expected to provide business facilities and internet access. (Tourism Grading Council of South Africa, 2010: 10)

The hotel master list was the basis from which specific material was extracted for nine subsequent Excel listings. These nine lists were as follows:

- For each city/town in 1990 and 2010 the total number of hotels and hotel rooms; and broken down by year, by star grading and numbers of rooms in each star grading classification.
- For the four select cities in 1990 and 2010 a suburban break-down of hotels and number of rooms by star grading.
- For each city/town in 1990 and 2010 the size of every hotel was differentiated into the size categories of 1-10 rooms, 11-20 rooms, 21-50 rooms, 51-100 rooms, 101-250 rooms,
251-500 rooms and larger than 500 rooms. Within each of these room categories the number of hotels and the number of hotel rooms was recorded.

- For the four select cities these hotel size categories were provided also at the suburban level.
- For each city/town net change in the numbers of hotels and in the number of hotel rooms between 1990 and 2010 was listed.
- For the four select cities net change in numbers of hotels and numbers of rooms between 1990 and 2010 was listed for each suburb.
- For each city/town a list of hotel births and deaths was generated.
- For the four select cities, hotel births and deaths for every suburb was generated.
- Finally, a national list of ‘stayers’ was generated with information broken down for each city/town.

The completion of these nine listings provided the foundation for pursuing the second phase of the research study.

The second phase of the investigation involved qualitative research in the form of semi-structured interviews which were undertaken with key industry stakeholders. The interviews with industry stakeholders involved a total of fifty one interviews. In detail these interviews involved two sets of interviewees.

- For gaining an understanding of the institutional investment into hotels and hotels as property asset class, a set of interviews was conducted with property asset managers, property fund managers, property researchers, the Chief Executive Officers (CEOs) of major hotel chains and the CEO of South Africa’s only listed hotel property fund. Together ten interviews were undertaken with the interviewees listed in the references. The relevant interview schedule is provided in Appendix 1. The interviews were conducted on a face-to-face basis and lasted between one hour and two and a half hours.
- For understanding the emergence and specific dynamics of particular new segmented forms of hotel development during the study period, a set of face-to-face or telephonic interviews were conducted with hotel owners and managers of all suite hotels, boutique hotels and limited service hotels. Prior to each interview the interviewee was forwarded
by email a copy of the questionnaire in order to be able to familiarize themselves with the issues to be discussed. The usual ethical procedure applied which allowed people to accept or decline to participate in this study. From the master list of 2010 hotels, listings of these different segments of the South African hotel industry were extracted for more detailed research, including spatial analysis. Themes of concern in the interviews related to the particular issues related to the hotel segment that was under scrutiny. In total 40 interviews were completed with the list of interviewees provided in the references. The relevant interview schedules are provided in Appendix 2 and Appendix 3.

The information which was collected through the interviews was supplemented by the collection of documentary source material in the form of corporate annual reports for the leading hotel chains as well as a scan of the financial press for reports on hotels in the Financial Mail, Business Day, Finance Week and e-Prop. This analysis of documentary sources both in the form of corporate annual reports and financial press was conducted for the period 1990 to 2010. Secondary data was used to track the growth of the tourism industry in South Africa over the 20 year study period from the official Annual Reports of South African Tourism with additional material obtained from an unpublished data base accessed from Global Insight (Wilson, 2011).

1.3 ORGANISATION AND STRUCTURE

The study is organized into six further chapters of material. These flow from a review of relevant literature (Chapter Two) through contextual issues (Chapter Three) to the presentation of the core empirical findings of this investigation (Chapters Four, Five and Six) and with a closing concluding chapter (Chapter Seven).  

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1 Considerable use is made in Chapters Three, Four, Five and Six of Tables and Figures. The convention which has been adopted in this thesis is to wherever possible show the Table or Figure with respective analysis or explanation provided below that Table or Figure.
In Chapter Two the aim is to provide an overview and critical discussion of international and local scholarship on hotels and the hotel industry as the base for grounding the empirical analysis of the structural changes and shifting spatial organization of South Africa’s hotel industry. Special focus is on a review of three themes in detail which inform the empirical analysis of the hotel industry in South Africa. These three themes relate to: hotel investment and growth strategies; the importance of market segmentation for hotel development; and, locational decision making concerning hotel investment at the national and intra-urban scale of investigation.

The analysis in Chapter Two highlights a number of important issues. First, that although there has been a large amount of scholarship around hotels the vast majority of existing literature is focused on questions around the organization and management of hotels which reflects the key linkage of hospitality research with vocational training. It is argued that hotels have been extensively researched from the perspective of hospitality management but there has been little research from a social science perspective on the role of hotels as part of the wider local, national and international tourism economy. A second important theme that emerges is in relation to the marked geographical unevenness in the existing body of international hotel research. The mass of existing material is about hotels, hotel development or management in the USA and Western Europe and with a major burst of research work around Pacific Asia, particularly on hotels in China. In terms of the three specific research themes which are profiled in detail, the scholarship on hotel investment growth strategies shows the importance of understanding the nature of the growth strategies of hotels and of the broader understanding of the hotel as a form of property investment. The concept of market segmentation is identified as of crucial importance in understanding recent product developments in the hotel sector and as a response to consumer demands for new differentiated products. The review of locational issues highlights the limitations of work by economic and tourism geographers concerning the spatial aspects of hotel development and overall the importance of issues of market demand, local business environments and of government policies at the national level and of issues of accessibility, agglomeration and urban development as influences on intra-urban location.
In Chapter Three the focus turns to South Africa. The discussion seeks to highlight the factors influencing the demand for and supply of hotel properties in South Africa. The international literature points to the importance of understanding the development of hotels as an element of the broader accommodation sector which expands to the demands from the growth of tourism. On the supply side the international literature points to the need to understand the nature of decision making by investors concerning the hotel sector. The analysis presented in Chapter Three provides a foundation for the discussion provided in Chapter Four by looking at essential demand and supply side issues. On the demand side of hotel development an overview is provided of the growth and changing features of South Africa’s tourism economy between 1990 and 2010. On the supply side following a brief historical overview of the nature of the hotel in South Africa a profile is provided of the major hotel chains. The use of original interview material provides an understanding of the macro investment issues of the hotel as a property asset class in South Africa and of decision making concerning the ownership of hotel properties by a variety of investment vehicles.

In the analysis in Chapter Three several important points are demonstrated. On the demand side of hotel development the discussion points to certain important differences and changes in domestic, international and regional tourism. Until the early 1990s hotel development in South Africa was geared largely to the demands of domestic tourism. With the democratic transition and South Africa’s re-engagement with the international tourism economy product development has been driven by the demands of new international tourists as well as the expanding business tourism economy. On the supply side of hotel development the discussion first isolates the importance of the shift in the nature of hotels from the provision of liquor to an industry focused on the provision of accommodation and services to satisfy the demands of tourists. This shift was the trigger for the emergence of a number of hotel chains which have assumed dominance in the local hotel industry. Importantly, the growth strategies of these leading chains differ, with some chains growing by management contracts whereas others choose to grow by owning and managing their hotels. In relation to the hotel as a property asset class, the analysis reveals the
limited understanding by major institutional investors of the hotel and property sector, the marginal involvement of diversified property funds into hotel investment, the existence of just one dedicated investment fund for hotel property, the absence of real estate investment trusts as an investment vehicle in South Africa and, most importantly the fragile state of local information relating to hotel properties and the South African hotel sector as a whole. The empirical material which is presented in Chapters Four, Five and Six seeks to address the poor state of knowledge around the South African hotel industry.

The aim in Chapter Four is to provide a detailed analysis of the data which relates to the changing structure and spatial organization of the South African hotel industry over the study period 1990 to 2010. This analysis should be understood in the context of the very limited geographical literature which has examined the changing structure of hotel industries and their spatial organization at the national scale. The discussion is organized into two major sections of material and is based upon the national hotel audits which were conducted for 1990 and 2010. The material reviews the changing numbers of hotel establishments, total rooms available and the changing size profile of the national hotel stock during the period 1990 to 2010. Further, the discussion investigates the radical shifts that have occurred in terms of the quality and geographies of the hotel stock in South Africa over the twenty year study period. The structural changes that have recast the South African hotel industry between 1990 and 2010 are matched by a transformation of the spatial patterns in the country’s hotel industry. The second section of the chapter provides a detailed analysis of the spatial patterns and changes of the numbers of hotels, total number of hotel rooms, the geographical shifts in the development of different sizes of hotels, and of spatial changes in hotel quality standards.

The key arguments and findings of this chapter relate to highlighting that the period 1990 to 2010 represents a phase of major restructuring in terms of the South African hotel industry in several respects. The transformations have taken place relate to the nature of the hotel, improvements in quality standards, changes in size of hotel developments, and major
geographical shifts. The central theme is that prior to the country’s re-entry into the international economy the national hotel industry lacked suitable accommodation products and quality standards to compete in the global tourism economy. Since 1990 major waves of new investment have occurred into hotel property development and the hotel industry has been re-fashioned and spatially re-configured with an essential emphasis upon the provision of high quality hotel products. The production of these new hotel developments and the shifting spatial patterns of hotels were inseparable from the emergence of market segmentation and the appearance of a range of different forms of hotel product which are discussed in detail in Chapter Five.

The focus of Chapter Five is to analyze the shift which occurred in the South African hotel industry as a result of segmentation and the corresponding appearance and growth of a number of different forms of hotel product catering for particular market niches. In parallel with international trends towards market segmentation within the hotel industry an array of new hotel products and property developments were introduced in the country. The focus in the chapter is to demonstrate the impact of market segmentation on the landscape of hotel property development in South Africa. Three selected examples of new forms of hotel development to illustrate market segmentation are discussed. The three examples are those of the all-suite hotel, the boutique hotel and the limited service hotel.

The key findings of this chapter are to demonstrate the advance of market segmentation in the South African hotel sector. Although the mainstream hotel industry would still be constituted by the full service hotel model of various quality standards, several new markets have been opened through the appearance of new and different forms of segmented hotels. The three case studies provide substantial evidence of the influence of segmentation on re-shaping the organization of the hotel industry since 1990. In particular, the analysis that is presented shows the existence of distinctive geographies relating to the different market segments.
In Chapter Six the discussion returns squarely to locational issues with the focus at the urban scale. The chapter aims to investigate the structural changes, spatial patterns and re-organization of hotels within the context of four of South Africa’s major cities. The material presented in this chapter represents an important contribution to existing tourism scholarship and debate around hotel location which mainly is focused upon so-termed ‘tourist-historic cities’ and urban tourism destinations in developed countries. The chapter explores a little examined research topic on urban tourism and re-structuring in the context of the developing world focusing on structural change and the locational patterns of hotels in the four select urban tourism destinations of Cape Town, Durban, Johannesburg and Port Elizabeth. In structural terms, the chapter probes the following issues, namely; changes in hotel stock in terms of numbers of hotels and rooms, size of establishment and quality standards. In relation to locational issues the chapter provides a fine-grained picture of the changing geography of hotels at the suburban scale as a whole and of the organization of the geography of hotels of different quality standards. The discussion in Chapter Six complements the inter-urban investigation of the structure and spatial change that was presented in Chapter Four and draws upon the concept of market segmentation that was analyzed in Chapter Five. The empirical findings of this chapter demonstrate that an understanding of hotel change in urban South Africa must be linked to broader processes of economic restructuring and of the growth of service-oriented cities which is driving changes in the spatial organization of the country’s urban centres as a whole. The discussion discloses the existence of distinct and changing geographies of hotels at the intra-urban scale in South Africa which exhibit both common factors and differences with the internationally recorded analyses of hotel location.

Finally, the brief concluding chapter takes up two themes. Chapter Seven first summarizes the key contributions which have been made by this study to local and international scholarship on the hotel industry. Most importantly it is argued that the research has provided an original contribution to economic geography and tourism geography in South Africa in relation to the service sector and represents a rare example of research on the hotel industry which goes beyond the hospitality management perspective to understand the significance of hotels as an essential axis of the tourism system. The second part of the conclusion suggests a range of potential
research issues which are opened up for investigation by the analysis which has been conducted in this dissertation. A number of key issues are highlighted as part of a potential future research agenda on hotels in South Africa. Source material in terms of secondary references, a list of interviewees and of interview schedules closes the dissertation.
CHAPTER TWO

LITERATURE SURVEY

2.1 INTRODUCTION

The aim in this chapter is to undertake a critical review of existing international scholarship on hotels in order to strengthen the rationale and framework for this South African investigation. The study of the structural changes and the shifting spatial organization of the South African hotel industry between 1990 and 2010 must be situated and understood as a contribution to the limited body of international research on hotels which exists outside of hospitality studies. The review of relevant literature is presented in terms of two major sections of material. In the first section an overview of trends in international research on hotels is given. It is demonstrated that whilst there exists a large amount of academic writings on hotel issues, the vast majority of existing work relates to the organization and management of hotels, a theme which reflects the conventional linkage of hospitality research with vocational training. From a social science perspective, it is argued only a minimal amount of research on hotels is available and that within Africa specifically the literature on hotels as a whole is undeveloped.

This discussion leads to a narrower focus in the second section of the chapter. Against the backdrop of the international overview of scholarship concerning hotels the focus shifts in the second section of the chapter to provide a review of existing relevant scholarship on four specific themes which furnish the essential context for the empirical analysis of the changing structure and spatial organization of South Africa’s hotel industry undertaken for the two decades 1990 to 2010 (Chapters Three, Four, Five and Six). First, the relevant literature pertaining to issues of
investment and the growth of hotels is examined as a foundation for interpreting the research material which is analyzed in Chapters Three and Four. Second, the concept of market segmentation is explained with reference to relevant works in tourism more generally and the hotel sector in particular. This section of review material provides the anchor for the analysis of the segmentation of the South African hotel industry which is presented in Chapter Five. Finally, an examination is given of the economic-geographical and tourism geography literature on the location of hotels and of hotel decision-making to offer the international context for an analysis in South Africa of the inter-urban (Chapter Four) and intra-urban location distribution of hotels (Chapter Six).

2.2 THE HOTEL IN INTERNATIONAL HOSPITALITY AND TOURISM SCHOLARSHIP

The material here is divided into two sub-sections. Initial attention is upon broad trends in looking at hotels in international scholarship. The focus then moves to review trends in research on hotels in Africa as a whole and then South Africa in particular.

2.2.1 International Trends

In a recent analysis David Bell (2009: 19) asserted that ‘hospitality studies and tourism studies share a significant number of key concerns”. One topic of shared empirical concern is that of the hotel and of ‘spaces of hospitality’. For hospitality scholars the hotel represents a core focus for research endeavour in particular in terms of hospitality management. Hospitality studies traditionally has exhibited an essential linkage to issues of functional and vocational training with management research around so-termed ‘hotel and catering’ education (Bell, 2007). Within the academic literature of hospitality management studies Lashley (2000: 3) records that definitions of hospitality usually equate it with commercial exchange such as “the provision of
food and/or drink and/or accommodation away from home”. Timothy and Teye (2009) point out that the hospitality management perspective is geared essentially towards preparing students for work in the accommodation sector and in general ignores the wider role of accommodation the sector in general, and hotels in particular, within the global tourism system.

From the perspective of hospitality studies there exists an enormous body of research which is reflected both in the outputs of textbooks in hospitality studies, writings by hospitality scholars, and more especially in the research papers appearing in leading international hospitality journals. A review of select international hospitality journals, such as the *Cornell Hospitality Quarterly*, *International Journal of Hospitality Management*, *International Journal of Contemporary Hospitality Management*, *Journal of Hospitality Marketing and Management* and *Journal of Hospitality, Leisure, Sport and Tourism Education* confirms the directions and foci of contemporary research on hotels which is undertaken from the perspective of hospitality studies. Several major cross-cutting research themes emerge from a hospitality perspective concerning hotel operations and management. These include the following:

- **Host-guest interactions**, including satisfaction surveys of visitors (eg. Law, 2000; Hua et al., 2009; Kim et al., 2012; Tanford et al., 2012);
- **Branding, imaging and marketing of hotels**, including use of new technologies and social media (eg. Nguyen, 2006; Kothari et al., 2007; Kong and Cheung, 2009; Rong et al., 2009; Escobar-Rodriguez and Carvajal-Trujillo, 2012; Hsu, 2012; Jaafar et al., 2012);
- **Human resource management issues**, including career development, performance management, employee conditions and job satisfaction (eg. Faulkner and Patiar, 1997; Kong and Cheung, 2009; Belhassen and Shani, 2012; Ineson et al., 2012; Shen and Huang, 2012);

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It is evident, however, that several leading hospitality journals, in particular the *International Journal of Hospitality Management*, now publish research papers on hotels from a social science perspective as well as from the hospitality approach.
• Service quality, success and efficiency issues of hotel operations (eg. Lowe, 1988; Hankinson, 1989; Jeffrey et al., 2002; Barros, 2005; Briggs et al., 2007; Yilmaz, 2009; Assaf et al., 2010; Hu et al., 2010; Wang and Wang, 2010; Chen and Lin, 2012; Lai and Yik, 2012);
• Innovation practices and knowledge transfer (eg. Sheldon, 1983; Ham et al., 2005; Orfila-Sintes and Mattisson, 2008; Pajouh and Blenkinsopp, 2012; Vila et al., 2012);
• Environmental management, certification and the greening of hotels (eg. Kirk, 1995, 1998; Bohdanowicz, 2006; Pizam, 2009; Chen and Hsieh, 2011; Walmsley, 2011; Chan, 2012; Nicholls and Kang, 2012a, 2012b; Rahman et al., 2012);
• Expansion or growth strategies (eg. Ghorbal-Bial, 2011; Jauhari, 2012; Martorell et al., 2012; Zhang et al., 2012);
• Finance, pricing and revenue management (eg. Jang et al., 2008; Noone and Mattila, 2009; Hung et al., 2010; Heo and Lee, 2011; Lee, 2011; Zhang et al., 2011; Mei and Zhan, 2012; Schamel, 2012);
• Corporate social responsibility and improving the quality of life in local communities (eg Henderson, 2007; Bohdanowicz and Zientara, 2009; Tsai et al., 2010; De Grosbois, 2012); and
• Education and training (Jayawardena, 2001; Santich, 2004; Lu and Adler, 2011; Paris, 2011; Richardson and Butler, 2011; McKercher et al., 2012)

The overall ‘state of the art’ relating to research on hotels from the hospitality management perspective is well captured by the observation which was made by Timothy and Teye (2009) that existing academic work is centred mainly on the business management side of hotels with a concentration upon issues of marketing, human resources, facilities, guest satisfaction, reservation and information systems, housekeeping, catering, and budgeting. Outside of hospitality studies, however, what Bell (2009: 19) describes as the ‘research take up’ on hotels has been much less in evidence (Timothy and Teye, 2009).
Although it is maintained that “hotels are the most prominent and representative expression of tourism” (Shoval and Cohen-Hattab, 2001: 910) and that hotels are at the heart of the “business of tourism” (Evans, 2009: 218), research on hotels represents only a small focus within broader tourism literature. This point is illustrated by the limited number of studies which are centred on hotels and are published in major tourism journals. For example, in Nepal’s (2009) recent high profile overview of research trends in tourism geography journals, hotels do not merit even a mention among the identified themes of published research papers during his study period. Further evidence of the oversight of hotels is provided by overviews of research on geographies of tourism which reveal once more that hotels have been not been prominent on the research agenda (see Ioannides, 2006; Gibson, 2009; Hall and Page, 2009; Nepal, 2009; Gill, 2012). Niewiadomski (2009, 2012) is therefore correct to draw attention to the shortage of geographical research on hotels.

Existing contributions undertaken from a social science perspective towards the understanding of hotels embrace a range of different investigations from scholars based in business studies, tourism, economics, sociology, and some human geography research. Among themes of concern include, inter alia; the historical evolution of hotels (Teo, 2001; Azmy and Atef, 2011); the structure of hotel industries in particular countries (Mak, 2008; Suntikul et al., 2008, 2010; Gu et al., 2012; Zhang et al., 2012); growth strategies and the changing patterns of investment in hotels; hotels as part of the heritage infrastructure of cities (Chang and Teo, 2008); the relationships of hotels to urban space either as landmarks within cities or as statements of civic pride (McNeill, 2008; McNeill and McNamara, 2009, 2012); the globalization of hotels and competitive strategies (Debbage and Galloway, 2009; Timothy and Teye, 2009; Quek, 2012; Alon et al. 2012); the impact of the globalization of hotels in post-communist transformation (Niewiadomski, 2009); the role of hotel design and of the design of hotel spaces (McNeill, 2009; Lee, 2011); the establishment and local impacts of flagship hotel developments, such as ice hotels (Andersson, 2012); employment issues in hotels, including gender, migration and unionization (Bagguley, 1990; Gentry, 2007; Joppe, 2012; Shen and Huang, 2012); market segmentation and the establishment of differentiated forms of hotel such as budget hotels or
boutique hotels (Fiorentino, 1995; Aggett, 2007; Chan and Ni, 2011); and, locational decision-making for hotel development (Helmers et al., 2009; Rigall-I-Torrent et al., 2011; Yang et al., 2012; Zhang et al., 2012). Other issues of concern relating to hotels that have merited attention include optimal capacity for hotel developments (Carey, 1989; Lee and Jang, 2012); differentiation and pricing (Rigall-I-Torrent et al., 2011; Becarra et al., 2012); hotel turnaround and decline (Solnet et al., 2010; Chen and Yeh, 2012); hotels as liminal spaces from a cultural geographical viewpoint (Pritchard and Morgan, 2006); and, the role of lifestyle entrepreneurship especially in the operations of family-run or small hotel establishments (Lashley and Rowson, 2010)

2.2.2 The Hotel in African Hospitality and Tourism Scholarship

One recent analysis of the accommodation sector conducted across the Africa region concluded, that the sector is dominated by “unbranded guest houses and lodges” (Ernst & Young, 2011: 11). Prior to the 1990s a distinctive characteristic of the hotel sector in much of Africa was the role of government as investor (see Azmy and Atef, 2011 on Egypt; Magombo, 2011 on Malawi and Mensah-Ansah et al., 2011 on Ghana). The cross-country investigation of the hospitality sector in Africa by Ernst & Young (2011) concluded many large internationally branded hotels were government-owned mainly because of the lack of private capital investment in the hotel industry. It was observed that one consequence of “this government ownership is that these hotels are generally well located, but are inefficiently designed” (Ernst & Young, 2011: 11). According to the World Bank (2012) the need for expansion of private sector investment in the hotel sector is essential particularly for enhancing the competitiveness of African tourism as a whole and for the continued growth of international tourism.

The expansion and upgrading of the accommodation sector constitutes an essential foundation for enhancing tourism’s role in development and for upgrading destination competitiveness, not least in the context of the emerging tourism economy of Africa (Dieke, 2010). Nevertheless, in
revealing findings from Ghana it has been demonstrated that there is a general lack of interest in investing in hotels by many local entrepreneurs (Adam, 2012). Akyeampong (2007)’s work suggests that most small hotel owners in Ghana are actively engaged in other jobs and see hotel investment only as a means of diversifying their source of income. Adam (2012: 9) explains that behind this limited interest in hotel entrepreneurship is that “hotels are traditionally seen as places where “immoral” behaviours such as prostitution are perpetrated in Ghana”.

It has been shown, however, that currently the hotel accommodation sector across Africa is rapidly growing with several international hotel chains reported as “looking to capitalize on the continent’s urbanization to build up its underdeveloped hotel industry” (World Bank, 2012: 17). Research by Twining-Ward (2009: 8) identifies the Accor group as the leading international hotel group in sub-Saharan Africa. This dominance is being challenged by the aggressive expansion strategies of a number of South African hotel brands. The importance of national government attracting a greater volume of private sector investment into the development of new hotel properties in Ghana is emphasized by a recent examination of the state of the country’s accommodation sector (Mensah-Ansah et al., 2011).

As a whole, international scholarship on hotels, both from a hospitality or social science perspective is dominated by research on North America, Western Europe and Pacific Asia. Of note is the major surge of hospitality scholarship related to hotels from Asian-based scholars. Not surprisingly, perhaps, the most neglected areas of the world in relation to hotel research are Latin America and Africa. Despite the considerable growth in African tourism research over the past decade, remarkably little attention has been given to the production and management of the accommodation sector. A recent overview undertaken of tourism scholarship for the 15 countries of the Southern African Development Community during the period 2000-2010 demonstrated the paucity of research concerning the accommodation sector (Rogerson and Rogerson, 2011). Notwithstanding the importance of investment in hotels and of the provision of hotel accommodation in Africa for deepening the success of tourism development, the depth of
scholarship on the hotel sector is shallow. In particular, at present, African tourism scholarship offers only glimpses of the major issues and constraints facing hotel development and investment. Put simply, an understanding of the developmental challenges of the hotel sector represents a critical ‘blind spot’ or oversight on the African tourism research agenda. One key factor behind the limited existing research base on African hotels is recognized in investigations conducted for the World Bank on the state of the hospitality sector in the continent. Importantly, this recent research highlights the poor and often unreliable state of existing data on the accommodation sector in many African countries (Twining-Ward, 2009: 37).

From an analysis of existing academic literature it is evident several strands of interest and scattered issues have been researched across different countries in sub-Saharan Africa. In common with international trends, the majority of African studies have been conducted from a hospitality perspective. Critical human resource issues and matters relating to employment, training and working conditions in African hotels are the focus of much attention (eg. Jauch, 2007; Fortanier and van Wijk, 2010; Mkono, 2010a, 2010b; Karatepe, 2012). On work issues of note is one rich cross-country investigation of a number of Southern African countries which looked at the employment conditions of hotel workers (Jauch, 2007). In Egypt two notable studies examine respectively the role of national government in the historical development of Cairo hotels (Azmy and Atef, 2011) and factors influencing hotel selection by business travelers of international hotels in Cairo (Fawzy, 2010). Structural issues of ownership and investment (domestic and foreign) and the technical efficiency of hotels represent important sub-themes in the African context (eg. Barros and Dieke, 2008; Snyman and Saayman, 2009; Barros et al., 2010; Gatsinzi and Donaldson, 2010). Responsible tourism practices and environmental strategies of hotels have come under scrutiny in several African countries (Venter, 1998; Masau and Prideaux, 2003; Van der Merwe and Wöcke, 2007; Frey and George, 2010; Prayag, et al. 2010; Coolen and Bokhoree, 2011; El Boudribila et al., 2012; Rogerson and Sims, 2012).

For Botswana, Mbaiwa (2011) critically reviews the impacts for poverty alleviation and sustainable development of foreign ownership of hotels in the Okavango Delta region. In research on Kenya, the role of hotels in shaping the nature of the country’s cultural product
offerings has been documented (Wadawi et al., 2009). The unfolding spatio-temporal
development of the accommodation sector, dominated by the establishment of hotels, has been
scrutinised for Malawi (Magombo, 2011). In Tanzania the spatial patterns of small hotels has
been investigated (Sharma et al., 2007). In Ghana the themes of hotel decision-making at the
micro-scale in the city of Kumasi (Adam, 2012) as well as challenges of hotel outsourcing have
been examined (Hiamey, 2012). The important topic of the growth in foreign direct investment
in the African hotel sector has been glimpsed with research undertaken both in Rwanda (Gatsinzi
and Donaldson, 2010) and South Africa (Snyman and Saayman, 2009). Relevant issues
pertaining to the technical efficiency of African hotels are highlighted in the case of Luanda,
Angola (Barros and Dieke, 2008; Barros et al., 2010). Finally, in Morocco a distinctive
dimension of new investment in hotel accommodation is the expansion by foreign property
investors into a network of *riad* boutique hotels which has levered a transformation of the
traditional medina areas of the cities of Marrakesh and Fez (Lee, 2008).

As the most well-established hotel sector industry in sub-Saharan Africa, a range of themes on
South Africa’s hotel industry are discussed in published works. Among issues that have been
investigated are the following:

- The historical evolution of the hotel industry and the change from the liquor dominated
  sector to a leisure focused hotel industry (Caras, 2007; Rogerson, 2011a);
- The challenges faced by South Africa’s hotel industry with the post-apartheid transition
  (Ahmed et al., 1999);
- The growth of branded chains especially linked to the casino-resort developments in the
  former Bantustans (Rogerson, 1990);
- Strategic planning for hotels and within the hotel sector (Leslie, 2009; Petzer et al.,
  2009);
- Human resource development issues in hospitality spaces (Kruger et al., 2010);
- Foreign direct investment (Snyman and Saayman, 2009);
- Talent management and succession in South African hotel groups (Van Tonder, 2008;
  Grobler and Diedericks, 2009); and,
• Environmental management and ‘greening’ of hotels (Venter, 1998; Van der Merwe and Wöcke, 2007; Frey and George, 2010; Rogerson and Sims, 2012).

Overall, an analysis of African scholarship confirms that hotel research is relatively undeveloped even in the case of South Africa. Most existing literature derives from a hospitality perspective with so far little attention paid to issues of hotel investment and development, the economic geography of hotels, or the nexus of hotels and tourism development.

2.3 HOTEL INVESTMENT, SEGMENTATION AND LOCATION: EXISTING RESEARCH AND ISSUES

As noted above, this section narrows the research gaze on hotels to review relevant studies on investment, segmentation and location of hotels. The material is organized as follows:

• A review of work on hotel investment and growth strategies (Section 2.3.1)
• A review of work on market segmentation and hotels (Section 2.3.2) and
• A review of work on location issues and debates (Section 2.3.3).
2.3.1 Hotel Investment and Growth Strategies

It must be understood that what is referred to as the hotel industry is highly fragmented and essentially comprises two distinct segments of enterprises. First, is a large segment of independent and often family owned hotels which globally represent as much as 85 percent of all hotel establishments (Euromonitor International, 2010). Second, is a much small number of chain hotels which constitute in global terms only 15 percent of actual hotel establishments. Although the international hotel sector is numerically dominated by small and medium enterprises, including a large element of ‘lifestyle entrepreneurs’ (Timothy and Teye, 2009; Lashley and Rowson, 2010) its commanding heights are represented by these small clusters of large enterprises. It is calculated that the hotel groups with branded hotels account for approximately 52 percent of global sales of hotel rooms (Euromonitor International, 2010). In the USA, for example, the recent substantial expansion of the lodging sector has been led by large hotel enterprises such as the Cedant Corporation, Six Continents PLC, Marriott International, Choice Hotels International, Hilton Hotels Corporation, Best Western, and Starwood Hotels and Resorts (Cunill, 2006; Lomanno, 2010). Large enterprises are considered as “active product and service innovators and frequently set trends for the sector” (International Labour Organization, 2010: 8).

Over the past 30 years many large hotel enterprises have engaged in strategies of internationalization (Dunning and McQueen, 1982; Johnson and Vanetti, 2005; Brida et al., 2010; International Labour Organization, 2010). Globally, there has been a widespread move towards ownership and brand concentration which is a consequence of acquisitions and mergers undertaken by leading hotel chains (Johnson and Vanetti, 2005). This is viewed as a broader outcome of the key emerging trends in the lodging sector associated with internationalization which are “the current push for a broad and widespread geographic presence in critical overseas markets, the quest for global branding, expansion of brand loyalty, improving profitability, assuring durable shareholder value, international product positioning, and the pursuit of uniform
standards” (Timothy and Teye, 2009: 67). Among others, McNeill (2008) asserts that global hotel markets are dominated by only six major operating companies each of which contains a range of different brands dedicated to a specific demographic or market segment.

Agarwal et al. (2000) point out that the production of tourism assets, including investment in hotels, remains a relatively neglected area of research in tourism geography. Beyond tourism geography, however, there is an emerging international corpus of research which addresses questions of investment in the hotel sector. Much of this literature relates to aspects of investment decisions about the hotel sector in North America and Western Europe and to a smaller stream of works concerning Pacific Asia and Australasia. The production of hotels necessitates an understanding of a suite of considerations around financing and investment and of growth strategies. It is pointed out the financing requirements of hotels have changed fundamentally over the last two decades (Singh and Kwansa, 1999; Elgonemy, 2002). In parallel, the financial performance of hotels and the rates of return on hotel investments have been closely scrutinized (See eg. Lesser and Rubin, 1993; Quan et al., 2002; Lee and Jang, 2007; Jang et al., 2008). Among a range of specific themes that have garnered detailed academic interest are those pertaining to inter alia, the criteria for international investment expansion (eg. Go et al., 1990), risk hedging instruments (Gonzalez et al., 1999), debt financing mechanisms (eg. Dalbor and Upneja, 2004), revenue management as a strategic investment tool (eg. Sarheim, 2008); the buying and selling of properties (Corgel and de Roos, 2003), and, in the European context the role of real estate private equity funds (Weiermair and Frehse, 2008). In addition, the complex effects on hotel property of the global financial crisis of 2008-2009 have come under investigation (Pechlaner and Frehse, 2010).

At the highest level of investment decision-making the choice to allocate capital in property is balanced against investments made in other asset types such as equities and bonds. Balancing decisions between different asset classes is made on a range of considerations relating to level of return in relation to level of risk. At the international level major institutional investment
organizations usually differentiate property into a number of different functional asset classes. The performance of each class is monitored closely in terms of investment return and capital growth in order to inform asset allocation decisions. Traditionally the major asset classes are acknowledged as those of commercial property, industrial property and retail property. Newell and Seabrook (2006) assert, however, that “given the stature of tourism, hotel properties are an important property sector”. Oak and Dalbor (2008) observe that over the past decade institutional investor interest has risen in relation to the hospitality or lodging sector. Despite this expansion of institutional interest, however, minimal research has been pursued by scholars concerning leisure property (Newell and Peng, 2007: 110). Petersen and Singh (2003: 161) write of a “dearth of research” surrounding the position of hotels in investment portfolios.

In several parts of the world the prime vehicle for institutional holdings has been through what is termed the real estate investment trust or REIT. Jackson (2008a: 275) asserts that “Real estate investment trusts (REITs) have become a dominant force in the global equity investment marketplace”. Since their modern appearance in the early 1990s in the USA, hotel REIT companies have expanded their operations rapidly (Kim, Gu and Mattila, 2002; Kim, Mattila and Gu 2002, Jackson, 2009). Beals and Arabia (1998) point out that in 1993 the market capitalization of hotel REITs in the USA was less than $100 million; five years later it had escalated to a level of $35 billion. Among several contributory factors encouraging the rise of REITs in the USA the work of Gu and Kim (2003: 168) draws attention to changes in tax legislation, improved hotel occupancies, and most significantly to hotel investors considering “REITs as a mechanism for pooling financial resources, and in the process to obtain the economic benefits of commercial real estate investments”. In the USA REITs are viewed as publicly traded companies and represent essentially “pools of properties and/or mortgages” (Jackson, 2008a: 279). For investors REITs constitute “a form of securitized real estate” whereas from an ownership and management perspective they constitute “companies that are developed to earn and manage income producing real estate such as hotels, apartment complexes, shopping malls, golf courses, office buildings, self-storage centres, multifamily residences, manufactured housing, industrial properties and commercial net leases” (Jackson, 2008a: 279). Overall, as
Kim et al. (2002: 86) note in the USA, beginning from 1993 the REIT industry was “segregated into different segments based on the functional type of property, thereby resulting in hotel, office, industrial, healthcare, retail and diversified REITs”.

With the identification of hotels as a distinctive property asset class, this growth of REITs during the 1990s “significantly increased capital flow into the hotel industry” (Kim, Gu and Mattila, 2002: 138). The REIT structure spread geographically beyond the USA and was adopted as a mechanism for property investment in several other countries, including Canada, France, Germany, Italy, the Netherlands, and United Kingdom (on Canada see Haywood, 2003; Kryzanowski and Tcherednitchenko, 2007; on UK see Nichols and Boutell, 2005). Nevertheless, whilst the details of REITs in each of these countries can vary, the basic aims and attributes are common. Most important is that the “REIT is designed to allow an investor to replicate the returns received through owning property directly” (Nichols and Boutell, 2005: 296). In Australia institutional investment in the hotel sector has taken a slightly different structural form to that of the REIT. According to Newell and Peng (2007) institutional investors traditionally concentrated their attention mainly on low risk core property portfolios of office, retail and industrial properties. More recently, however, these institutional investors diversified beyond these traditional core property sectors into higher risk value-added properties which include leisure properties, most notably hotels (Newell and Peng, 2007: 110). In Australia the institutional expansion of investment into the hotel as a distinctive property asset class (and leisure property more generally) has been pursued mainly through the vehicle of the listed property trust.

Recent international experience demonstrates that for a number of reasons the hotel sector has not been established as a mainstream property asset class. By the mid-2000s it was estimated 81 percent of the hotel market in the USA was privately-owned with the balance of 19 percent traded publicly. It was recognized that despite significant growth in hotel property funds, such as REITs or property trusts, private investors dominate the ownership of hotel properties as “the
hotel sector has failed to attract a substantial share of institutional investment” (Newell and Seabrook: 280). Furthermore, Newell and Seabrook (2006: 280) contend hotels are considered as “a hybrid asset class incorporating both business risk and property risk”. Corgel and de Roos (2003) express concern as to whether hotels should be regarded as part of a core property portfolio or simply treated as an alternate asset class with a higher risk profile.

As compared to other forms of property, the hotel asset class has been considered unfavourably on several grounds. Core factors that inhibit institutional investment in hotel properties include the following:

- The hotel sector’s poor past performance;
- The perception that hotels involve more risk than other property sectors;
- General lack of understanding of hotels among investors;
- Capital-intensive characteristic of hotels;
- Perception that hotels are over-priced and over-valued;
- Lack of industry-specific information to guide investment choices;
- Poor liquidity and limited exit strategies;
- The small size of the hotel market as compared to other asset classes;
- High trading volatility leading to unstable cash flows;
- Low risk adjusted returns;
- Hotel performance is more akin to an operating business than a property; and,

Finally, Sayce (1995: 9) points out that “leisure properties do not constitute significant proportions of many institutional portfolios and it has been argued that one reason for the non-acceptance of leisure properties is connected with valuation method”. Arguably, Jackson (2008b: 235) points out that calculating “the value of hotels is a complex and often complicated task”.

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Further, it was observed that “unless investors are confident in the acceptability of the valuation method they remain suspicious of the product” (Sayce, 1995: 10). The thorny nature of valuation in respect of hotels and the contested debates around the most appropriate valuation procedures are discussed by several scholars (see Nilsson et al., 2001; Jackson, 2008b). Overall, it has been shown that there is a perceived “link between valuation method and investor attitudes” (Sayce, 1995: 10).

Beyond the hotel as an investment or property asset, the production of hotels must be understood also in relation to the growth strategies of hotels. The strategic expansion of hotels is a critical issue which has been the subject of considerable scrutiny and resulted in the recent expansion and consolidation of a body of theories, concepts and models (Lattin, 2005; Cunill, 2006; Slattery, 2009a, 2009b; Cunill and Forteza, 2010; Clancy, 2011). An essential corporate strategy decision is between, on the one hand, to seek growth through specialization or on the other, growth through diversification variously across different hotel market segments, different fields of tourism or different forms of economic activity. In undertaking a strategic analysis of the US lodging industry Dev and Hubbard (1989: 22) isolate the key factors in the development of competitive advantage for hotel chains. Building upon the work of Porter (1982), two major categories of competitive forces are identified, namely low cost and differentiation.

In the cost leadership strategy the enterprise seeks “to gain a competitive edge by achieving a cost advantage” (Cunill, 2006: 4). In the USA the largest expense factors for hotel chains relate to the maintenance costs for service standards, most significantly labour; other important cost considerations are interest rates and the imperative for capital improvements. Dev and Hubbard (1989: 22) consider that the low cost strategy of hotel growth represents a competitive option which “offers little opportunity for gaining a long-term competitive advantage” as any “cost advantage that one hotel company might gain is quickly eroded by the rapid flow of information within a market”. Nevertheless, some hotel chains have sought to exploit this strategy of becoming a low price leader (Cunill, 2006). In order to follow such a strategy Cunill (2006: 4)
points to a number of necessary conditions, *inter alia*, an enterprise must have a high market share so that it enjoys a high volume of sales, must ensure a high performance in those factors that permit a reduction in the unit costs of production, and maximize new technologies in order to ensure that operations occur at lowest possible cost.

Several analysts maintain that the strategy of differentiation offers a stronger basis for enterprise competitive advantage. Cunill (2006: 6) states the purpose of the differentiation strategy “is to ensure that either the company in general or certain specific elements (such as its products, customer care, quality, etc.) are perceived to be unique by both clients and suppliers”. Dev and Hubbard (1989: 22) assert the most significant driver of differentiation “is the ability to offer a unique benefit to customers”. Accordingly, the issue of hotel branding and of the image and services that the brand implies become of critical importance. Branding plays a vital role in the growth strategies adopted by hotel companies with the ownership of brands considered central to business plans and expansion opportunities (Cunill, 2006: 152). From the viewpoint of corporate strategy well-managed hotel brands tend to gain increased market share (O’Neill and Mattila, 2004, 2006). Arguably, a hotel brand represents a relationship with guests which is constructed as consumers get to know a brand “use its facilities, evaluate the experience and begin the relationships; and it becomes cemented as guests continue using its services” (O’Neill and Mattila, 2010: 28).

Hotel chains pursue growth strategies which are geared to build brand loyalty through strategies which aim at reinforcing differentiation factors (McNeill, 2008: 388). One common tactic has been the introduction of frequent guest programmes (Dev and Hubbard, 1989). In the USA O’Neill and Mattila (2010: 27) point to the fact that the largest “lodging companies have developed multiple brands to serve multiple market segments”. Lomanno (2010) draws attention to the phenomenon observed during the past two decades that in the American hotel industry, hotel chains which had been the backbone of the country’s lodging industry since the 1950s necessarily have reinvented themselves in an effort to appeal to new demographic groups and
market segments. The predominant trend in the USA, however, has been for the long-standing hotel chains which operate mid-scale hotels with full food and beverage facilities to be eclipsed by newer brands operating in the mid-scale limited service or upscale sectors (Lomanno, 2010).

Examining the growth of hotel chains in the Asia-Pacific Jogaratnam and Tse (2004: 252) highlight that “an entrepreneurial stance is a recipe for success among large hotel firms”. As a whole it is asserted “differentiation is the only strategy that is sustainable in the long term” (Dev and Hubbard, 1989: 22). In undertaking differentiation as the basis for building enterprise competitive advantage, the most common strategy which is applied in the hotel sector is to target specific segments of the lodging market with new products or extensions of existing products. Hotel chains focus on specific market niches and seek to obtain “a competitive advantage within the market segment or niche in which they are competing” (Cunill, 2006: 7). For example, McNeill (2009) shows the emergence of the airport hotel as a specific new product which is linked to the needs of the business traveler and the increased transnationalization of business activity. In search of differentiated products and services, the experience of the USA and Western Europe has been that in traditional full-service and upmarket hotel developments, issues of service quality and comfort are underlined (Victorino et al., 2005). By contrast, in the lower cost segments the emphasis is upon low price and convenience. Although food service is regarded as an essential dimension of the full service hotel, in many other market segments either it is downgraded or dropped altogether often on the grounds that food service is considered a loss-making element for many hotel operations (Berger and Chiofaro, 2007).

Key growth decisions are associated with a company’s business strategy (Cunill, 2006). Hotel chains can adopt a range of different growth strategies (Cunill and Forteza, 2010). Some hotel groups expand through internal growth which is based on investment within the company itself. Nevertheless, external growth is “the method that most hotel groups prefer and growth is achieved through acquisition, buying shares in, controlling or co-operating with other companies” (Cunill, 2006: 73). An acquisition-based growth strategy has the advantages of
extending geographic coverage or new brand names, increasing market share, broadening international coverage and quality levels as well as enhancing share values. In addition, an acquisition based strategy is the fastest route for the expansion of hotel chains. The use of strategic alliances, in the form of joint ventures, is another growing phenomenon. The expansion of strategic alliances in the hotel sector is accounted for by factors such as rapid technological change, shared know-how in order to obtain synergic benefits, a search for financial support and reduced financial risks, access to markets, and an increasingly competitive environment particularly in mature economies (Cunill, 2006).

A further critical change in the competitive strategies of leading hotel chains relates to questions of the ownership versus management of hotel properties (Niewiadomski, 2012). Since at least the 1980s a striking trend has been that property ownership is no longer the essential basis for hotel expansion (Schlup, 2004; Timothy and Teye, 2009). Increasingly it is recorded that hotel chains “enter markets through non-equity means” (Clancy, 2011: 82). On the international stage Holiday Inn, Sheraton and Hilton exemplify how major hotel chains “shifted from property ownership to property management and franchising as a means of expanding their presence in a variety of markets” (Dev and Hubbard, 1989: 22). Franchising is viewed as a form of cooperation between companies in which one company (franchiser) grants the other companies (franchisees) the right to commercialize products or services in exchange for financial compensation (Cunill, 2006; Niewiadomski, 2009). Recent research suggests that the franchise contract is a preferred strategy of hotel chains which are pursuing expansion programmes (Cunill and Fortezza, 2010). Cedant Corporation, the world’s largest franchising chain operates the greatest number of rooms in the global hotel industry and is a pure franchising enterprise; it owns no hotels and operates its entire portfolio under a franchise system (Cunill, 2006). The enterprise offers back-up services including marketing, staff training, quality control, a telephone booking system, financial assistance, and a computerized management system; these services are provided on a fee which is based on sales by its franchisees. Beyond the example of Cedant, the use of franchising spurred the growth of the Holiday Inn brand (Clark, 1993; Berger and
Franchising has spread also as a growth strategy outside of North America with documented cases in Western Europe (Connell, 1997) and Asia (Cho, 2004).

Management contracts emerged as a further growth strategy popular with American hotel groups and since the 1970s they have became a “cornerstone” of rapid development in the hotel sector (Eyster, 1993: 16). More recently, management contracts have spread to catalyse the international expansion of hotel chains (Panivasivas and Taylor, 2006, 2008; Niewiadomski, 2009). The initial growth of management contracting occurred in the USA because of increased land prices, construction costs, and mortgage interest rates which collectively made investment in large properties difficult especially at a time when business risks had increased (Cunill, 2006). Using a management contract means that the investment risk is transferred from the company which runs the hotel to the owner. Institutional investors acknowledge that management skills are the main ingredient for successful hotel operation and therefore they are prepared to invest large sums of funds in hotel ownership, whilst the company running the hotel does not need to make a financial commitment. Under this arrangement the management company receives a fee for its services and the owner receives the remaining profits after costs have been deducted. Undoubtedly, management contracts assume a core role in the growth strategies of many leading chains in the global hotel industry. For example, Marriott International is identified as the world’s leading hotel management chain with almost 800 properties under management contracts. Extended Stay America has over 400 hotels all of which are managed, which makes it a pure management company (Cunill, 2006: 133).

De Roos (2010: 68) maintains that whilst management contracts were conceived as a relatively simple arrangement allowing the expansion of hotel chains without the risk of property ownership, they have “become an intricate and nearly essential element of the contemporary hotel industry”. Another growth strategy particularly in evidence within the hotel sector of Western Europe is leasehold. The leaseholds in the hotel industry are contracts between the leaseholder (a hotel group) and the property owner which effectively means “renting a hotel for a
certain period of time” (Cunill, 2006: 145). Under this system the leaseholder assumes the corporate image of the hotel and the lessor is made responsible for the maintenance and conservation of the building. In particular, European hotel chains have concentrated on the use of leasehold contracts such that hotel ownership in this system accounts for as much as 65 percent of Accor’s portfolio (Cunill, 2006: 147).

Finally, in terms of conceptual thinking concerning the growth strategies of hotels, it is necessary to acknowledge the hotel sector is renowned for business failures and poor financial returns. Underpinning this situation is increased levels of competition, globalization, rapid technological change, social change and internal weaknesses of firms (Timothy and Teye, 2009). Importantly, Solnet et al. (2010) draw attention to the need for tourism scholars to acknowledge research questions of decline and of ‘turnaround strategies’ as essential elements for understanding the dynamics of change in national and global hotel networks. Only recently, however, has research emerged around ‘turnarounds’ in the hotel sector and of the potential need to consider issues such as rebranding hotels in the context of declining enterprise performance (Solnet et al., 2010).

From the above discussion, it is evident large hotel chains expand through an array of different growth strategies and that systems not based on capital transactions, especially the use of franchise agreements and management contracts, are the preferred growth strategies and resulting in increasing market concentration (Cunill and Forteza, 2010; Niewiadomski, 2012). With the decline in ownership of properties by hotel enterprises, increasingly hotel groups are mostly management or franchise enterprises which offer services to their asset holders. According to Clancy (2011: 83) international hotel chains function much like big buyers in buyer-driven commodity chains “through determining specification of properties, setting standards, remodeling and redecorating, and determining the terms of management contracts and leases”. Correspondingly, the position of hotel owners becomes akin to that of “captive suppliers who provide rooms and other physical structures to chains” (Clancy, 2011: 83).
Although the implications of different hotel growth strategies are not the focus of this research, it has been observed that there are potential implications for local and regional economic development. Niewiadomski (2009) shows how the business strategy and mode of entry of hotel chains into particular countries can have significant implications for regional development. New investment will be made in local property in cases of hotel chains that own their hotels. In addition, other important issues for local and regional development for hotel owners as well as those chains which are engaged in management contracts, relate to employment, skills training, selection of suppliers and technology transfer. If hotels are newly constructed there will be immediate implications for job creation but if an existing hotel is acquired then there is a threat of job losses as new owners might seek efficiency gains through measures for cost cutting. Finally, further impacts for local and regional development of new hotel operations can arise where, in the case of internationally-branded hotels, the chain helps to promote the locality as a tourism destination (Niewiadomski, 2009).

2.3.2 Market Segmentation and Hotels

The concept of market segmentation represents both a ‘pervasive’ theme (Dickson and Ginter, 1987: 1) and a ‘cornerstone’ of international marketing literature (Boejgaard and Ellegaard, 2010; Webber, 2011). The notion of market segmentation refers to the division or splitting of a market into different groups or segments of consumers with distinctly similar needs and product/service requirements (Frank et al., 1972; Kotler, 1997; Lattin, 2005; McDonald and Dunbar, 2010). For business development, market segmentation is often closely related to product differentiation as enterprises seek to adapt different variations of their offerings to satisfy or appeal to different market segments. For McDonald and Dunbar (2010) market segmentation is “the bedrock” for successful marketing and business development.

Scholarship on market segmentation has been described as ‘voluminous’ (Beane and Ennis, 1987) and continues to be a significant concept in marketing research (Grover and Srinivasan,
Webber (2011) maintains that segmentation is a term that is found in every textbook and course in marketing. Arguably, according to Dickson and Ginter (1987: 1), markets have been segmented “for as long as suppliers have differed in their methods of competing for trade”. The concept of market segmentation thus has been the focus of extensive scientific academic enquiry in journals and marketing texts during the past 50 years (Boejgaard and Ellegaard, 2010: 1291). Over the past half century a continuous stream of influential writings and debates around market segmentation can be observed (eg. Smith, 1956; Frank et al., 1972; Green, 1977; Kotler, 1984; Dickson and Ginter, 1987; Weinstein, 1994; Kotler, 1997; McDonald and Dunbar, 2010).

The significance of segmentation for the tourism industry and management of tourism enterprises is recognized widely, albeit not greatly in published work by geographers. One recent study records “much has been written about market segmentation and how it applies to tourism” (Manthiou et al., 2011: 2). In contemporary tourism scholarship the concept of market segmentation has been accepted and deployed in a number of different investigations, including using neural networks (Bloom, 2005). According to Tkaczynski et al. (2007: 1) research on segmentation in the tourism industry mainly focuses upon two core themes, namely the construction of tourist segment profiles and interpreting which bases of segmentation can most accurately predict tourist behavior. Overall, it is contended that “the most common approach adopted in tourism segmentation studies is to develop tourist profiles for one destination using tourist surveys” (Tkaczynski et al., 2007: 5). Among multiple examples of research investigations which are geared to understand the segmentation of different travel markets can be noted, *inter alia*, Sung et al. (2001) application of segmentation to interpret the adventure travel market; Bieger and Laesser’s (2002) work in the mature travel market of Switzerland; Simpson and Bretherton (2004) on New Zealand, and in a developing world context an interpretation of the MICE (meetings, incentives, conventions and exhibitions) sector in Thailand at a time of crisis (Arcodia and Campiranon, 2007). Recent applications of market segmentation in tourism scholarship encompass, *inter alia*, Najmi et al. (2010) segmentation of Iran’s inbound tourism market, Tkaczynski and Rundle-Thiele (2011) on event segmentation, Svensson et al. (2011) utilisation to understand travel expenditure patterns; Manthiou et al. (2011) research on...
international travelers in China; and, Xia et al. (2010) on market segmentation which is anchored on the dominant movement patterns of tourists.

The issue of market segmentation and creation of diversified niches for hotel brands was introduced in the previous discussion on corporate growth strategies. In their international review of the lodging sector across both developed and developing countries Timothy and Teye (2009) highlight its segmented character. During the past few decades, however, it is evident that market segmentation in the accommodation sector has been rapidly accelerating as an international phenomenon (Albrecht and Johnson, 2002; Graf, 2011). It is argued the supply of different forms of tourist accommodation is a response to shifting markets, the changing production of accommodation, and most significantly is a reaction to new consumer trends that reject the homogeneous character of much of the commercial accommodation sector (Freund de Klumbis and Musters, 2005; Aggett, 2007; Timothy and Teye, 2009). Indeed, prior to “the age of market segmentation, many of the major hotel chains had difficulty expanding their brand and growing their profits without re-entering markets in which they already had an established presence” (Berger and Chiofaro, 2007: 16). The trend toward product differentiation and segmentation is observed as especially clear within the hotel sector as a reaction to the global spread of the standardized and branded “box hotel” (Rutes et al., 2001). Among other writers Lee (2011: 708) emphasizes that repetitive branded design and the standard ‘cookie cutter’ hotel room as part of the McDonaldization of hotels “is a potential competitive disadvantage”. The phenomenon of market segmentation was initially identified in the hotel sector during the 1980s and hailed in the USA as “the past decade’s biggest supply-side news” (Dev and Hubbard, 1989: 23).

The segmentation of the market for hotel services into identifiable groups now is a well-established phenomenon (Mooney and Penn, 1985). In the United Kingdom Davies (1999) uses ‘market segmentation’ as the basis for interpreting the organization of the country’s hotel sector. Lee (2011: 708) observes that “hotels seek ways to differentiate themselves through, for example, ambience, services, amenities, décor, design and the inclusion of local culture
branding”. Often independent hotel entrepreneurs were instrumental in establishing new niche forms of hotel as a counter to the rapid spread of standardized easily replicated corporate hotel formats; the best example is the emergence of the boutique hotel (Aggett, 2007; McNeill and McNamara, 2010). Looking across the international experience a range of different kinds of hotel can be seen, including airport hotels, the all suite hotel, boutique hotels, budget hotels, capsule hotels, heritage hotels, ice hotels, limited service hotels, love hotels, the luxury full service segment and Sharia-compliant hotels (Henderson, 2001; Aggett, 2007; Geierriegger and Oehmichen, 2008; McNeill, 2009; Cassidy and Guilding, 2010; Henderson, 2010; McNeill and McNamara, 2010; Andersson, 2012). Bell (2009: 29) records that: “from themed hotels to boutique hotels, and apartment hotels, the differentiation of product in the hotel sector is matched by differentiation in design and in the hospitality on offer”. Furthermore it is observed that “the diversification of hotels and their targeting of particular niche markets means that ever more attention has been afforded to the design of hotel spaces and the provision of tailored services” (Bell, 2009: 28).

The best illustration of differentiation of hotel products in works by geographers is found in McNeill’s (2009) rich analysis of airport hotels. McNeill (2009) traces the strong linkages between airport hotels and the demands of business travelers. It is argued that this particular market segment or niche has evolved to match the particular needs of business tourists and provides what he styles as a seamless business space in which “even the guest room is part of the ‘exoskeleton’ of business-class connectivity” (Bell, 2009: 29). In a futurist analysis Pizam (2008: 489) suggests the potential for hotel developers to exploit market segments linked to space tourism and suggests opportunities for both authentic space-tourism products in the form of orbital space hotels and of ‘staged-authentic’ products in the form of themed hotels that simulate an outer space experience.

Within the hotel sector Horner and Swarbrooke (2005: 369) attribute this process of market segmentation to consumers “seeking out increasing numbers of niche products and services to
satisfy their (accommodation) demands”. In response to the principles of McDonaldization that underpinned hotel development for mass tourism, it is argued that the ‘new tourists’ are emphasizing the imperative for design differentiation (Lee, 2011: 710). Beyond consumer demands for more accommodation choice, market segmentation also has been the means whereby major international hotel chains expand, grow brands and increase profits (Berger and Chiofaro, 2007). In particular, the work of Cunill (2006), as discussed in section 2.3.1, stresses that since the 1970s market segmentation has been a key driver and critical competitive strategy for the growth and expansion of large hotel chains in both national and international contexts.

2.3.3 Location and Hotel Decision-Making

For Pearce (1979) one of the essential tasks for geographers of tourism was to map out the spatial aspects of the supply of tourism products. One of the most remarkable gaps in existing literature on hotels is the absence of empirical monitoring studies of the spatial distribution of hotels within particular countries. This lacuna is especially apparent in the cases of the United States and China which have generated a considerable volume of writings on hotel developments in these countries. It is striking that an examination of two recent books which appeared on spatial aspects of tourism in these countries reveals the lack of any detailed profile or analysis of the geographical distribution of hotels either for China (Zhang et al., 2005) or the USA (Ioannides and Timothy, 2010). Indeed, for the USA, the country which has received most attention in hotel writings, the only available scholarly analysis of the spatial patterns of hotels dates back to the period of the 1970s (Van Doren and Gustke, 1982). It is significant to record that the rationale for the investigation conducted by Van Doren and Gustke (1982) was the observation made in one of the pioneer papers on the geography of tourism that for many countries even the most basic information was unavailable on the supply-side of the accommodation sector (Pearce, 1979). Thirty years later the situation is remarkably little improved.
The research lacuna concerning the spatial patterns of the supply of tourism accommodation reinforces the viewpoint that the bulk of locational analysis in economic geography concentrates on issues relating to the manufacturing sector. Indeed, it can be observed that hotels represent one of the most under-researched topics in economic geography (Niewiadomski, 2012). Behavioural studies on location decision-making for hotel development are almost entirely absent (Adam, 2012). In certain tourism studies the analysis of the spatial distribution of hotel rooms is used as a proxy for mapping the actual geography of tourist arrivals (see Wen and Sinha, 2009). The existing research on location issues mainly relates to the intra-urban scale of analysis rather than investigations of the patterns of hotel development within countries.

2.3.3.1 Determinants of Hotel Location at the National Scale

The few available studies undertaken at the national scale are from work undertaken in the USA, Australia and China. These studies stress the significance of tourist arrivals, local market demand and local market size as critical factors in influencing patterns of hotel location (Van Doren and Gustke, 1982; Baum and Havemann, 1997; Newell and Seabrook, 2006; Helmers et al., 2009; Zhang et al., 2012). The early study on spatial patterns of lodging in the USA highlighted the leading role of major cities, such as New York, Chicago, San Francisco and Los Angeles, as well as resort centres such as Las Vegas, Honolulu and Orlando (Van Doren and Gustke, 1982). The longstanding importance of major American cities as tourism destinations was confirmed in the recent investigation by Ioannides and Timothy (2010). The strategic growth of hotel chains within countries can occur through a so-called ‘hub and spoke’ strategy as hotel groups first establish a presence in major cities through their flagship brands and subsequently seek to extend their operations to secondary urban centres often using other brands (Sangster et al. 2001; Niewiadomski, 2009).

In the most detailed contemporary study on hotel location, conducted in China, it is made clear that for hotel enterprises the numbers of inbound international tourists and levels of tourism
spending represent “the primary determining factors in the selection of hotel locations” (Zhang et al., 2012: 358). In the Chinese case the market demand factor for upmarket hotels is understood as correlated closely with the demands of business travelers as well as inbound international tourists. This results in a concentration of hotel developments occurring in three different types of locations: (1) in major national cities, such as Beijing and Shanghai, (2) at the capital cities of each of the provinces, and (3) “into 3S (sun, sand and sea) and tourist cities”, such as Guilin or Xian (Zhang et al., 2012: 353). With domestic tourism a different geographical logic is in evidence with a wider geographical spread of hotel developments mainly of mid-range and budget hotel establishments.

Beyond market demand and size considerations, the existing research highlights other influences upon hotel location investments. A second critical factor is the local business environment which can facilitate or retard investment. Conceptually, the business environment is defined as “the nexus of policies, institutions, physical infrastructure, human resources and geographic features” that influence the efficiency with which different firms operate (Eifert et al., 2005: 7). In its broadest definition it comprises all factors external to firms, including the policy, legal and regulatory framework, trade policy, governance and institutions, the social and cultural context of business, access of enterprises to financial and business services; and, the availability of physical and social infrastructure (DFID ICEE Team, 2004). A range of terms are used to describe the business environment (including investment climate, business climate, enabling environment) and its definition is often linked “to contain policies, laws and regulations that generally ‘set the rules’ for the private sector, and small enterprises in particular to operate” (Tanburn and Wenger, 2006: 2). A narrower but commonly held definition used by the DFID ICEE Team (2004: 4-5) relates to “the extent to which government policies, laws and regulations set the rules of the game for business and influence, positively or negatively, the performance of markets, the incentives to invest, and the cost of business operations”.

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Important geographical variations can exist in local business environments affecting hotel investment. In China, Zhang et al. (2012) point to considerable regional variations in business environments for hotel development especially with the establishment of special economic zones relatively free from bureaucratic regulations and of interventions by local governments that formerly had constrained local economic growth. Although the Chinese case is an extreme example, the existence of business friendly local regulatory environments is a factor that can influence decisions by hotel enterprises on where to invest in developed countries (Newell and Seabrook, 2006). In Sweden, for example, favourable attitudes by local governments were taken into consideration in the development of flagship hotels, including ice hotels (Andersson, 2012). In the United Kingdom interventions by local government have involved the provision of local incentives to encourage major international investors to establish hotels as flagship property developments as part of local and regional economic regeneration initiatives (Loftman and Nevin, 1994).

In research conducted for the World Bank on the state of the hospitality sector in sub-Saharan Africa by Ernst & Young (2011), the importance of factors related to the local business environment were identified as critical determinants of international as well as national patterns of hotel investment. Among a host of issues highlighted in the analysis of Ernst & Young (2011) that militate against hotel investment in many African countries are, inter alia, the difficulties of obtaining financing, lack of trust between local developers and banks, weak infrastructures (including communication and technology infrastructures), corruption at several levels of government, extensive bureaucracy around obtaining necessary permits, prohibitively high land costs, lack of clarity around legal and regulatory processes, lack of clarity around land ownership, lack of a pro-active government policy towards hotel development, a challenge to find reliable local partners to assist with permit processes and land acquisition, absence of market data on tourism, capital markets for property often in their infancy stage, and in certain parts of the continent a pervasive view that tourism was only “for wealthy individuals” (Ernst & Young, 2011: 34). As was indicated in the report by Ernst & Young (2011) these issues
pertaining to the business environment affecting hotel development vary both between different African countries and within particular African countries.

In Eastern Europe, negative issues of the local business environment have been recognized as determining factors in decisions regarding hotel investment. In work on the globalization of hotel chains into post-communist Eastern Europe Niewiadomski (2009) highlights a range of negative factors that can impact upon investment decisions. Among the most important business environment issues are those relating to, inter alia, bureaucracy and (sometimes) corruption, land ownership issues, long and complex application and permission processes, unregulated and unclear legal and fiscal systems, lack of sufficient knowledge about hotels by local and regional governments, and shortage of strong local partners. This list of obstacles in the local business environment in post-communist Eastern Europe shows considerable similarities to the constraints in the business environment which affect location choices for hotel investment in sub-Saharan Africa (cf Ernst & Young, 2011).

Three other suggestive location factors emerge from Chinese research. First, is the influence of political considerations upon hotel location. The potential influence of political considerations on the location of hotel investment is greatest in those countries where state ownership of hotels has been in evidence”. Most importantly this would refer to former socialist countries and even to the case of present-day China where Zhang et al. (2012: 684) write that the “Chinese government played a dominant role in hotel location selection”. In much of sub-Saharan Africa the role of political factors in shaping the emerging geography of hotels cannot be overlooked as government ownership of hotels has been a prominent factor for hotel development in several countries (Ernst & Young, 2011). Second, the Chinese research points to a close relationship between location of upmarket hotel development and the geographical distribution of foreign direct investment (Zhang et al., 2012). This particular relationship underscores the importance of understanding the evolution and workings of the business tourism sector in interpreting the spatial distribution of hotels. Finally, consideration is given to the importance of the hosting of
‘mega-events’, such as international festivals and sports competitions, in shaping the overall distribution of hotels. Often, however, these mega-events can result in situations of oversupply with a resultant mismatch between supply of hotel facilities and levels of market demand outside of the period of hosting of mega-events. The Chinese research suggests that the hosting of mega-events can have a significant influence upon the location decisions taken by international hotel chains for development of new hotels (Zhang et al., 2012: 358).

2.3.3.2 Determinants of Hotel Location at the Urban Scale

During the early 2000s Egan and Nield (2000: 613) pointed to the sparseness of research investigations of the intra-urban location of hotels. That said, there is a larger available body of research relating to on location issues of hotels at the city scale than national level of analysis. At this level of analysis Yang et al (2012: 675) maintain that for hotels “the importance of location cannot be over-emphasized”.

Currently, most existing empirical literature centres on hotel location in tourist-historic cities of Western Europe (Ashworth, 1989: Ashworth and Tunbridge, 1990; Urtasan and Gutiérrez, 2006) and Asia (Timothy and Wall 1995). Other works on hotel location are spread across a range of cities in Canada (Wall et al., 1985), Israel (Arbel and Pizam, 1977; Shoval and Cohen-Hattab, 2001; Shoval, 2006), New Zealand (Pearce, 1987), Turkey (Dökmeci and Balta, 1999) and USA (Baum and Mezias, 1992; De Bres, 1994; Baum and Haveman, 1997). Timothy and Wall (1995: 64) contend that much work on urban tourism has “focused on the cities of the western world and there is a dearth of studies of urban tourism, especially the spatial distribution of tourism functions, in other locations”. Importantly, in respect of a research agenda for developing countries Oppermann et al. (1996: 55) asserted that “analyses of hotel location and the evolution of the urban tourism landscape are almost non-existent”. Within the past two decades, the only
contributions on the geography of hotels in modern urban tourism destinations of the global South are those authored by Oppermann et al. (1996) for Kuala Lumpur and Mohamed et al. (2009) for Kuala Terengganu in Malaysia and by Bégin (2000) for Xiamen and Yang et al. (2012) for Beijing in China.

Within existing writings two sets of broad determinants of hotel location are identified. The first are location attributes which relate to accessibility, agglomeration advantages, and general level of urban development. Accessibility is considered a prime factor as “hotels are keen on locations that are proximate to their potential markets because hotels seek for increased demand from potential guests” (Yang et al., 2012: 676). The factor of accessibility clearly underlies the observed historical tendency of hotels to choose central locations which would have large demands for accommodation either in central business districts or central tourist areas (Oppermann et al., 1996; Mohamed et al., 2009). Other locations linked to access considerations would be airports, railway stations and iconic tourist attractions. Agglomeration is considered a further issue in hotel location as in most cities hotels are clustered rather than randomly distributed. Among others Barros (2005) emphasizes the gains to hotel efficiency that emerge from clusters. In terms of location attributes choice of hotel location in urban areas is highly dependent on urban development which inevitably changes structure and which evolves over time (Yang et al., 2012). This leads to recognition that in many cities the patterns of hotel development are associated with the location of hotels which have been founded in different time periods (see eg. Oppermann et al., 1996; Shoval and Cohen-Hattab, 2001). In addition to these general location attributes, however, Yang et al (2012) point to the significance for hotel location of certain individual hotel characteristics. The most notable individual characteristics that must be considered in unpacking patterns of hotels at the intra-urban scale are size, star rating and market segment. Hotels of different size, star rating and those catering to different market segments may have different location logics. For example, hotels with different star ratings target different potential markets and as a result their locational preferences will differ (Yang et al., 2012: 677).
The existing literature considers the question of urban hotel location from a variety of perspectives. Shoval (2006) applies what is considered to be the first model of the intra-urban location of hotels utilizing a concentric land use model which is anchored on the principle of land rent curves and representing a derivative of the classic von Thünen agricultural land use model (von Thünen, 1826). This particular model locates the hotel district in the city centre and more specifically between the CBD and a zone of commerce. Several other studies on hotel location utilise the seminal works by Ashworth (1989) and Ashworth and Tunbridge (1990) on accommodation in historic cities as the basis for their empirical investigations. Ashworth (1989) and Ashworth and Tunbridge (1990) produced a model of urban hotel location which is anchored on the tourist-historic city. This influential study of urban tourism acknowledged that “those interested in the study of tourism have tended to neglect the urban context in which much of it is set, while those interested in urban studies….have been equally neglectful of the importance of the tourist function of cities” (cited in Hall and Page, 2006: 162).

The Ashworth and Tunbridge (1990) model divides the tourist-historic city into distinct zones where specific hotel profiles cluster. Based upon an examination of urban tourism in European cities, they stated that hotel location evolves with urban development. Six types of hotel locations are differentiated namely: (1) historic city locations, (2) railway station locations, (3) along main access routes (4) clusters of small and medium hotels in ‘nice’ locations, (5) large modern hotels in a transition zone between the CBD and historic city, and (6) the urban periphery including along motorways and airport transport interchanges. Each of these zones corresponds to a particular hotel profile. Of special significance for location analysis is the transitional zone which is observed in many tourist cities as the prime location for new hotels and tourist-oriented activities, situated between an increasingly specialized tourist-historic core and a new commercial centre, “integrating tourism and hotels into the renewed urban structure” (Bégin, 2000: 452).
Following the appearance of the Ashworth and Tunbridge (1990) model a number of tourist scholars applied it to specific case studies of hotel location and tourist functions. The Timothy and Wall (1995) study of Yogyakarta in Indonesia notes that unlike many other historical cities where the attractions are central, the tourist attractions in this case study were situated some distance from the city centre. Their study applied the historic city hotel location model and concluded that the spatial distribution of tourist land uses in Yogyakarta “have a considerable resemblance to those portrayed by the models of Ashworth and Tunbridge” (Timothy and Wall, 1995: 72). Moreover, it was considered the “locational classification of commercial accommodation proposed by the former authors can also be applied to Yogyakarta” (Timothy and Wall, 1995: 72). In another application Bégin (2000) interrogates changing patterns of hotel location in the Chinese city of Xiamen. It was noted that “along with urban development and the rapid growth of tourism, hotels have become a ubiquitous component of China’s urban landscape” (Bégin, 2000: 449). The aim was to analyze how the distribution of hotels evolved amidst the radical transformations which have affected Chinese urban and tourism developments. The results confirm that whilst tourism is a relatively recent activity in urban China the pattern of hotel location corresponds fairly closely with that described by Ashworth and Tunbridge (Bégin, 2000). Analysis of hotel distributions in this Chinese city indicated that as tourism expanded and new hotels opened the centre of gravity gradually shifted away from the old core towards more recent neighbourhoods. This spatial shift occurred for similar reasons as recorded in European tourist-historic cities, namely the lack of available land for new hotels, congestion in the old town, restrictions on building size and accessibility (Bégin, 2000).

In earlier work conducted on Malaysia’s capital city of Kuala Lumpur Oppermann et al. (1996) suggest that although many hotel location zones in Kuala Lumpur can be likened to those in Western cities certain distinct differences are evidenced in South East Asian tourist cities. This particular study identified seven different types of hotel locations in Kuala Lumpur. Several of these hotel location zones, such as the railway station, historic city, access roads and airport locations coincide with the Ashworth and Tunbridge (1990) typology for developed countries. Significantly, however, others deviate, the most notable the emergence of a new CBD in what
was once a prestigious residential suburb. Oppermann et al. (1996) suggest that the city’s ‘Golden Triangle’, Kuala Lumpur’s foremost hotel location, represents a new location type which is commonly found across urban South East Asia where there are combinations of large modern hotels and deluxe shopping centres. Other related examples are Orchard Road, Singapore and similar hotel clusters in Jakarta and Kuching. Accordingly, it is argued “different factors may be at work in developing countries as compared to the developed world” with the added caution that the transference of urban tourism concepts “may be inappropriate” (Oppermann et al., 1996: 62).

Hotel location is viewed as an important indicator of changing inner city space. Often, however, rapid changes may take place in hotel location “in relation to urban changes” (Bégin, 2000: 463). In addition, it is evident that shifts in hotel location frequently evolve in relation to technological changes; in particular “location is linked to the dominant form of transportation technology” (Shoval and Cohen-Hattab, 2001: 911). Indeed, “with the widespread introduction of air travel, hotels developed in the vicinity of airports, partly re-introducing a focal point of new hotel construction not unsimilar to the railway age” (Oppermann et al., 1996: 56). The evolutionary locational trajectories of hotels have been tracked for different historical time periods across several cities including Madrid (Urtasan and Gutiérrez, 2006), Istanbul (Dökmeci and Balta, 1999) and Toronto (Wall et al., 1985). The complexities of political upheavals and social and cultural differences over a 150 year study period are additional considerations for interpreting the location of hotels and tourist accommodation in Jerusalem (Shoval and Cohen-Hattab, 2001). Research on tourist Jerusalem, however, suggests the evolution and transformation of the city resulted in a pattern of hotel location “directly in line with the model proposed by Ashworth” (Shoval and Cohen-Hattab, 2001: 921). None the less, whilst Ashworth and Tunbridge (1990) utilised factors such as advances in transportation, access, land values, historical continuity and land use policies as explanations for the changing location of accommodation, in Jerusalem other contributing factors relate to its unique history as an occupied or divided city and the many “social and cultural differences between the two largest population groups in the city: Jews and Muslims” (Shoval and Cohen-Hattab, 2001: 922).
Further analysis of urban hotel development has been undertaken by modeling the spatial hierarchy of hotels applying bid-rent or land-rent models which are founded once again upon the classic works of von Thünen (1826) and Alonso (1964). Egan and Nield (2000) maintain their study is not targeted “to explain the location of hotels in general, but rather that we are seeking to develop a model that will explain the observable spatial hierarchy of hotels within the major cities of the UK”. It is proposed that “within cities it is possible to identify a hierarchy of hotels based on location” (Egan and Nield, 2000: 613). By using Alonso’s model of bid-rent analysis they predict the intra-urban location of three different hotel types, namely of luxury hotels, budget hotels and business hotels. It is considered luxury hotels generally locate in the inner city and as they compete with other inner city users, potential locations are rare and carry high land values. Business hotels mainly are located in secondary locations at the edge of the city centre and budget hotels are forced to the edge of city locations unable to outbid the other users closer to the city. This kind of location is, however, favoured by the mass tourist market where low room rates are important considerations for package tour operators.

A parallel examination of differentiation of hotel locations by types of hotel was carried out in Jerusalem where average room rates in the centre were measured against the urban periphery using a concentric model of land use founded on the principle of land-rent curves (Shoval, 2006). The findings revealed hotels in the centre are preferred by independent tourists and secure higher average room rates than hotels away from the centre. In addition, the more distant hotels are frequented mainly by tour groups which pay lower prices due to bulk bookings. Overall, it is concluded such results “underline the fundamental importance of a hotel’s location and how vital it is for there to be an accord between a hotel’s category, its potential customers and its location” (Shoval, 2006: 71).

Within often relatively compact and well-defined geographic areas or ‘hotel districts’ there exist high levels of localized competition as documented in New York’s Manhattan hotel industry (Baum and Mezia, 1992; Baum and Haveman, 1997). Hotel entrepreneurs confront important
location choices for new establishments, whether to locate a new venture close to competitors, both in geographic and product space, or to position far from competitors in respect of geographic and product space (Urtasun and Gutiérrez, 2006: 385). Certain authors recognize negative aspects of the impact of hotel development in inner city areas, especially within historic cities. Hotels divert scarce land from business and housing in inner-cities and the increasing flow of tourists can intensify pressure on the general state of urban infrastructure. The development of hotels in the inner core of historical cities can threaten their unique and famous skylines (Dökmeci and Balta, 1999). In the example of Istanbul it was disclosed that despite town planning regulations and traffic restrictions the group of one star to four star hotels still dominate and cluster in the city’s old centre among its many historic buildings. Here it was recognized future sites for business and tourist hotels need to be found “without destroying the world-famous skyline of this historically unique city” (Dökmeci and Balta, 1999: 108). Accordingly, it has been concluded that whilst urban tourism – including the development of clusters of hotels - has many economic benefits it also creates serious social and environmental problems (Arbel and Pizam, 1977: 18).

Overall, it is confirmed from international case studies that the development of tourism accommodation is not evenly or randomly distributed throughout cities rather it is confined in clusters to certain specific locations (Yang et al., 2012). The importance of location attributes will vary between individual cities. Factors impacting upon the urban geography of hotels will encompass “the morphology, history and various economic functions of the particular city in question, as well as the type of tourism it attracts” (Shoval, 2006: 62). In Toronto the two strategic locations for hotels are the city downtown and airport strip (Wall et al., 1985: 614). In US cities Getz (1993) pointed to the growth of so-termed ‘tourism business districts’ to designate areas of a city where tourist-oriented attractions and services (including hotels) are located together with CBD functions. Outside the city centre, beyond airport locations (see McNeill, 2009), other potential bases for hotel clusters can be in the vicinity of convention centres, trade fair sites or beach strips in coastal cities such as Rio de Janeiro or Tel Aviv (Shoval, 2006). Furthermore, it is clear “the spatial pattern of hotels in world cities, such as New York, London
and Paris, will be different from that of a small historic city which, in turn, will differ from that of a city without a tradition of tourism, whose visitors are mostly there on business” (Shoval, 2006: 62).

2.4 CONCLUSION

The purpose of this chapter was to provide an overview of the relevant international and local scholarship in order to provide the base for grounding the empirical investigation of the structural changes and spatial patterns of South Africa’s hotel industry. The discussion has highlighted a number of important points which must be reiterated. First, is that whilst hotels have been extensively investigated from the perspective of hospitality management there is much less research on the role of hotels as part of the wider local, national and international tourism economy. Moreover, from a social science perspective the volume of existing hotel research is relatively undeveloped. Second, in terms of human geography it is apparent that hotels are a remarkably under-researched topic for both economic geographers and tourism geographers. Three, there is a marked spatial unevenness in existing hotel research. The body of existing research is mainly confined to works on the USA and Western Europe with a new surge of research activity on Pacific Asia, and especially on China. By contrast, research on the hotel sector in Africa both from a hospitality management perspective and social science analysis was shown to be sparse.

It is with these considerations in mind that the present study aims to make an original contribution to geography scholarship by undertaking an examination of the changing structure and spatial characteristics of the South African hotel industry over the period 1990 to 2010. In South Africa the organization, development and geographies of the hotel industry represent one of the most neglected features of the tourism economy. Despite the surge of local tourism scholarship particularly over the last 10 years (Rogerson and Visser, 2004, 2007), it is
remarkable to observe that there are only a handful of published studies which investigate elements of the national hotel industry. In many respects the evolution and change of the hotel industry is an overlooked issue in South African tourism research (Visser and Hoogendoorn, 2011). The few existing works offer only a limited understanding of the radical changes which have re-shaped the development and investment in the hotel sector since the democratic transition.

The above discussion of international scholarship on the hotel sector introduced the essential relevant literature which is the framework for the empirical investigation of South Africa. Chapter Three applies the concepts of hotel as a property asset class and property investment and also the international understanding of the growth strategies of hotels. Chapter Four links to the limited understanding of location influences on hotel development at the national scale of analysis. In Chapter Five the concept of market segmentation is used to provide insight into the existence of different hotel geographies which are associated with different emerging market segments of hotels in South Africa. Finally, in Chapter Six the intra-urban issues of hotel location as identified in the international literature afford the basis for an investigation of the changing structure and spatial arrangement of hotels in four South African cities between 1990 and 2010.
CHAPTER THREE

UNDERSTANDING HOTEL DEVELOPMENT IN SOUTH AFRICA: DEMAND AND SUPPLY-SIDE ISSUES

3.1 INTRODUCTION

The previous chapter provided an analysis and overview of international research concerning the hotel sector. One identified theme of research work relates to analysis of the drivers of investment in the hotel sector both in terms of the demand and supply side. The international literature points to the importance of understanding the development of hotels as one element of the broader accommodation sector which is expanding in response to the demands from the growth of tourism. On the supply side of hotel development the international literature points to the need to understand the nature of investment decision-making and of investors in the hotel sector. It is evident that investment and development of hotels must be interpreted at two levels. First, at the broadest scale of investment the need exists to understand the patterns of decision making by institutional or individual investors in allocating funds between asset classes, which would include bonds, equities and property. Within the asset class of property, another investment choice is made between the decision to invest in hotels as opposed to retail, industrial or office property developments. Second, the growth of hotel property developments must be understood in relation to the decisions and growth strategies of major hotel chains in terms of choosing either to enter into management contract agreement whereby another party owns the physical structure or of developing and owning hotel properties themselves.

A discussion of key factors influencing the demand and supply of hotel properties in South Africa forms the basis of this chapter. It is argued that an understanding of the changing
structural and spatial patterns of hotels in South Africa between 1990 and 2010 must begin with an overview of the central issues that impact the demand and supply side of the hotel industry. The purpose in this chapter is therefore to begin the analysis of the changing dynamics of the South African hotel sector between 1990 and 2010 by grounding it in terms of these key demand and supply side issues. Three sections of discussion are presented. The first section looks at the demand side of hotel development and provides an overview of the growth and changing characteristics of the South African tourism economy between 1990 and 2010. This discussion offers a framework for understanding the growth of hotel products in relation to tourism demand expansion which has taken place in the period 1990 to 2010. Sections two and three relate to supply side considerations for hotel development in South Africa. In section two a brief historical development of the South African hotel sector prior to 1990 is presented in order to introduce a profile of the emergence and expansion of the major hotel chains which have shaped and re-shaped the commanding heights of the hotel industry. Lastly, in section three, the discussion moves to provide an understanding of the macro-investment issues of the hotel as a property asset class in South Africa and of decision making relating to ownership of hotel properties by a variety of investment vehicles.

The analysis in this chapter is based upon a range of different primary and secondary source material. On the demand side the contextual analysis of the growth and changing character of the South African tourism industry between 1990 and 2010 is based mainly upon existing secondary sources which are supplemented by recent data from South African Tourism and from access secured to unpublished data produced by Global Insight on contemporary patterns of tourism. On the supply side, the discussion of the growth of the major hotel chains draws upon historical secondary sources, industry material, including corporate annual reports of the leading enterprises, and analysis of the financial press, most importantly of Business Day and Financial Mail. The macro-investment supply side issues involved primary research. This section required the undertaking of ten semi-structured face-to-face interviews with key institutional industry stakeholders involved in asset allocation and property development. The nature of these interviewees was explained in the methodology discussion of Chapter One and the list of these
interviewees and their position is provided in the Reference List. The information obtained in these stakeholder interviews is supplemented both by an industry analysis of economic data on property performance over the period 1995-2010 and specific data on trajectories of hotel occupancy.

3.2 THE DEMAND FOR TOURISM ACCOMMODATION: THE GROWTH OF THE TOURISM INDUSTRY 1990-2010

During the past fifteen years there has occurred a considerable upturn in tourism geography research in South Africa (Rogerson and Visser, 2004; 2011a, 2011b; Visser, 2007; Visser and Hoogendoorn, 2011). One important issue has been that of the expansion of the South African tourism economy, the changing patterns of international, regional and domestic tourism and of geographical patterns of the tourist industry. Tourism geographers have isolated South Africa’s key tourism assets including as discussed by Visser (2007) a set of natural tourism attractions, socio-cultural attractions, and human-made attractions. For the important market of long-haul international tourists it is clear that the “fundamental attraction of the country resides in its geographical location on the African continent, and the opportunity it presents to tourists who are interested in viewing and experiencing uniquely African attributes” (Visser, 2007: 46) This section provides the foundation for understanding the growth of the hotel industry as part of the broader expansion of tourism accommodation in South Africa which would also include bed and breakfast establishments, guesthouses, backpacker hostels and safari lodges. The discussion draws upon the secondary findings and analysis of the major works which have documented the expansion of tourism in particular during the post-apartheid period. Key sources are the works by Rogerson and Visser (2004, 2006), Visser (2007), Saayman and Saayman (2008), Dlamini (2010), Gil-Alana (2011) and Rogerson (2011b). In addition, the section incorporates also recent data which is drawn from South African Tourism as well the unpublished material accessed from Global Insight work on the South African tourism sector.
At the outset of analysis, it must be acknowledged that tourism is not recognized as a classic ‘sector’ with clearly defined available and reliable statistics (Rogerson and Visser, 2004). For the period prior to 1994, tourism data at national level is extremely poor for South Africa, not least because of the undeveloped nature of the country’s tourism industry. Among the problems of tourism data for the apartheid era are that: (1) until 1973 all data on African visitors to South Africa relates only to whites; and (2) until the late 1980s the data for African visitors – now including whites and ‘non-whites’ – excluded Botswana, Lesotho, Namibia or Swaziland so that effectively there were no ‘tourists’ recorded from these neighbouring countries. Although improvements have been made by South African Tourism (SAT) in data collection processes since 1994 several tourism analysts remain critical, arguing that official data presents ‘a misleading picture’ of the tourism industry. It is asserted that information provided is of little use in terms of market intelligence because it reflects ‘stamps in passports’ rather than tourism consumers (Slabbert, 2007). Beyond SAT data on arrivals, during 2011 new spatial data became available on South Africa’s tourism sector from Global Insight which established a tourism model based upon both demand-side and supply-side measurements of the tourism system (Wilson, 2011).

As has been argued by Rogerson and Visser (2004) tourism development was not high on the policy agenda throughout the apartheid period. Prior to 1948 the historical development of tourism in South Africa is only documented in fragmentary fashion with the exception of notable works by Norval, (1936), Ferrario (1978), Saunders and Barben (2007), and Bickford-Smith (2009). Grundlingh (2006) shows that from 1948 until the early 1960s the policy focus of national government was upon establishing political control and throughout this period the tourism sector was only of minor significance. It has been demonstrated, however, that from the mid-1960s a slow growth occurred of long haul international tourists which was linked to the introduction of low cost excursion fares on southbound air traffic between Europe and South Africa, the introduction of larger jet aircraft as well as more scheduled international flights between South Africa and destinations in Europe, Australia and Israel (Rogerson, 2011b). Early
tourism marketing focused cautiously upon promoting South Africa as a low volume ‘select’
destination aimed at high-end tourists (Saunders and Barben, 2007).

**Figure 3.1: Trends in South Africa’s International Tourism 1975-2010**

Source: Based on South African Tourism Data and Annual Reports

Despite the entrenchment of apartheid planning, long haul international tourism steadily expanded into the mid-1970s (Figure 3.1). The 1976 Soweto riots marked the onset of a phase of mounting international isolation with the activities of the global anti-apartheid campaign. As a consequence of rising pressures for boycotts on South Africa and the subsequent formal imposition of international sanctions, the country’s tourism economy stagnated throughout the 1980s. With political turmoil under the late years of apartheid and the declaration in 1986 of a national State of Emergency the possibilities for developing international tourism in South Africa were limited as travel to the country was avoided by most potential European and North American tourists (Rogerson and Visser, 2004). In addition, Saunders and Barben (2007: 30)
stress that “apartheid stifled the potential of domestic tourism in many ways”. In particular, “restrictive laws meant that black people could not move about the country freely, and there was little scope for the emergence of a black middle class” (Saunders and Barben, 2007: 30). During this phase of ‘stagnation’ in international tourism, investment in new product development (including hotels) was low and driven by an industry focus which was upon the white South African domestic tourist market.

Although the precise accuracy of local tourism data can be questioned, an upward trajectory in tourism numbers is evident for the period 1990-2010. As has been shown by several analysts South Africa’s tourism industry grew considerably from 1990 (Rogerson and Visser, 2004; Saayman and Saayman, 2008; Gil-Alana 2011; Scholz, 2011). In 1990 the country recorded only 1 million international visitors the majority drawn from proximate countries in Southern Africa. With the release of Nelson Mandela in 1990 and the lifting of international sanctions international tourism arrivals began to increase sharply such that by 1993 a total of 3 million foreign arrivals was recorded. In 1994, the year of transition to democracy and the hosting of the country’s first democratic elections, international tourism numbers totalled 3.9 million (Gil-Alana, 2011). In the aftermath of the democratic elections and the country’s peaceful transition to non-racial democracy the South African tourism industry experienced a new sense of buoyancy with an upturn in tourism arrivals which reached nearly 6 million by 2000. This surge of international arrivals was maintained and by the mid-2000s South Africa vied with Egypt for Africa’s leading tourism destination. The growth in international tourism continued even after the uncertainties following the 9/11 attacks in the USA which ironically gave South Africa a new status as a relatively peaceful destination which was not subject to international terror attacks (Rogerson and Visser, 2004). Ten years after the birth of the new democracy international tourism arrivals had expanded to a total of 6.7 million visitors.

Since 2004 further growth has been recorded but tempered somewhat by the effects of global recession associated with the financial crisis beginning 2008-2009 (Dlamini, 2010). From 2008
the actual year-to-year trends in international tourism arrivals become difficult to interpret. This is a result of the fact that during 2009-2010 the collection and reporting of statistics relating to international tourism was amended by the official authorities. The major change was to separate out the category of ‘foreign day visitors’ (mainly from neighbouring African countries) from the totals of overall international arrivals (South African Tourism, 2011: 4). The best picture of international tourism arrivals in South Africa for 2010 is that offered by the 2011 Annual Tourism Report produced by South African Tourism. This states that in 2010, the year of South Africa’s hosting the FIFA World Cup, a total of 8 073 552 total tourism arrivals was recorded. This total represents an increase of 1 061 687 tourists or 15.1% from the 2009 arrivals (South African Tourism, 2011). Undoubtedly, this rise in international tourist arrivals numbers was boosted by the hosting of the 2010 FIFA World Cup which saw 309 554 tourists visiting specifically for the event (Ferreira, 2011a). Indeed, during 2010 international tourist arrivals spiked during June, a traditionally low performing month, as a result of the World Cup (South African Tourism, 2011).

![Figure 3.2: Patterns of South Africa’s International Tourism Arrivals 1993-2009: Long haul and regional tourists](image)

**Figure 3.2: Patterns of South Africa’s International Tourism Arrivals 1993-2009: Long haul and regional tourists**

Overall, in the two decades from 1990 to 2010 the numbers of international tourism arrivals in South Africa expanded eightfold. It should be understood, however, that there are two distinct sub-groups within the international tourism economy of South Africa (Rogerson and Visser, 2006). These are the long haul market of mainly leisure tourists from Western Europe and North America on the one hand, and the regional market of tourists to South Africa from sub-Saharan Africa, on the other hand (Rogerson and Visser, 2006; Visser, 2007). The largest cohort in South Africa’s international tourism economy is represented by ‘regional’ tourists or tourists from other countries in sub-Saharan Africa.

The growth in African tourist arrivals to South Africa has been remarkable since 1990 (Figure 3.2). The official data of tourism arrivals as recorded by South African Tourism discloses Africa as the source of 78 percent of international tourism arrivals to the country (South African Tourism, 2010). This finding confirms the considerable importance of regional tourists for South Africa’s tourism economy. Eita et al. (2011: 667) suggested in terms of product development that “South African businesses should align themselves to serve the increasing number of African tourists”.

Since especially 2004 the significance of African arrivals for South African tourism has grown both in absolute and relative terms (Rogerson, 2011c). As compared to 2004 the absolute numbers of regional tourists grew by 3.07 million visitors and the share of Africa in total international tourism arrivals to South Africa rose by nearly 8 percent. Arguably, South Africa’s neighbouring states are an anchor for the country’s international tourism economy (Rogerson and Visser, 2006). The dominance of neighbouring African nations is demonstrated by the fact that they represent seven of the ten most important source countries for foreign arrivals. Six of South Africa’s top 10 country source markets for international tourists - Lesotho, Swaziland, Botswana, Zimbabwe, Mozambique and Namibia - are proximate countries (Rogerson and Visser, 2006). Importantly, however, for the development of tourism product in South Africa, including the supply of accommodation products, it must be appreciated that the largest segment of African
visitors are travelling to South Africa for the purpose of either visiting friends and relatives or for cross-border shopping or trading (Visser, 2007; Rogerson, 2011c).

Figure 3.3: International Tourism Flows to South Africa 2009

Source: Rogerson, 2011c.

The geographical sources for international tourism arrivals in South Africa during 2009 are shown on Figure 3.3. In terms of tourism product development, the most significant segment of the international tourism market in South Africa is represented by the ‘long haul market’. For 1990 it was estimated that the long-haul international tourism market, which is dominated by visitors from the United Kingdom, Germany, the USA, Netherlands and France, was less than 0.5 million in total (Kohler, 2010). Rapid expansion of this critical segment of mainly leisure
tourists occurred after South Africa’s re-engagement and integration into the international tourism economy as the country gained the positive image of a peaceful ‘Rainbow Nation’ (Rogerson and Visser, 2004; Visser, 2007). By 2008 the long haul international market had grown fourfold reaching over 2 million arrivals (Kohler, 2010). The global financial crisis impacted most severely upon this group of long haul international tourists with a recorded 4 percent decrease in the period 2008-2009. The largest downturns occurred from the critical source markets of Germany, France, USA and Netherlands (Dlamini, 2010: 6). Nevertheless, the hosting of the 2010 FIFA World Cup witnessed a reversal of this downturn with the increase of international tourism to South Africa from Western Europe, North America as well as Asia and Australasia (Ferreira, 2011a).

Finally, in terms of a profile of the South African tourism economy, it must be appreciated that the historical base of tourism product development, including hotels, has been constituted by domestic tourism (Caras, 2007; Saunders and Barben, 2007). Indeed, during the years of South Africa’s isolation (as a result of apartheid) from the international tourism economy, domestic tourists were the foundations or bedrock of the local tourism industry (Rogerson and Visser, 2004). Since 1990 in relative terms the importance of the domestic market has been reduced with the surge of international tourism arrivals. Nevertheless, this market remains substantial and still remains critical for certain segments of both business and leisure tourism. As regards actual numbers, the volume of domestic tourists exceeds that of international tourists in South Africa (South African Tourism, 2011). It is estimated that 14.6 million adult South Africans undertook about 30 million domestic trips in 2009 and in 2010 13.5 million domestic tourists undertook 29.7 million trips. Post-1994 an emerging aspect of domestic tourism in South Africa has been the rapid rise of Black tourists, a new middle class linked to economic and political change. Overall, the activity of visiting friends and relatives continues to be the major reason for domestic trips accounting for almost three-quarters of all domestic trips taken in 2010 (South African Tourism, 2011: 10). For the tourism industry, the continued significance of this segment of domestic tourists is apparent from the fact that it is less volatile than the foreign tourist market.
One factor supporting the growth of tourism and consequent demand for hotel accommodation since 1990 has been the establishment of a more supportive policy environment on the behalf of national government (Cornelissen, 2005; Spencer and Zembani, 2011). Since the post-apartheid transition, accompanying South Africa’s re-insertion into the global tourism economy during the early 1990s policy interest in tourism began to rise as the national government recognized that the tourism sector offered the potential to bring about economic growth and employment creation (Rogerson and Visser, 2004; Eita et al., 2011). As has been documented by Rogerson and Visser (2004), Cornelissen (2005) and Rogerson (2011b) as early as 1990 efforts were underway to upgrade and stimulate the tourism sector. After 1994 fresh policy frameworks emerged to support the development and changed role of tourism (Rogerson and Visser, 2004; Spencer and Zembani, 2011). The most influential policy document was the release in 1996 by the Department of Environmental Affairs and Tourism (DEAT) of its *White Paper for the Development and Promotion of Tourism in South Africa* (Republic of South Africa, 1996).

The 1996 White Paper identified tourism as a priority for national economic development (Republic of South Africa, 1996). The White Paper sought to chart a path towards a 'new tourism' in South Africa and offered a set of proposals for developing the industry within the context of post-apartheid reconstruction. In terms of planning, it asserted "the concept of 'Responsible Tourism' emerges as the most appropriate concept for the development of tourism in South Africa" (Republic of South Africa, 1996: 19). Rogerson (2011b) argues that the 1996 White Paper was concerned largely for the development of South Africa’s tourism product and viewed tourism as a ‘missed opportunity’ for the national economy. It argued that if well-managed, the development of ‘responsible tourism’ in the country could ignite the engine of tourism growth (Republic of South Africa, 1996). Spencer and Zembani (2011: 207) state that the “White Paper provided a policy framework and guideline as the engine for igniting leisure and recreation activities through tourism development and growth in South Africa”. Building upon the policy foundation provided by the 1996 *White Paper*, in 1998 DEAT released *Tourism in GEAR* (Republic of South Africa, 1998). This document situated the development of tourism within the neo-liberal context of the Growth Employment and Distribution (GEAR) macro-economic strategy (Republic of South Africa, 1998).
Its aim was to provide a short-term strategy for implementing some proposals of the 1996 White Paper. Importantly, *Tourism in GEAR* offered an initial attempt to define which markets South Africa should target (Rogerson and Visser, 2004). With its core focus on international tourism this policy document undertook a market segmentation analysis, an effort to target resources in order to attract particular types of tourists. This strategic analysis of different markets provided the foundation for the marketing activities of SATOUR, the national agency for tourism promotion (Cornelissen, 2005).

By the early 2000s institutionally tourism had become the core line function of the Department of Environmental Affairs and Tourism (DEAT) but significantly also a concurrent function of the Department of Trade and Industry (DTI), the department responsible for promoting national economic growth (Rogerson and Visser, 2004). The key organisation for policy implementation was South African Tourism (SAT), the successor organisation to SATOUR, as “an agency established as the tourism marketing arm of the South African government” (Spencer and Zembani, 2011: 208). Under the Tourism Act, SAT’s mandate was to deliver sustainable GDP growth, sustainable job creation and promote redistribution through six key objectives, namely increase tourism volume; increase tourist spend; increase length of stay; improve geographic spread; improve seasonality; and, promote ‘transformation’, which refers to a changing of the racial complexion of ownership and beneficiaries of South Africa’s tourism economy.

Strategically, South Africa’s international marketing was guided by the priorities set out in SAT’s Tourism Growth Strategy, which was first issued in 2002 and revised subsequently on two occasions (Visser, 2004). The Tourism Growth Strategy focused national marketing initiatives upon a core portfolio of countries selected for their relative importance and attractiveness to South Africa. In the initial National Tourism Growth Strategy of 2002 South Africa was marketed to high value, long haul travellers seeking an ‘exotic’ safari destination (Visser, 2004). Conventionally, as Cornelissen (2005: 55) points out South Africa represented for international tourists “an exotic destination that offers the tourist the possibility to become an
explorer and in many ways to refashion a romantic pioneering era”. After the democratic transition the South African tourism product continued to centre around landscape, wildlife and culture (Saunders and Barben, 2007). In common with the apartheid period the country continued to shun marketing for mass packaged beach tourism, a market which has only been rudimentarily developed in South Africa (Cornelissen, 2005: 55).

The critical long-term importance of tourism for the South African economy was highlighted once more by the 2006 Accelerated and Shared Growth Initiative for South Africa (ASGISA) which represented a government-driven economic development programme which had significant impacts for tourism (Rogerson and Visser, 2004). In parallel with national objectives seeking to halve poverty and unemployment by 2014, ASGISA sought to energise South Africa on a pathway of higher economic growth and achieve a wider spread of benefits of accelerated growth, or, in other words, shared growth. Under ASGISA, a group of priority sectors were identified representing ‘low hanging fruit’ deemed ripe for further development (Rogerson and Visser, 2006). The group of identified ‘priority sectors’ were those sectors in which the country enjoyed comparative economic advantages which, if fully exploited, would lend themselves to higher rates of economic growth (Rogerson and Visser, 2006). Tourism was one of the immediate priority sectors in which national government considered that support programmes could be implemented (Rogerson, 2011b).

This changing policy environment resulted in a readjustment of the directions of strategic international marketing as pursued by South African Tourism. Within the third Revised Tourism Growth Strategy for 2008-2010 it was admitted that the country’s positioning in overseas markets “has historically been predominantly aimed at the high-value low impact market making our country an expensive destination that few wealthy overseas tourist could afford” (South African Tourism, 2007: 20). Despite a marked upturn in tourism arrivals since 1994, the 2008-2010 Tourism Growth Strategy considered “further growth is essential if tourism is to make a meaningful impact on job creation and GDP growth” (South African Tourism, 2007: 16). As
Rogerson (2011b) shows South African Tourism recognised a need to extend the country’s appeal ‘beyond the high end game’ and that with high levels of unemployment South Africa could not simply be a high end low impact destination. It was acknowledged instead that there was a need to grow volume and reach “beyond the exclusive five- and four star markets into the middle (three- and two-star) markets in order to achieve the volumes necessary to create jobs across the country” (South African Tourism, 2007: 16).

A further set of adjustments within South African tourism policy occurred with the coming to power of President Zuma and of the introduction of the “The New Growth Path” which was introduced in November 2010. This document set out “a dynamic vision for how we can collectively achieve a more developed, democratic cohesive and equitable economy and society over the medium term in the context of sustained growth” (Republic of South Africa, 2010: 1). Tourism was identified as a critical sector for employment creation, one of the six ‘pillars’ of the new growth path. The tourism sector was considered to offer possibilities for diversifying the national economy and contributing to the goals of national industrial policy. Going further, the National Tourism Sector Strategy, which was issued in 2011, aims to increase the tourism sector’s total direct and indirect contribution to the economy from R189.4 billion (7.9%) in 2009, to R318.16 billion in 2015, and R499 billion by 2020. Since the mid 2000s Rogerson (2011b) argues that national government recognised that many different segments of the South African tourism economy were not being fully explored and correspondingly their potential exploited for tourism development (Rogerson, 2011b). Several tourism ‘niches’ have been identified for promotion, including business and events tourism, educational tourism, disability tourism, cruise tourism, cultural and heritage tourism, and ‘rural tourism’ opportunities as a whole. One goal of developing new tourism products is to allow a wider range of destinations to benefit from the expansion of international tourism and domestic tourism, and thus to spread geographically the benefits of tourism in South Africa.

The detailed geography of tourism flows in South Africa is remarkably under-researched mainly because of spatial data shortcomings (Visser, 2007). Nevertheless, the broad patterns of tourism
flows and impacts for tourism development are clearly understood. As is demonstrated by Visser (2004: 272), South Africa exhibits “a highly uneven and polarised tourism space economy”. Certain differences are observed in the spatial distribution of international, regional and domestic tourists (Rogerson and Visser, 2006; Visser, 2007). As has been summarised by Visser (2007: 46), “the mass of overseas visitors, who are mainly leisure seekers, record a high level of visits, firstly to the Western Cape, and secondly to Gauteng – a finding which is mostly explained by Johannesburg’s function as international gateway for the country”. By contrast in terms of visitors from sub-Saharan Africa with their focus on business travel “a very different picture emerges in which Gauteng, South Africa’s economic heartland, and the cities of Johannesburg and Tshwane are the most significant focus for regional tourism, followed by the provinces of the Western Cape and KwaZulu Natal” (Visser, 2007: 48).

Finally, as regards domestic tourism there is considerable spatial unevenness in flows with the coastal areas of KwaZulu Natal the Western Cape and the Garden Route most dominant in terms of domestic travel. By contrast the geography of business tourism is massively concentrated on the country’s major urban commercial nodes “with the dominance of Johannesburg strongly evident (Visser, 2007: 51). Overall, for the tourism economy as a whole Visser (2007) and Rogerson and Visser (2007) stress the significance of cities as core tourism destinations in South Africa. Accordingly, the major geographical poles of tourism activity are concentrated in and around the three main metropolitan areas of the country and are centred upon Cape Town, Durban and Johannesburg. Indeed, Visser (2004: 273) adds that outside of these metropolitan areas “the only other significant nodes of tourism development are in Mpumalanga - the host province of many of South Africa’s game parks – and along the Garden Route and Western Cape”.

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Despite a range of initiatives introduced by national government to encourage tourism flows to less visited parts of the country, recent research by Visser and Hoogendoorn (2012) confirms that little change has taken place in the essential structure of South Africa’s uneven space economy. Overall, by 2010 patterns of total national tourism spend remained highly concentrated in South Africa’s major urban centres. One recent indication of the geographical concentration of the tourism industry is from Global Insight research that shows ten municipalities account for 55 percent of national tourism spend (Wilson, 2011). Figure 3.4 illustrates the polarised character of the contemporary South African tourism space economy. The five most important centres for estimated tourism expenditure are the municipalities of Johannesburg (14 percent of national share), Cape Town (12 percent), Tshwane (8 percent), Ethekwini (7 percent) and Ekurhuleni (6 percent). These are followed in importance by the municipalities of Nelson Mandela Bay,
Mangaung, Stellenbosch, Buffalo City and Mbombela (Wilson, 2011). These findings reinforce the urban dominance of the South African tourism space economy which has altered only marginally during the post-apartheid period.

It is against the backdrop of the re-insertion of South Africa into the international tourism economy from the early 1990s and of recent energetic drives made by national government to build the tourism economy that the demand for hotel accommodation has expanded alongside that of other forms of tourism accommodation. Between 1990 and 2010 it will be demonstrated that considerable changes occurred in the structural and spatial patterns of hotel development in the country. These changes are the focus of detailed analysis in Chapters Four, Five and Six. The next two sections of discussion in this chapter turn from the demand-side of hotel development to focus on supply-side considerations. Section 3.3 examines briefly the historical development of hotels in South Africa and the emergence of large hotel chains which operate hotels of various kinds across the country. Section 3.4 probes questions of hotel property development and the role of hotels as property asset class.

3.3 THE SUPPLY OF HOTEL ACCOMMODATION BY KEY CORPORATE ENTERPRISES

This section turns the focus of discussion away from the demand side of tourism accommodation to issues of supply side considerations and in particular of the provision and growth of hotel forms of accommodation. The material is divided into two separate sub-sections. The first provides a brief historical introduction to the development of hotels in South Africa and in particular highlights the change in their focus from the provision of liquor as their major profitable activity to the supply of accommodation for tourists whether leisure or business travelers. The second sub-section provides an overview of the major corporate players who have emerged and dominated the South African hotel industry particularly since 1990. These key corporate enterprises are responsible for both the production of new hotel developments, in
response to existing and perceived opportunities for hotel developments in relation to the changing patterns of tourism demand which were discussed in section 3.2.

3.3.1 Historical Development of the Hotel Industry

The historical development of the hotel sector in South Africa prior to 1990 is one of the major un-researched issues in the historical geography of the tourism industry in South Africa. There exists only scattered information on the early development of hotels most importantly in the works of Norval (1936), Saunders and Barben (2007) and most recently the account of Rogerson (2011a). This gap in tourism and hospitality scholarship in South Africa ultimately requires detailed archival work and in the absence of existing literature what is presented in this section is only necessarily a skeletal picture of the early evolution of the hotel sector.

It has been observed that whilst “a number of small accommodation establishments that were styled as ‘hotels’ were operating in South Africa’s major urban centres during the nineteenth century most of these initial establishments were small boarding houses offering food and lodging” (Rogerson, 2011a: 381). From the 1890s more modern hotels to provide better facilities of comfort and service began to appear in particular with the support of the steam ship companies in the coastal centres and under the impetus of mining capital in the case of Johannesburg. The earliest luxury hotels were those of the Grand Hotel and Mount Nelson Hotel in Cape Town, the Alexander Hotel and the Royal Hotel in Durban and the Carlton Hotel in Johannesburg. With the early development of tourism in the first half of the twentieth century, however, Saunders and Barben (2007: 27) stress that “more – and better – hotels were needed”. The development of the South African Railways was important in terms of the early growth of domestic and also international tourism to South Africa such that “by 1920 a geographical spread of hotels occurred country-wide with large numbers of small hotels linked to railway stations, including many in country areas and small towns” (Rogerson, 2011a: 381). Nevertheless, with the use of motor cars becoming more widespread from the 1920s, “as in the United States,
motorists could travel further and seek accommodation away from the railway line” (Saunders and Barben, 2007: 27). By the mid-1930s the pioneer work of Norval (1936) revealed that South Africa had a total of 1,144 registered hotel establishments. According to Saunders and Barben (2007: 27) of this national total “sixty five percent were country establishments, with the rest serving the needs of the visitors to the cities and larger towns”. For tourism geographers this observation is significant and confirmed in the further investigation by Rogerson (2011a) that the initial geography of hotel development in South Africa was concentrated outside of the major cities. As will be shown in Chapter Four major changes had occurred by 1990 such that the hotel industry was heavily concentrated in the major urban areas.

To a large extent this change in the geographical pattern of hotel development between 1936 and 1990 can be explained in relation to the changing nature and function of hotels and more especially the shift in the operations from liquor selling to a core focus on the provision of accommodation. The liquor domination of the early hotel industry in South Africa was as Caras (2007: 106) notes “a consequence of government policy which, until the 1960s, although nominally supportive of economic development through tourism growth, was in practice driven by desire to control the sorts of premises in which alcohol could be consumed”. The critical legislative requirement was explained as follows: “an establishment with 10 bedrooms that provided meals was deemed eligible for a liquor license, and many public houses (‘pubs’) merely added ten basic rooms with minimum facilities in order to qualify for one” (Caras, 2007: 106). The work of Rogerson (2011a) provides a detailed account of the early linkages during the twentieth century between the alcohol sector and hotel development in South Africa. Of critical importance was the emergence of the tied house system which reflected the links with liquor selling. Under the tied house system from the 1890s the liquor trade becoming “the primary function of the tied or controlled hotels” and correspondingly reducing the real function of providing accommodation to one of secondary importance (Norval, 1936; Caras, 2007; Rogerson, 2011a). The legislative framework for the 20th century development of the South African hotel industry thus was set by liquor legislation and, as a consequence, a large segment of the country’s hotels operated primarily as liquor rather than accommodation outlets.
(Rogerson, 2011a). Norval (1936) early highlighted that more than half of the total licensed establishments operating in South Africa in the 1930s were small establishments with less than 25 rooms. The majority of these establishments nominally called hotels were not operated by hospitality personnel. Instead they were operated by individuals who were seeking their fortunes in the liquor trade and were operating establishments that were “nothing but subterfuges for bars” (Norval, 1936: 234). As Rogerson (2011a) shows, it was only with legislative changes that there was a gradual shift away from liquor dominance to the growth of a hotel sector in South Africa focussed upon the provision of accommodation for profitable purposes. For Caras (2007: 106) the “lamentable state of affairs” in the South African hotel industry persisted until the early 1960s. In 1962 the shock announcement of the closure of Johannesburg’s Carlton Hotel, without doubt South Africa’s most important hotel at the time, because of poor profits and low returns prompted the establishment of a commission of enquiry into the hotel trade (Rogerson, 2011a). In 1965 a Hotels Act was promulgated following the recommendations of the hotel commission, a Hotel Board was established and a grading system introduced for the first time in South Africa in 1966. This was followed in 1967 by the rollout of a set of income tax allowances which were designed to encourage the establishment of new better hotels which would be geared to the provision of tourism accommodation rather than liquor selling.

As documented by Caras (2007) and Rogerson (2011a) the new tax allowances were allied to the grading system in a way that tax concessions were granted on a sliding scale which related to a hotel’s grading. Caras (2007: 106) notes that “a five star hotel could write off its cost of development against income over 13 years, and a one star hotel over 23 years”. From this point a hotel’s tax status was to be driven by its grading classification which was under the auspices of the Hotel Board. These changes in legislation which took place in the 1960s were a watershed in the historical development of the South African hotel industry for they marked the transition away from a liquor dominated industry to one where there was a transition now to the provision of accommodation as the central focus of the hotel industry. In the reclassification of hotels many establishments which formerly were subterfuges for bars lost their classification as hotels with the majority of these establishments being in the so called ‘country areas’ where the
majority of hotel development had previously been situated. New geographies of hotel development were clearly emerging from the mid-1960s and particular linked more closely to patterns of tourism demand as opposed to the early development of hotels linked to the liquor industry.

3.3.2 The Development of the Leading Corporate Hotel Enterprises

The legislative changes which occurred in the mid-1960s provided the impetus for a dramatic growth and restructuring of the South African hotel industry from the mid-1960s onwards and in particular during the 1970s “thanks in part to the activities of Southern Sun Hotels” (Saunders and Barben, 2007: 27). Most especially, the development of a modern hotel industry in South Africa was linked to the emergence and consolidation of the large hotel chains, most importantly of the Southern Sun Hotels, which was established by Sol Kerzner with support from South African Breweries (Rogerson 2011a). From 1968 a new wave of hotel development was led by Southern Sun and Transito in resort areas and cities. Hotel distribution now shifts to be concentrated in urban areas. During the 1970s and 1980s the expansion of domestic tourism leads to further concentration.

The key developments occurring in the hotel industry following the implementation of the new policy dispensation regarding the hotel industry are summarised by Caras (2007: 107-108). The major milestones were as follows:

- In 1965 Sol Kerzner opens his first – and at the times most luxurious – new hotel, the Beverly Hills at Umhlanga Rocks and Cape Town city council approves tenders for a new 5 star hotel – the Heerengracht – in the CBD.

- In 1967 the 5 star President Hotel opens in Johannesburg and the Mount Nelson Hotel in Cape Town is upgraded.
• In 1968 the Holiday Inn group is launched in South Africa with plans to develop a chain of middle-market hotels country-wide.

• In 1969 South African Breweries in partnership with Sol Kerzner form a new subsidiary – Southern Suns Hotels

• In 1970 The Elangeni Hotel is launched on Durban’s beachfront and the Tollman Towers opens in Johannesburg.

• In 1971 the Malibu Hotel opens on the Durban beachfront, a new Holiday Inn opens adjacent to Johannesburg’s international airport and the 5 star Elizabeth Hotel opens in Port Elizabeth.

• In 1972 the new 600 room Carlton Hotel opens in downtown Johannesburg and is the largest hotel in the southern hemisphere and the Beacon Island hotel in Plettenburg Bay is completed.

• In 1973 the 5 star Landdrost hotel opens in the Johannesburg CBD.

• In 1977 the twenty first Holiday Inn opens in Vanderbijlpark.

• In 1978 the 5 star Maharani opens on the Durban beachfront.

• In 1979 Southern Sun lists its 25 hotels (4 300 rooms) on the Johannesburg Stock Exchange and Sun City opens.

As a result of these developments which were led by the emerging hotel chains, the South African hotel sector ‘flourished’ during the 1970s and it could be observed that by the end of the decade “the country could boast hotels of international standard in all its major cities” (Caras, 2007: 107). Another wave of hotel developments was spurred during the late 1970s and early 1980s by the establishment of major hotel resorts linked to gambling and large casino operations in the supposedly independent Bantustan states. The most notable of these casino resort developments were at Sun City and at the Wild Coast. Among other peripheral developments which occurred were those at Mmabatho, Fish River, Taung, Thaba Nchu, and Thoyandou. The geography of casino-resort development is traced by Rogerson (2004b).
Caras (2007) draws attention to important non-casino hotel developments which occurred in urban centres during the 1980s. These urban hotel developments were attributed to “a further improvement in the income tax incentives in 1980” (Caras, 2007: 107). The new tax regulatory regime offered a generous writing off of hotel development costs for 3, 4 and 5 star hotel developments. In response there were a number of notable hotel property developments built during the 1980s. The most significant were the Sandton Holiday Inn (1982), the 5 star Cape Sun (1983), the Sandton Sun (1984), the Pretoria Holiday Inn (1984), the Durban Holiday Inn (1985) and perhaps most significant the 800 room Johannesburg Sun built in the inner city of Johannesburg (1986). In an important development the grading linked income tax incentives for new hotel property developments were withdrawn in 1988. As Caras (2007: 107) points out since 1988 “all new hotel developments have been entitled to only a 5% per annum building-cost write-off, regardless of grading”. Overall, it must be understood that the period of the 1970s and 1980s witnessed the emergence of a leisure focussed hotel industry which was associated with the growth of white domestic tourism as this was a time of limited international tourism because of boycotts and sanctions under apartheid.

Under the impress of international sanctions during the 1970s and 1980s the South African hotel industry became dominated by the operations of the Southern Sun Group of hotels (Tucker 1986). This group had been launched in 1969 under the leadership of Sol Kerzner and formed part of the broader diversification programme of SAB (South African Breweries) away from its core brewing activities (Tucker, 1986). Growth of the hotel chain was rapid and by 1973 Southern Sun had a network of “24 hotel operations in South Africa covering all the country’s major urban centres and most of the leading tourist areas” (Rogerson, 1990: 346). Throughout the 1970s and 1980s the Southern Sun Group continued to extend its operations in the segment of middle range and upmarket full service hotels (Tucker, 1986). During the early 1980s several other hotel groups began operations in South Africa. The most significant newcomers were the Protea group, launched in 1984, which focussed on establishing a national chain of full service middle to upper end hotels, and the City Lodge group, which innovated the concept of the limited service hotel product in South Africa (see Chapter Five, Section 5.4).
In common with global trends observed by Clancy (2011), increased concentration of ownership in South Africa’s hotel industry consolidated during the 1970s and 1980s and accelerated after 1994. A number of local chains, most importantly Southern Sun, Protea, and City Lodge were established and extended their operations under different brands (Ahmed et al., 1999). Other early enterprises included Sun International, which mainly engaged in operating large hotel casino resorts in the former Bantustans, and the Karos and Stocks & Stocks groups which concentrated investments in urban centres. During the late 1990s as a result of difficult trading conditions in the hotel sector some of South Africa’s largest hotel groups, notably Karos and Stocks & Stocks, went into liquidation. The churning of the hotel property developers continued into the period of the early 2000s with a range of emerging locally-owned hotel brands including Legacy Hotels, Three Cities, Mantis Group, Signature Life, Orion, Urban Hip, Forever Resorts and African Sky. In chain expansion the lead enterprises undertook different growth strategies including the establishment of new hotel properties as well pursuing various contractual agreements around branding, franchising and management contracts with individual property owners (Cunill, 2006).

The production of new hotels as well as the refurbishment and upgrading of existing accommodation properties during 1990-2010 was driven by a mix of individual independent entrepreneurs and increasingly by a small group of large South African owned hotel chains. The restructuring and production of hotel properties importantly occurred in an investment environment that was markedly different to that of the 1970s and 1980s. As Ahmed et al (1999: 75) pointed out the tax allowance for casino hotel resort development in the Bantustans had been extraordinarily generous with a tax allowance of 120 percent. By contrast, since the democratic transition and notwithstanding government efforts to promote tourism the tax allowance on South African hotel buildings remained at 5 percent (Ahmed et al., 1999: 75). During the 1990s, however, in response to new market opportunities linked to tourism growth, a wave of new hotel developments occurred in the cities in particular in Johannesburg from 1995 and in the Cape Town and environs from 1997 (Ahmed et al., 1999: 79).
Table 3.1: Major Hotel Developments in South Africa 1995-1997.

<table>
<thead>
<tr>
<th>Location</th>
<th>Hotel</th>
<th>Star Rating</th>
<th>Number of Rooms</th>
<th>Opening Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cape Town</td>
<td>Mount Nelson Extension</td>
<td>5</td>
<td>67</td>
<td>1996</td>
</tr>
<tr>
<td>Cape Town</td>
<td>Table Bay Hotel</td>
<td>5</td>
<td>330</td>
<td>1997</td>
</tr>
<tr>
<td>Cape Town</td>
<td>Days Inn</td>
<td>3</td>
<td>118</td>
<td>1997</td>
</tr>
<tr>
<td>Cape Town</td>
<td>Waterfront Holiday Inn</td>
<td>4</td>
<td>546</td>
<td>1998</td>
</tr>
<tr>
<td>Cape Town</td>
<td>Cullinan Inn</td>
<td>3</td>
<td>416</td>
<td>1998</td>
</tr>
<tr>
<td>Cape Town</td>
<td>Best Western Cape Suites</td>
<td>3</td>
<td>126</td>
<td>1997</td>
</tr>
<tr>
<td>Cape Town</td>
<td>President Hotel</td>
<td>4</td>
<td>349</td>
<td>1997</td>
</tr>
<tr>
<td>Durban</td>
<td>Durban Hilton</td>
<td>5</td>
<td>327</td>
<td>1997</td>
</tr>
<tr>
<td>Johannesburg</td>
<td>Park Hyatt</td>
<td>5</td>
<td>244</td>
<td>1995</td>
</tr>
<tr>
<td>Johannesburg</td>
<td>Westcliff</td>
<td>5</td>
<td>119</td>
<td>1997</td>
</tr>
<tr>
<td>Johannesburg</td>
<td>Days Inn</td>
<td>3</td>
<td>114</td>
<td>1998</td>
</tr>
<tr>
<td>Johannesburg</td>
<td>Holiday Inn Crown Court</td>
<td>3</td>
<td>444</td>
<td>1995</td>
</tr>
<tr>
<td>Johannesburg</td>
<td>Michaelangelo</td>
<td>5</td>
<td>242</td>
<td>1996</td>
</tr>
<tr>
<td>Johannesburg</td>
<td>Sandton Hilton</td>
<td>5</td>
<td>323</td>
<td>1997</td>
</tr>
<tr>
<td>Pennington</td>
<td>Selbourne Park Sun</td>
<td>5</td>
<td>52</td>
<td>1997</td>
</tr>
<tr>
<td>Zimbali</td>
<td>Zimbali Lodge</td>
<td>5</td>
<td>76</td>
<td>1998</td>
</tr>
<tr>
<td>Pretoria</td>
<td>Sheraton Pretoria</td>
<td>5</td>
<td>180</td>
<td>1999</td>
</tr>
</tbody>
</table>

Source: Adapted after Ahmed et al., 1999: 79.
Table 3.1 provides a profile of the major hotel property developments in terms of both extensions of existing hotels and construction of new hotel properties that occurred during this boom period of 1995-1997. As will be argued in Chapter Five the patterns of tourism demand for hotel accommodation, particularly as reflected in the international tourism arrivals, did not match the expectations of developers in this so-termed boom period of hotel development in South Africa. As a result many of the hotels listed in Table 3.1 subsequently experienced change of ownership and name changes. For example, the Cullinan Inn in Cape Town was part of the portfolio of Cullinan Hotels, which subsequently was forced into liquidation.

Overall, as is shown in Chapters Four and Five, the structural and spatial restructuring of the hotel sector of South Africa which occurred during the period 1990-2010 and unfolding spatial patterns of accommodation was the result mainly of interventions and investments made by local rather than foreign investors. In the mid-1990s local chains accounted for an estimated “50 percent of the total room inventory in South Africa” (Ahmed et al., 1999: 76). The dominance of the major chains in driving the restructuring of the South African hotel industry strengthened further over the next 15 years. By 2010 the three leading hotel chains within South Africa were Protea (84 hotels), Southern Sun (78 establishments), and City Lodge (52 hotels). Each of these groups by 2010 was operating an array of different brands established to serve different market segments (see Chapter Six). For example, the Protea Group includes three different brands of full service hotels, viz., Protea Hotels, African Pride and Fire and Ice, all within the three to five star range. The Protea Group has expanded its activities across South Africa through a range of growth strategies including management, franchise agreements and joint ventures.
Table 3.2: South Africa’s Leading Hotel Groups, 2010

<table>
<thead>
<tr>
<th>Hotel Group</th>
<th>Properties in South Africa</th>
<th>Properties in other African countries</th>
<th>Market Served</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tsogo Sun (Southern Sun)</td>
<td>78</td>
<td>7</td>
<td>1 to 5 stars</td>
</tr>
<tr>
<td>Protea Hotels</td>
<td>84</td>
<td>33</td>
<td>3 to 5 stars</td>
</tr>
<tr>
<td>City Lodge</td>
<td>52</td>
<td>0</td>
<td>1 to 4 stars</td>
</tr>
</tbody>
</table>

Sources: City Lodge Hotels AR 2010; Southern Sun 2010; Protea Hotels 2011

Table 3.2 captures the property portfolio of South Africa’s leading three hotel chains in 2010. Since the democratic transition, South Africa’s hotel industry has become dominated by the operations of three leading hotel groups, namely Protea, Tsogo Sun (Southern Sun) and City Lodge, all of which are South African-owned and managed. Each of these groups has been engaged in diversifying their brands and segmenting operations in order to appeal to a wider range of travelers. The Protea group, Africa’s biggest hotel operating company, has expanded through a combination of direct hotel ownership, management contracts and franchise agreements. By 2010 Southern Sun was an umbrella for a range of different brands, the majority of which are within the three and four star full service sector. Taken together, by 2010 these three dominant enterprises in the South African hospitality sector owned or managed a total of over 200 hotels within South Africa (Table 3.2). In addition, both Tsogo Sun (Southern Sun) and Protea had embarked on the geographical spread of their activities into a range of other countries in sub-Saharan Africa and, in the case of Tsogo Sun (Southern Sun), even beyond Africa to destinations in the Middle East.

Although Ahmed et al. (1999: 74) considered that “the changing political landscape in South Africa in the 1990s, including the reintegration of the economy into the global marketplace, has
opened opportunities for international investors”, it must be understood that foreign penetration and investment in the South African hotel industry has been limited. The strength of local ownership in South Africa’s hotel industry in part was the result of “lack of competition from international hoteliers stemming from economic sanctions during the years of apartheid” (Ahmed et al., 1999: 76). Foreign hotel chains entered the South African market only after the 1994 democratic transition. Since 2000 a number of leading international hotel chains have established operations in South Africa. By 2010 these included Sheraton (3 hotels), Hilton (3 hotels), Hyatt (3 hotels), Rezidor (6 hotels), Mercure (3 hotels) and the Taj group (1 hotel).

3.4 THE SUPPLY OF HOTEL PROPERTIES: THE HOTEL AS PROPERTY ASSET CLASS

In understanding the supply and production of hotel properties it is essential to understand the decision of institutional and independent investors concerning property as an asset class and more specifically of decision-making in relation to a balance between industrial, retail, office and leisure property. Although as discussed in Chapter Two this important issue surrounding hotel development has received attention in international scholarship, little research on this issue exists in the South African context. Existing writings on the role of institutional investment in hotel property are dominated overwhelmingly by scholarship relating to the USA, UK and Australia. Within tourism writings on the developing world and specifically on sub-Saharan Africa little knowledge is available on the theme of contemporary hotel property as asset class.

This section draws upon some existing unpublished material and most importantly, presents the findings from original research conducted with property stakeholders on the attractiveness of hotels as a distinctive property asset class. The contemporary South African research on hotels as property asset class was anchored on the findings of key industry stakeholder interviews and backed up by an analysis of property industry data source material. The collected material was analysed and related to comparative international developments in hotel property.
At the outset, it must be appreciated that historically institutional investors have taken little interest in the South African hotel sector (de Loor, 1995). To a large extent this situation can be accounted for by the undeveloped nature of South Africa’s tourism industry which during the 1980s endured boycotts and international sanctions (Rogerson and Visser, 2007). With the 1994 democratic elections South Africa re-entered the global tourism economy and the country experienced a wave of new growth in tourism which in turn triggered a burst of new hotel developments and upgrading of existing hotel stock. Despite new opportunities and tourism potential, one research investigation which was undertaken in 1995 highlighted that the majority of institutional property investors in South Africa did not consider hotels as suitable for their property portfolios and that hotels did not form any part of their investment strategy (de Loor, 1995: 85). The historical study undertaken by de Loor provides an interesting baseline of information. It pointed to several key factors in the 1990s which constrained institutional investment in hotel property. Most importantly, there was a lack of understanding and awareness by institutional investors of the hotel industry. In addition, existing perceptions often linked the hotel sector as a high risk sector for property development which was confirmed by the high profile closures of iconic hotels such as the Grand Hotel in Cape Town and the Carlton Hotel in Johannesburg (Caras, 2007).

![S.A. PROPERTY SECTOR](image)

**Figure 3.5: Total Returns in the Property Sector of South Africa 1995-2011**

Source: Unpublished data from International Property Database.
Many of these constraining factors were found to be relevant in the contemporary context as revealed by the interviews which were carried out with leading property and hotel stakeholders. In contemporary South Africa property is a major focus for leading institutional investors. This has been in part the result of the solid returns which have been recorded by property investments. Figure 3.5 shows the cyclical nature of property returns in the South African market for the period 1995-2011 based upon unpublished data accessed from the International Property Database (IPD). It is evident that property returns in South Africa reached in excess of 30 percent in 2005 but with the global financial crisis declined to 8.7 percent in 2009. Traditionally, institutional asset allocation has been articulated around achieving a balance in portfolios in respect of commercial, industrial and retail property. No specific information could be gleaned relating to the performance of hotel properties *per se* as the data under the category ‘other property’ would encompass a mix of different property types outside the three core asset classes. Critically, one respondent saw hotel property as a “hybrid asset class” in South Africa as “hotels are not the property business instead they are the hotel and hospitality business” (Nelson, 2012). It was considered that hotel property was a class akin to equity rather than property in terms of its actual performance in South Africa. (Nelson, 2012).

In respect of current patterns of hotel property ownership in South Africa the interviews revealed certain similar trends which are observed in developed countries. Although precise data is not available for South Africa, several respondents confirmed that the majority of South African hotel properties are held in private hands rather than institutional ownership (Clinton, 2012; Nelson, 2012, Templeton, 2012). More specifically, in South Africa a considerable share of hotel property is retained by some of the major hotel groups, in particular City Lodge which focuses on the limited service segment of accommodation, and Tsogo Sun (formerly Southern Sun), which spans a range of different brands from one to five star accommodation (Ross, 2012; Wood, 2012). In the case of Tsogo Sun, the second largest hotel group (2010) based in South Africa, the managing director stated that with their 85 existing South African hotel properties, the corporate strategy was “to own and manage as much as they can” (Wood, 2012). In the case of City Lodge, the business strategy for its 52 properties was again that of to own and manage.
Only one of the portfolio of City Lodge hotel properties is not in direct ownership and instead is operated under a lease agreement (Ross, 2012). By contrast, South Africa’s largest hotel chain, the Protea Group which operates 87 hotels, does not invest in hotel properties. In common with many international brands, particularly in the USA, this group can be described as “asset light” (Nelson, 2012). The Protea Group chooses to grow its South African operations strategically through the channel of management contracts or franchise agreements and leaves ownership of hotel properties in the hands of private individuals.

Institutional ownership of hotels in South Africa shows a different level to that which currently exists in North America, Western Europe or Australia (see cf. Corgel and de Roos, 2003; Haywood, 2003; Newell and Seabrook, 2006; Kryzanowski and Tcherednitchenko, 2007; Newell and Peng, 2007; Weiermair and Frehse, 2008). Presently, the situation in South Africa is that there exists simply one listed fund which is dedicated to hotel property investment. The one listed fund is the Hospitality Property Fund which was established in 2004 (Nelson, 2012). At the end of 2011 this fund comprised a range of hotels with an estimated 30 percent five star, 40 percent four star and 30 percent three star hotels. In total, there were twenty four properties in the fund with a combined value of R3.4 billion. In terms of the geographic spread of the fund’s hotel properties by value, nearly two-thirds was represented by Gauteng province, South Africa’s business heartland (Financial Mail, 2011).

Notwithstanding the growth of South Africa’s tourism economy, the Hospitality Property Fund remains the only such listed vehicle which is focused on the hotel property as an asset class. Although South Africa has a sophisticated financial industry, the other listed property funds in the country are mainly diversified funds which focus their investments on the traditional property asset classes of commercial, retail and industrial. In understanding this different pattern of the property investment in South Africa to that in Western Europe or the USA, a critical determining factor is that the local non-residential property market is narrow and considered too small for the initiation of dedicated funds (Templeton, 2012). As emphasized by one leading South African
property fund manager “the supply of property is the limiting factor” (Templeton, 2012). Further, “all listed property funds want to buy large, well-built and easy to manage properties of which there is not much stock so we can’t afford to be fussy and thus have diversified funds” (Templeton, 2012). In addition, it was asserted that the institutions did not want to be exposed to hotel properties with management agreements “where the risk for the owner is higher than that for other types of property” (Sampson, 2012). This point was further elaborated by a property fund manager who stressed that “most hotel management companies only want to sign a management agreement which creates a lot of uncertainty for the owner as there is no guaranteed monthly income… Lease agreements are more attractive for the property owner as they have a guaranteed income stream” (Abrahams, 2012).

Another underpinning of the reticence of institutional investors to engage with the hotel as property class relates to the dearth of information and thus understanding of the performance of the hotel industry. Although knowledge gaps about the lack of industry-specific information were observed in international debates in Chapter Two, the severity of these gaps in South African was exposed in the interviews. To some extent, this is a by-product of the secretive nature of the South African hotel industry (Nelson, 2012). The main South African property benchmarking index, which is part of an international property benchmarking company, does only report on the performance and returns of commercial, industrial and retail properties (Garrun, 2012; Cleland, 2012). The sparse locally available information on the hotel sector in South Africa compels the Hospitality Property Fund to rely on information which is collected by a United States based benchmarking company (ST Global). This information is, however, incomplete because it is restricted only to the country’s three to five star segments and further lacking in any spatial specificity. Another dimension of the weak state of data to inform investors relates to difficulties around the valuation of hotel properties in South Africa (Sampson, 2012). In particular, critical information is unavailable relating to, for example, comparative room rates, hotel running costs, and geographically differentiated data on the sector. Accordingly, from an institutional investor point of view it was observed that “it is better to steer clear of hotel
ownership as there are too many unknowns and risks to be able to value them accurately as it is a highly specialized area” (Abrahams, 2012).

Figure 3.6: Occupancy Levels for the South African Hotel Sector 1998-2011

Source: Unpublished data from Pam Golding Hospitality.

One indicator (albeit crude) of the performance of the hotel property asset class in South Africa is patterns of hotel occupancy. Figure 3.6 shows available data for the period 1998-2011. It reveals a cyclical pattern which exhibits a peak in 2007 which corresponds to a surge in long haul international tourism arrivals (Abdul-Karrim, 2012). The interviewees stressed, however, that an important influence upon occupancy levels is the health of business tourism in South Africa and correspondingly of business confidence (Wood, 2012; Ross, 2012 ). The critical importance of business tourism for leading hotel enterprises in South Africa was underlined by the Managing Director of Tsogo Sun who stylized corporate travelers as “the lifeblood of the (local) hotel industry” (Wood, 2012 ). Analysis of the changing geography of hotel property development in South Africa for the period 1990-2010 reveals the high degree of concentration of new hotel property developments at two particular locations, namely Johannesburg, the business capital of South Africa, and in Cape Town, the key hub for international leisure tourism (See Chapter Four).
In parallel with the patterns observed in the experience of developed countries, the volatile nature of hotel property performance in South Africa was recorded as a further explanation for low levels of involvement by most institutional investors (Clinton, 2012; Pretorius, 2012). The Chief Executive Officer of the Hospitality Property Fund stated that locally “hotels suffer badly during economic downturns as there is a mismatch between costs rising and falling occupancies” (Nelson 2012). None the less, he continued “when times are good hotel rates bear no relation with inflation and that is why hotel property performance is better in the good times but worse than other property asset classes in the bad times” (Nelson, 2012). Further commonalities of the South African experience with international trends were noted in the interviews to account for the constrained current levels of investment in South African hotel properties. It was revealed that contractual agreements with hotel operators, particularly management agreements, specified the need for rolling capital expenditures on the properties which marks the hotel sector as distinct from other property classes in South Africa and most particularly in respect of the relationship which they have with their tenants (Clinton, 2012, Sampson, 2012). In addition, hotel properties are tailored often to the leisure function such that they are not easily or readily convertible to other property uses (Nelson, 2012, Templeton, 2012). Indeed, one of the interviewees stated as follows: “if a hotel is performing poorly it is very expensive to reconfigure the building into offices or some other use…Sometimes it is easier just to demolish the building and start again which results in an extremely costly exercise” (Sampson, 2012).

In the aftermath of South Africa’s hosting of the 2010 FIFA World Cup, the hotel sector exhibited signs of over-supply in certain market segments and geographical areas (Ferreira, 2011a and Chapter Four). During the growth phase of hotel developments that preceded the World Cup a number of institutional property funds did become involved, often marginally, in the hotel property sector on the grounds of diversification of property asset classes. With the oversupply and following the delayed impact of global economic recession on the South African tourism sector many of these entries into the hotel sector by institutional investors have proven problematic and in the words of one interviewee resulted in “burned fingers” (Abrahams, 2012). A cautious outlook regarding institutional involvement in hotel property owners was countered
in the response of another interviewee who stressed the immaturity of the South African property industry as a whole. It was stated that: “Hotel investment as a property class has grown in the UK and Australia over the past decade. Although South Africa lags these areas I would anticipate that we would follow a similar path of investment patterns in the future” (Templeton, 2012).

The findings from this primary research show South Africa exhibit both common patterns and certain marked differences in relation to hotel property as a distinctive asset class when compared to advanced economies. Issues that are common include the relatively poor level of understanding of hotels by institutional investors, a perception of higher levels of investor risk in hotels than traditional property classes, knowledge gaps in relation to appropriate monitoring or benchmarking for the hotel property market, and a blurring of boundaries between hotels as property or business forms of investment. Nevertheless, the interviews confirmed several distinctive issues that mark the South African experience in the global context of hotel property investment. The most distinctive themes concern the limited engagement of diversified property funds with hotels, the existence of only one investment fund dedicated to hotel property, the absence of real estate investment trusts (REITs) and, the extremely weak state of local data on hotel property performance.

3.5 CONCLUSION

Among others it has been acknowledged by Borooah (1999: 986) that the “provision of accommodation is an important part of the totality of activities that go to make up the tourism industry”. The purpose of this chapter was to begin the analysis of tourism accommodation in South Africa in the context of demand and supply-side considerations. An analysis of the changing structural and spatial patterns of hotels in South Africa between 1990 and 2010 must be anchored upon an understanding of the key trends and issues that have impacted the demand and supply side of the hotel industry. The aim in this chapter was therefore to provide an introduction
to the shifting dynamics of the South African hotel sector by grounding it in terms of the core demand and supply side considerations.

The discussion has highlighted several critical themes. On the demand side of hotel development the analysis has demonstrated the changing trends of tourism and in particular it has flagged certain important differences and changes in respect of domestic, international and regional travel patterns. Historically, tourism accommodation in South Africa was necessarily geared to the demands of domestic tourists, a situation which prevailed until the onset of democratic change. Since the early 1990s, however, the demands of new international tourists have been of growing significance as well as the expansion of business tourism, both domestic and regional. One critical factor has been the optimism associated with anticipated growth of international tourism arrivals first with the re-insertion of South Africa into the international tourism economy, and second, with the award of hosting rights to South Africa for the 2010 FIFA World Cup.

On the supply side of hotel development a number of critical issues were disclosed. Of considerable importance was the shift which occurred from the mid-1960s from a former era in which hotels were mainly providers of liquor to one wherein the primary function of hotels was that of offering accommodation and services to satisfy tourist demands. This shift triggered a major upturn in new hotel developments and a corresponding rise of a number of major local hotel chains which assumed dominance in the South African hotel sector. Significantly, however, the growth strategies of these leading hotel chains differed with certain chains growing by the route of management contracts and others opting to own and manage their hotel operations. Finally, on the supply side of hotel industry development in South Africa the chapter presented original material on the role of hotels as a distinctive property asset class. Key conclusions related to the limited understanding by major investors of the hotel sector, the limited involvement of diversified property funds with hotels, the existence of only one investment fund dedicated to hotel property, the lack of REITs as an investment vehicle and, above all, the extremely weak state of local information regarding hotel properties and the hotel sector as a whole.
Building upon this foundation, in the next three chapters of this dissertation attention is focused upon the central empirical findings of this study. It is argued that the material presented in Chapters Four, Five and Six address the issue of the existing poor state of knowledge relating certain aspects of the South African hotel industry. Chapter Four investigates the changing structure and spatial patterns of the hotel industry at the inter-urban scale for the period 1990 to 2010. Chapter Five examines the theme of market segmentation and of the differentiation of the supply of hotel products in relation to segmented markets and changing consumer preferences. Finally, Chapter Six returns to structural and spatial matters by analysis of the restructuring of the hotel sector and intra-urban patterns of change in four leading South African cities over the two decades 1990-2010.
CHAPTER FOUR

STRUCTURAL AND SPATIAL TRANSFORMATION OF THE SOUTH AFRICAN HOTEL INDUSTRY

4.1 INTRODUCTION

The existing scholarship on the hotel industry was reviewed in detail in Chapter Two. Among the key arguments of that review was that few existing studies examine both the changing structure of the hotel industry and its spatial organization at the national scale. Although a number of investigations have analysed the changing structure of national hotel sectors as in the examples of China (Zhang et al. 2005), the United States (Ioannides and Timothy, 2010) and Spain (Brida et al. 2010) none of these studies provides a detailed analysis of the spatial patterns of hotel accommodation in those countries.

It is the aim in this chapter to analyse the changing structure and spatial arrangement of the hotel sector in South Africa during the period 1990 to 2010. It is argued that this period marked a phase of major transformation in terms of the nature of the hotel and quality standards, size of hotel and geographical location. The restructuring of South Africa’s hotel sector during this period 1990 to 2010 corresponds to the country’s re-entry into the global tourism economy which was discussed in Chapter Three. As Visser and Hoogendoorn (2012), among others, have argued, the location of hotels can be viewed as one proxy for the importance of destinations in a national tourism space economy. The discussion in this chapter unfolds through the presentation of two major sections of material. The first section will consider the changing number of hotels, the changing quality of hotels and the changing size of hotels over the two decades 1990 to 2010. Section Two will look at the spatial changes of the hotel sector in South Africa at the inter-urban
scale of investigation. Issues relating to spatial change at the intra-urban level are reserved for discussion in Chapter Six.

The analysis in this chapter is based upon a detailed examination of the two national data sets which were constructed for all registered hotels in South Africa and corresponding to the two study years of 1990 and 2010. The information captured in the two data bases lists for each hotel establishment its location, size (indexed by room numbers) and quality standards as measured by star grading. Analysis of the two data bases for 1990 and 2010 allowed the calculation of the components of change in the hotel property stock for three categories of establishments: (1) ‘births’ or new hotel property developments; (2) ‘deaths’ or hotel closure/conversion to non-hotel usage; and (3) ‘stayers’ or properties that have continued to function as hotels across the 20 year study period. Within the category of stayers are hotels that may have rebranded, undergone expansion, contraction, or change of ownership. The construction of these two data bases must be viewed as at the heart of the original contribution made in this research. As indicated by recent studies undertaken for the World Bank on the hospitality sector in sub-Saharan Africa, official data on the hotel sector in Africa is either generally weak or none existent (Ernst & Young, 2010). In contrast to most nations in the developed north (and even a number of African countries), South Africa does not maintain an official data base of its national hotel sector. The two data bases constructed for this investigation provide the foundation for tracking and interpreting the key elements of change which demonstrate the enormous restructuring which has taken place in the South African hotel industry between 1990 and 2010.

4.2 INTERPRETING THE changInG HOTEL SECTOR – STRUCTURAL ISSUES

Several dimensions of structural change can be discerned. The organization of this discussion is as follows. Following an analysis of the broad profile of the numbers of hotel establishments and
of total rooms that are available, the discussion turns to analyse the changing size profile of the South African hotel stock during the period 1990 to 2010. The section closes with a detailed investigation of the major shifts that occurred in terms of the quality of the hotel stock in South Africa over the 20 year study period.

4.2.1 Changes in Total Hotel Stock

Table 4.1 Hotel Stock in South Africa, 1990 and 2010

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Hotels</th>
<th>Number of Hotel Rooms</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>1103</td>
<td>41 750</td>
</tr>
<tr>
<td>2010</td>
<td>1165</td>
<td>73 252</td>
</tr>
</tbody>
</table>

Source: Author’s data base

Table 4.1 shows the overall picture in terms of numbers of hotel establishments and numbers of hotel rooms for 1990 and 2010. The table provides the first glimpse into the changing nature of the South African hotel industry over this twenty year period. The research disclosed that in terms of the actual number of hotel establishments in South Africa only a marginal change is evidenced for the 20 year study period. For 1990 a total of 1 003 hotels was recorded across South Africa and offering a total of 41 750 rooms. By 2010 the number of hotels was 1 165 in total and providing 73 252 rooms. The net change was thus an increase of only 162 establishments or 16 percent growth albeit with an expansion of an additional room capacity of 31 502 or 75 percent growth. These changes occurred during a period when an 800 percent increase was recorded in international tourism arrivals during the period 1990 to 2010 which marked a phase of enormous growth in the volume of tourism in the country (Chapter Three).
At a superficial analysis Table 4.1 suggests that very little change may have occurred in the South African hotel sector between 1990 and 2010. It will be argued that this table masks the existence of several fundamental changes which did take place and are unpacked in the detailed discussion below.

Table 4.2 Hotel Births, Deaths and Stayers 1990 to 2010

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of new hotel births 1990 to 2010</td>
<td>802</td>
</tr>
<tr>
<td>Percent of births as proportion of 2010 hotel stock</td>
<td>68.8 percent</td>
</tr>
<tr>
<td>Number of deaths of hotels 1990 to 2010</td>
<td>640</td>
</tr>
<tr>
<td>Percent of deaths as proportion of 1990 hotel stock</td>
<td>63.8 percent</td>
</tr>
<tr>
<td>Number of stayers between 1990 and 2010</td>
<td>363</td>
</tr>
<tr>
<td>Percent of stayers as a proportion of 2010 hotel stock</td>
<td>31.2 percent</td>
</tr>
</tbody>
</table>

Source: Author’s data base

One fundamental aspect of the changes which have occurred in the South African hotel stock between 1990 and 2010 is revealed in an examination of the components of change. Table 4.2 provides a summary of the key indicators relating to births, deaths and stayers in the South African hotel stock between 1990 and 2010. Analysis of the 1990 and 2010 hotel listings shows that during this period there was considerable turnover of the hotel stock. Of the 2010 national total of 1 165 establishments there are 802 new constructions or births and 363 stayers or properties that had been in existence as hotels since 1990. In addition, Table 4.2 shows that between 1990 and 2010 640 hotels were classed as deaths or in other words they had ceased to function as hotel properties. This finding demonstrates that almost two-thirds of hotel properties
operating in South Africa in 1990 were no longer in existence by 2010. In terms of the stock of hotels which is recorded in the 2010 audit, 68.8 percent are births or in other words are new hotel constructions or developments which occurred during the period 1990 and 2010. Only 31.2 percent of the hotel properties in 2010 had been operating and in existence in 1990. As will be discussed below, many of these stayers were hotel properties which were upgraded and changed in terms of the quality of the hotel stock.

4.2.2 Changing Size Structure of Hotels

The size structure of hotel establishments was restructured during the period 1990-2010. Tables 4.3 and 4.4 capture the key dimensions of change in terms of the size structure of hotels in South Africa for 1990 and 2010.

Table 4.3: Numbers of Hotels of Different Size Class, 1990-2010

<table>
<thead>
<tr>
<th></th>
<th>1-50 Rooms</th>
<th>51-250 Rooms</th>
<th>&gt;251 Rooms</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>808 (80.5%)</td>
<td>174 (17.5%)</td>
<td>21 (2.0%)</td>
</tr>
<tr>
<td>2010</td>
<td>716 (61.4%)</td>
<td>412 (35.4%)</td>
<td>37 (3.2%)</td>
</tr>
</tbody>
</table>

Source: Author’s data base

Table 4.4: Numbers of Rooms in Hotel of Different Size Class, 1990-2010

<table>
<thead>
<tr>
<th></th>
<th>1-50 Rooms</th>
<th>51-250 Rooms</th>
<th>&gt;251 Rooms</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>15 658 (37.5%)</td>
<td>18 566 (44.5%)</td>
<td>7 526 (18.0%)</td>
</tr>
<tr>
<td>2010</td>
<td>15 412 (21.0%)</td>
<td>45 398 (62.0%)</td>
<td>12 442 (17.0%)</td>
</tr>
</tbody>
</table>

Source: Author’s data base
The overall profile of size structure can be differentiated broadly into groups of small, medium and large hotels. Numerically the largest share of hotels is represented by small establishments in the range of between 1 and 50 rooms. In 1990 this category of hotel establishment was responsible for 80.5 percent of all hotels but only 37.5 percent of hotel rooms. Between 1990 and 2010 there occurred a decline in absolute numbers and relative share of small hotels in South Africa’s total hotel stock. As is shown in Figure 4.1 a more detailed profile of the changing size structure of hotels reveals that the sharpest decline in hotel numbers was evident among the very smallest categories of hotel, in particular in the ranges of 1-10 and 11-20 rooms.

![Figure 4.1: Changing Size of Hotel Establishments 1990-2010 as Indexed by Number of Rooms](chart.png)

**Source:** Author’s data base
By 1990 81 percent of South African hotels offered less than 50 rooms and the average size of hotel nationally was a 39 room establishment. Although the period 1990-2010 saw the opening of a range of new small hotels, especially in the form of boutique establishments, as is argued below, the general trajectory for upgrading quality standards of the country’s hotel sector was reflected in a reduction in the role of the small hotel. Between 1990 and 2010 the majority of the almost 400 one-star accommodation establishments that either closed down operations entirely or were upgraded to better quality products were hotels with less than 50 rooms. As a result, by 2010 the proportion of hotels offering less than 50 rooms was reduced to 61 percent and the average size of hotel establishment had grown to 64 rooms. Tables 4.3 and 4.4 confirm the diminished role of the small hotel in the structure of the South African hotel industry over the study period. Between 1990 and 2010 there was a reduction in the number of hotel rooms available in small size hotels classified as those with less than 50 rooms. In relative terms it is revealed that in 1990 small hotels in the range of 1-50 room establishments offered 37.5 percent of total hotel accommodation; by 2010 this had diminished to 21 percent.

Tables 4.3 and 4.4 show the shifting importance of the category of medium sized establishments (51-250 rooms) and larger hotels (over 250 rooms) in the overall size structure of hotel establishments in South Africa. In terms of both numbers of establishments and share of rooms, considerable growth is evidenced in the category of medium sized hotel. Between 1990 and 2010 the numbers of medium sized establishments more than doubled and almost 27 000 additional rooms were offered in this size range of hotel. As is demonstrated in the following section, the upgrading of the quality of existing establishments and the construction of new hotels during the period 1990-2010 concentrated upon this medium sized hotel segment. The growth in relative importance of the medium-sized hotel was thus in relation to the decline in significance and share of hotel accommodation as provided by the category of small hotels. This relative decline in small hotels is primarily to be accounted for by the closure of a large share of the one star low quality homogeneous standard of accommodation that had characterized the period of late apartheid. It will be shown in Chapter Five that with the advance of market segmentation, a range of new small hotel developments occurred between 1990 and 2010. The appearance of
certain new market niches, most importantly the evolution of boutique hotels, was marked in terms of a range of new small hotel constructions or in some cases adaptations of former properties to use as small boutique hotels (see Chapter Five).

Finally, in terms of size structure of South Africa’s hotel stock, the contribution of large hotels in the total hotel stock expanded between 1990 and 2010 (Figure 4.1). In this period a net expansion of 16 hotel establishments and a growth of 5,000 rooms is recorded in the category of large hotels, defined as those offering more than 250 rooms. Nevertheless, it is observed that the relative proportion of total accommodation available in large hotels, those providing more than 250 rooms, remains relatively constant across the study period. This is shown on Tables 4.3 and 4.4.

4.2.3 Upgrading of Quality in the Hotel Stock

One of the most dramatic transformations in the South African hotel industry over the period 1990-2010 relates to the changing nature of ‘hotels’ and of an associated major improvement in quality or upgrading of hotel products. Historically, the development of the hotel sector in South Africa was associated with the liquor industry and until as late as the 1970s it was driven primarily by the profits secured from liquor sales (Rogerson, 2011a). At this time only basic forms of accommodation were provided by most South African hotels, which would not satisfy the norms or standards required for international tourism. With hotel product development mainly targeted at the domestic tourist market rather than international tourists, until the re-insertion of South Africa into the global tourism economy the majority of the country’s hotels mainly offered basic low standard forms of accommodation.
Table 4.5: Total Number of Hotels in 1990 and 2010 by Quality Standard

<table>
<thead>
<tr>
<th>Star Grading</th>
<th>Number of Hotels 1990</th>
<th>Percentage</th>
<th>Number of Hotels 2010</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ungraded</td>
<td>13</td>
<td>1.3</td>
<td>19</td>
<td>1.7</td>
</tr>
<tr>
<td>One Star</td>
<td>598</td>
<td>59.6</td>
<td>199</td>
<td>17.4</td>
</tr>
<tr>
<td>Two Star</td>
<td>223</td>
<td>22.2</td>
<td>73</td>
<td>6.4</td>
</tr>
<tr>
<td>Three Star</td>
<td>107</td>
<td>10.7</td>
<td>377</td>
<td>32.9</td>
</tr>
<tr>
<td>Four Star</td>
<td>42</td>
<td>4.2</td>
<td>335</td>
<td>29.2</td>
</tr>
<tr>
<td>Five Star</td>
<td>20</td>
<td>2.0</td>
<td>162</td>
<td>14.1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1003</td>
<td>100</td>
<td>1165</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author’s data base

The new opportunities available from the early 1990s of attracting an expanding international tourist clientele triggered a re-definition of the nature of the hotel in South Africa from the sale of liquor to the provision of accommodation. A massive upgrading in the quality of the country’s hotel industry occurred as the result of a wave of new quality hotel developments as well as refurbishment of a portion of existing hotel properties. The structure of the hotel industry was further altered by the closure of a large proportion of formerly one star low quality establishments, many of which were little more than thinly veiled liquor outlets with a few back rooms for rental. The key changes in the quality standards of South African hotels in the period 1990-2010 are captured on Table 4.5.
Both Table 4.5 and Figure 4.2 provide a profile of the upgrading in quality standards that occurred in the South African hotel sector over the period 1990-2010. It should be observed that in 1990 the budget range of one and two star graded accommodation together constituted over 80 percent of total hotel stock. By 2010 the share of one and two star establishments in the total hotel stock had diminished to less than one quarter of hotel properties. By contrast, the group of upper-end to luxury four to five star hotel properties had expanded markedly in importance. In 1990 these two categories of hotel accommodation represented 6.2 percent of hotel stock; by 2010 they represented 43.3 of graded hotel establishments.
The profile of net change in the number of hotel establishments between 1990 and 2010 is indicated on Figure 4.3. This reveals the absolute decline of one and two star hotel establishments as compared to the rapid increase in three to five star graded accommodation. The quality shift in the hotel stock is illustrated clearly by the finding that in 1990 South Africa had only 20 hotels of 5 star quality; by 2010 the number had escalated to 162 establishments.

Figure 4.3: Net Change in Hotel Establishments 1990-2010 by Quality Standard

Source: Author’s data base
Table 4.6: Total Number of Hotel Rooms 1990 and 2010, by Quality Standard

<table>
<thead>
<tr>
<th>Star Grading</th>
<th>Number of Rooms 1990</th>
<th>Percentage</th>
<th>Number of Rooms 2010</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ungraded</td>
<td>414</td>
<td>1.0</td>
<td>532</td>
<td>0.7</td>
</tr>
<tr>
<td>One star</td>
<td>13 456</td>
<td>32.2</td>
<td>6 692</td>
<td>9.1</td>
</tr>
<tr>
<td>Two star</td>
<td>10 678</td>
<td>25.6</td>
<td>3 258</td>
<td>4.4</td>
</tr>
<tr>
<td>Three star</td>
<td>10 008</td>
<td>24.0</td>
<td>29 439</td>
<td>40.2</td>
</tr>
<tr>
<td>Four star</td>
<td>3 799</td>
<td>9.1</td>
<td>23 151</td>
<td>31.6</td>
</tr>
<tr>
<td>Five star</td>
<td>3 395</td>
<td>8.1</td>
<td>10 180</td>
<td>13.9</td>
</tr>
<tr>
<td>TOTAL</td>
<td>41 750</td>
<td>100</td>
<td>73 252</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author’s data base

Figure 4.4: Changing Structure of Hotel Industry 1990-2010: Total Hotel Rooms by Quality Standard

Source: Author’s data base

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The radical upgrading in quality stock of the South African hotel sector is reflected in both numbers of hotel establishments and share of rooms. Table 4.6 and Figure 4.4 show the numbers and share of rooms according to quality standard ratings. It is evident that in the period 1990-2010 a much larger share of hotel accommodation in the country was accounted for in the provision of higher grade rooms. In 1990 57.8 percent of hotel rooms were offered in the one and two star range of accommodation. Correspondingly, high end four and five star accommodation rooms represented 17.2 percent of the total; by 2010 they represented 45.2 percent of all hotel accommodation. Figure 4.5 shows the net change in numbers of hotel rooms according to star ratings. It is evident that growth was confined to additional room provision in the range of three to five star accommodation whereas an absolute decline occurred in the range of one and two star accommodation facilities. As noted earlier the period 1990-2010 recorded an overall 75 percent
increase in hotel room capacity at national scale. This expansion was associated with two contrasting trends. First, was the recorded decline in accommodation provision of one and two star standard rooms. Second, was the new development taking place of three star quality accommodation and especially of the expansion in upper end accommodation in four and five star hotel properties on the other hand.

Table 4.7: Components of Change in Hotel Quality 1990-2010

<table>
<thead>
<tr>
<th></th>
<th>Total Births</th>
<th>Total Deaths</th>
<th>Total Stayers</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 Star</td>
<td>150 (18.7)</td>
<td>8 (1.3)</td>
<td>12 (3.3)</td>
</tr>
<tr>
<td>4 Star</td>
<td>273 (34.0)</td>
<td>17 (2.7)</td>
<td>43 (11.8)</td>
</tr>
<tr>
<td>3 Star</td>
<td>268 (33.4)</td>
<td>57 (8.9)</td>
<td>80 (22.0)</td>
</tr>
<tr>
<td>2 Star</td>
<td>46 (5.7)</td>
<td>155 (24.2)</td>
<td>48 (13.2)</td>
</tr>
<tr>
<td>1 Star</td>
<td>48 (6.0)</td>
<td>392 (61.3)</td>
<td>179 (49.3)</td>
</tr>
<tr>
<td>Not Graded</td>
<td>17 (2.1)</td>
<td>11 (1.7)</td>
<td>2 (0.5)</td>
</tr>
<tr>
<td>National</td>
<td>802</td>
<td>640</td>
<td>363</td>
</tr>
</tbody>
</table>

Note: Figures in brackets are percentage shares.

Source: Author’s data base

The radical changes effected in the quality of the national hotel stock between 1990 and 2010 can be unpacked further in terms of a components of change analysis which differentiates the group of births, deaths and stayers. Table 4.7 provides the results of the components of change analysis which was undertaken in relation to the numbers of hotel establishments. The analysis reveals that between 1990 and 2010 86.1 percent of new hotel constructions were three to five star graded establishments and 52.7 per cent were in the highest quality of four to five star
graded establishments. By contrast, in terms of those hotel establishments that ceased operations between 1990 and 2010 85.5 percent were either one star or two star graded properties.

The transformation in the quality of the hotel accommodation sector in South Africa between 1990 and 2010 is therefore accounted for by these two trends. First, is the closure or, in a minority of cases, the upgrading of (mainly) one star establishments which dominated the South African hotel industry in 1990. As indicated on Table 4.7 a total of 547 hotel properties, formerly one or two star graded accommodation hotels, ceased operations in the period 1990-2010. Of the total amount of hotel deaths recorded in this study, the budget one and two star range of accommodation represent 85.5 percent of total deaths. Second, is the wave of new hotel constructions (births) which are recorded for the period 1990-2010. During this period only 94 new hotel developments are established in the one or two star category of hotel. The majority of these new developments in the one and two star category represent new forms of budget hotel which emerge and expand in South Africa particularly after 2000, trends which are discussed in Chapter Five. The stock of three to five star accommodation experienced the greatest wave of expansion with a total of 691 new hotel property developments between 1990 and 2010.

As indicated earlier in the chapter, the category of stayers represents a set of hotel properties that continued to function as hotels across the 20 year study period. Within this category of stayers are hotel establishments that have rebranded, undergone expansion, contraction, or a change of ownership. Table 4.7 indicates that the majority of stayers are hotel properties in the budget one star range of quality accommodation.

Overall, a critical explanation and driver for quality upgrading of the South African hotel sector is market segmentation and the differentiation of the national hotel stock to cater for a variety of different market niches (Chapter Six). During the late apartheid era the hotel industry was characterized by the majority of hotel establishments offering relatively homogenous forms of accommodation as well as service levels. The quality standards were mainly of low quality as
indexed by the predominance of one star hotel establishments in 1990. With the expansion of international tourism and allied changes taking place in the domestic tourism market as discussed in Chapter Three, the South African hotel sector became increasingly differentiated. In common with international trends of hotel development, during the 1990s a range of new innovative hotel products were established in the country. The full details of market segmentation and the appearance of new forms of niche hotels, such as boutique hotels or all-suite hotels, are discussed and analyzed in detail in Chapter Five. The appearance and growth of differentiated forms of hotel development in South Africa was driven by hotel and property developers’ recognition of opportunities from the segmentation of tourist markets. Alongside the innovation of these new hotel products there occurred a parallel upgrading in the standards of the country’s full service hotels to cater largely to the needs of international leisure tourists and the high end of the business tourism market.

4.3 INTERPRETING THE Changing HOTEL SECTOR – SpaTIAL TRANSFORMATION

The structural changes that characterized the South African hotel industry between 1990 and 2010 are paralleled by a transformation in the spatial patterns of the country’s accommodation sector. In this section the discussion of spatial transformation of South Africa’s hotel industry between 1990 and 2010 unfolds through three sets of material. The organization of material follows that in the previous section. First, an overall national analysis of spatial patterns of hotels and of hotel rooms is given. Second, the changing spatial pattern of different sizes of hotels is discussed. Finally, an analysis of the spatial patterns of transformation in hotel quality standards is undertaken. Questions relating to intra-urban dimensions of change are reserved for analysis in Chapter Six.
4.3.1 The Changing Geography of Hotels 1990-2010

The analysis in this section is based upon the two national audits for hotels which were conducted for 1990 and 2010. Use of these data bases allows the identification of the components of change across the categories of hotel births, deaths and stayers. The enormous amount of data that was collected and processed will be presented both in terms of a series of tables, maps and graphs. The analysis of spatial change is undertaken at two levels. First, it is conducted using the differentiation of urban areas in South Africa which is applied by the South African Cities Network, the Development Bank of Southern Africa and Nel (2011). This categorization of urban settlements differentiates between the three categories of (1) metropolitan areas and large cities; (2) secondary cities and large towns; and (3) small towns. A second finer-grained analysis is undertaken of spatial change at the locality or individual urban scale.

4.3.1.1 Spatial Change by Urban Category

In this section the analysis is upon the changes recorded in the hotel sector within the three categories of settlements as discussed above. The analysis examines in turn changes in the numbers of hotels, numbers or rooms and net change in hotels between 1990 and 2010. A further analysis is provided which breaks down net change, which is simply the difference in the numbers of establishments between 1990 and 2010 into the three categories of births, deaths and stayer establishments.
Table 4.8: Distribution of Hotels in South Africa by Various Urban Categories

<table>
<thead>
<tr>
<th></th>
<th>Number hotels 1990</th>
<th>Number rooms 1990</th>
<th>Number hotels 2010</th>
<th>Number rooms 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>South Africa</strong></td>
<td>1003</td>
<td>41 750</td>
<td>1165</td>
<td>73 252</td>
</tr>
<tr>
<td><strong>Metropolitan Areas/Large cities</strong></td>
<td>333 (33.2)</td>
<td>23 787 (57.0)</td>
<td>549 (47.1)</td>
<td>48 187 (65.8)</td>
</tr>
<tr>
<td><strong>Secondary Cities/Large towns</strong></td>
<td>105 (10.5)</td>
<td>4 297 (10.3)</td>
<td>135 (11.6)</td>
<td>8 102 (11.1)</td>
</tr>
<tr>
<td><strong>Small Towns</strong></td>
<td>565 (56.3)</td>
<td>13 666 (32.7)</td>
<td>481 (41.3)</td>
<td>16 963 (23.1)</td>
</tr>
</tbody>
</table>

**Note:** Figures in brackets reflect percentage share of number of rooms or hotels.

Source: Author’s data base

Table 4.8 shows that during the period 1990-2010 there occurred an increased spatial concentration of hotels in the category of the country’s metropolitan centres and large cities as well as in the group of secondary cities and large towns. By contrast, a decline is evident in the hotel sector across the category of small towns as a whole. Overall, between 1990 and 2010 in metropolitan areas and large cities the number of hotels increased by 216 in total and the numbers of rooms more than doubled. Smaller growth was evidenced in secondary cities and large towns which show a net increase of 30 hotels and an expansion of hotel capacity of 3 805 rooms. Although the category of small towns reveals a net decline of 84 hotel establishments, an expansion in room capacity is recorded of an additional 3 297 rooms. The growing concentration of hotels in the larger sized urban centres is apparent by examining the relative shares of the different categories of places in national hotel stock. The advance of metropolitan centres and large cities is indexed by their increased share of the stock of national hotels (from 33.2 to 47.1 percent) and of national room capacity (from 57 percent to 65.8 percent share). The group of secondary cities and large towns records a small advance in terms of their relative share of national hotels and room capacity.
Decline is evidenced in the group of small towns which fall from 56 to 41 percent of national hotel establishments and from 32.7 to 23.1 percent of room capacity. The reduced share of small towns in the hotel geography of South Africa is in many respects a reflection of the decline of small towns in much of South Africa as a whole. As has been pointed out both by Nel (2005) and Hoogendoorn and Nel (2012) while some small towns have benefitted from new economic opportunities, such as tourism, most have been economically stagnant as a consequence of the loss of service functions, the out-migration of skilled people and decline of traditional economic bases such as agriculture and mining. The growth in the numbers of hotels in small towns was reserved mainly to localities with outstanding tourism assets (such as Knysna, Franschhoek and White River) and certain others which have enjoyed tourism-led strategies for local economic development (Nel and Rogerson, 2007). Examples would include Alice Dale and Graaff Reinet (Gibb and Nel, 2007; Hoogendoorn and Nel, 2012). It should be noted, however, that the growth of tourism in much of small town South Africa has been accompanied by the expansion of non-hotel forms of accommodation such as bed and breakfasts and guest houses.

Table 4.9: Components of Change of Hotel Stock 1990-2010, by Various Urban Categories

<table>
<thead>
<tr>
<th>Urban Category</th>
<th>Net Change in Hotels 1990-2010</th>
<th>No. Births</th>
<th>No. Deaths</th>
<th>No. Stayers</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>+ 162</td>
<td>802</td>
<td>640</td>
<td>363</td>
</tr>
<tr>
<td>Metropolitan Areas/Large cities</td>
<td>+216</td>
<td>442 (55.1%)</td>
<td>226 (35.3%)</td>
<td>107 (29.5%)</td>
</tr>
<tr>
<td>Secondary Cities/Large towns</td>
<td>+30</td>
<td>101 (12.6%)</td>
<td>71 (11.1%)</td>
<td>34 (9.4%)</td>
</tr>
<tr>
<td>Small Towns</td>
<td>-84</td>
<td>259 (32.3%)</td>
<td>343 (53.6%)</td>
<td>222 (61.2%)</td>
</tr>
</tbody>
</table>

Source: Author’s data base
The use of components of change analysis allows further insight into these macro-level changes occurring in the spatial arrangement of the hotel industry of South Africa. Table 4.9 reveals that the majority of new hotel property developments have taken place in the largest centres, namely the metropolitan areas and large cities. By contrast, the largest share of deaths or closure of hotel establishments between 1990 and 2010 is recorded among small towns. The category of small towns accounts for over half of all hotel closures in the study period. In addition, the group of small towns is responsible for the majority of stayers, which are hotel properties operating continuously as such since 1990.

**Table 4.10: Property Change 1990-2010 by Urban Category**

<table>
<thead>
<tr>
<th>Urban Category</th>
<th>% 1990 Hotel Property Stock Not Existing in 2010</th>
<th>% 2010 Hotel Property Stock Constructed Since 1990</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>63.8</td>
<td>68.8</td>
</tr>
<tr>
<td>Metropolitan Areas/Large cities</td>
<td>67.9</td>
<td>80.5</td>
</tr>
<tr>
<td>Secondary Cities/Large towns</td>
<td>67.6</td>
<td>74.8</td>
</tr>
<tr>
<td>Small Towns</td>
<td>60.7</td>
<td>53.8</td>
</tr>
</tbody>
</table>

Source: Author’s data base

Table 4.10 calculates two indices of hotel stock which shows the turnover of hotel property stock which has occurred in the study period. The table shows the (1) The percentage of hotel property stock which was in existence in 1990 but which was not functioning as a hotel by 2010 and (2) shows the existence of hotels stock which exists in 2010 but was not in existence in 1990. This analysis conducted at the scale of different forms of urban settlement reveals the major restructuring that has occurred in hotel property over the 20 year study period (see table 4.10). It is shown that across the group of metropolitan areas and large cities as a whole, 80.5 percent of
current hotel stock represents new hotel constructions since 1990. Major new construction also has been occurring in South Africa’s secondary cities and large towns as indexed by the finding that almost three-quarters of the 2010 hotel property stock represents a new construction since 1990. A much reduced tempo of new construction is in evidence in small towns where 53.8 percent of 2010 hotel stock is new development since 1990. The high turnover of hotel property is further confirmed by the result that in both the largest two categories of urban settlement two-thirds of hotel properties that existed in 1990 had ceased to function as hotels by 2010. In small towns there was again a high level of hotel turnover as reflected in the finding that almost 61 percent of 1990 hotel stock was not operating as a hotel property by 2010.

The findings and analysis which has been presented in section 4.3.1.1 relating to numbers of hotels, net establishment change, patterns of births and deaths, and hotel property turnover are disaggregated further in the next sub-section of discussion. Attention is focused at the locality scale with spatial change disaggregated to individual city or locality level.

4.3.1.2. Spatial Change at Locality Scale

In this section the analysis is upon the changes recorded in the hotel sector at the level of cities and individual towns. The organization of the presentation and flow of material is exactly in the format of section 4.3.1.1 and deals respectively with issues of changes in the numbers of hotels, numbers or rooms and net change in hotels between 1990 and 2010. A second analysis is once again provided which unpacks net change into the three categories of births, deaths and stayer establishments.
Figure 4.6: The Spatial Distribution of Hotels in South Africa 1990

Source: Author’s data base
Figures 4.6 and 4.7 show the overall geographical distribution of hotel properties (all grades) across South Africa respectively for 1990 and 2010. Taken together they signal a considerable restructuring of the geographical landscape of hotels. The distribution of 1990 hotel product development must be understood as anchored primarily upon the demands of the (white) domestic tourism market, the importance of which was highlighted in Chapter Three. The 2010
hotel distribution reflects the enormous growth of South Africa both as an emerging international tourism destination, including for regional visitors from sub-Saharan Africa, as well as the country’s expanding domestic tourism market which incorporates an increasing share of black South African tourists (Chapter Three).

Table 4.11: Leading Individual Locations for Numbers of Hotels 1990 and 2010

<table>
<thead>
<tr>
<th>Location</th>
<th>Number of Hotels</th>
<th>Location</th>
<th>Number of Hotels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Johannesburg</td>
<td>107</td>
<td>Cape Town</td>
<td>184</td>
</tr>
<tr>
<td>Cape Town</td>
<td>66</td>
<td>Johannesburg</td>
<td>137</td>
</tr>
<tr>
<td>Durban</td>
<td>47</td>
<td>Pretoria</td>
<td>57</td>
</tr>
<tr>
<td>Ekurhuleni</td>
<td>47</td>
<td>Durban</td>
<td>56</td>
</tr>
<tr>
<td>Pretoria</td>
<td>25</td>
<td>Ekurhuleni</td>
<td>45</td>
</tr>
<tr>
<td>Kimberley</td>
<td>13</td>
<td>Port Elizabeth</td>
<td>24</td>
</tr>
<tr>
<td>Port Elizabeth</td>
<td>13</td>
<td>Knysna</td>
<td>23</td>
</tr>
<tr>
<td>Bloemfontein</td>
<td>11</td>
<td>Bloemfontein</td>
<td>22</td>
</tr>
<tr>
<td>Pietermaritzburg</td>
<td>9</td>
<td>Stellenbosch</td>
<td>17</td>
</tr>
<tr>
<td>Rustenburg</td>
<td>9</td>
<td>East London</td>
<td>15</td>
</tr>
<tr>
<td>East London</td>
<td>8</td>
<td>Polokwane</td>
<td>15</td>
</tr>
<tr>
<td>Nelspruit</td>
<td>7</td>
<td>Plettenberg Bay</td>
<td>14</td>
</tr>
<tr>
<td>Newcastle</td>
<td>7</td>
<td>Nelspruit</td>
<td>11</td>
</tr>
<tr>
<td>Welkom</td>
<td>6</td>
<td>Franschhoek</td>
<td>10</td>
</tr>
<tr>
<td>King William’s Town</td>
<td>6</td>
<td>Mossel Bay</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: Author’s data base
Table 4.11 records the leading 15 individual localities in South Africa as ranked by the numbers of individual hotel establishments existing in respectively 1990 and 2010. It is apparent that the rank order of localities has shifted during this 20 year period. The most notable changes are the remarkable rise of Cape Town to be the number one location in terms of actual numbers of hotel establishments by 2010. Other large centres which exhibited steady growth in relative importance include Pretoria, Port Elizabeth and East London. Rapid expansion has taken place also in hotel development in several other smaller localities. The considerable upturn in hotel development in the Winelands and Garden Route areas is indicated by the performance of Knysna, Stellenbosch, Plettenburg Bay, Franschhoek and Mossel Bay. The strong performance of regional capitals such as Polokwane, Bloemfontein and also to a lesser extent Nelspruit is evident. In terms of relative decline in performance as indexed by numbers of hotel establishments the most notable changes relate to centres such as Pietermaritzburg, Kimberley, Welkom, King William’s Town, and Newcastle.
Table 4.12: Leading 10 Locations: Net Change in Numbers of Hotels 1990-2010

<table>
<thead>
<tr>
<th>Location</th>
<th>Net Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cape Town</td>
<td>118</td>
</tr>
<tr>
<td>Pretoria</td>
<td>32</td>
</tr>
<tr>
<td>Johannesburg</td>
<td>30</td>
</tr>
<tr>
<td>Knysna</td>
<td>16</td>
</tr>
<tr>
<td>Polokwane</td>
<td>13</td>
</tr>
<tr>
<td>Stellenbosch</td>
<td>12</td>
</tr>
<tr>
<td>Bloemfontein</td>
<td>11</td>
</tr>
<tr>
<td>Port Elizabeth</td>
<td>11</td>
</tr>
<tr>
<td>Durban</td>
<td>9</td>
</tr>
<tr>
<td>Plettenburg Bay</td>
<td>9</td>
</tr>
<tr>
<td>Richards Bay</td>
<td>8</td>
</tr>
<tr>
<td>East London</td>
<td>7</td>
</tr>
<tr>
<td>Franschhoek</td>
<td>7</td>
</tr>
<tr>
<td>Hermanus</td>
<td>7</td>
</tr>
<tr>
<td>Mossel Bay</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: Author’s data base

Table 4.12 provides further evidence of the growing nodes for hotel development during the period 1990 to 2010. It highlights once again the large burst of new hotel developments taking place in Cape Town. In addition, it reinforces the importance of Pretoria and Johannesburg in the national space economy of hotels. Of note also is the growth of new hotel establishments at Richards Bay and Hermanus, two emerging growth localities, the former linked mainly to business tourism, the latter to leisure tourism.
Figure 4.8: Localities in South Africa with More Than 100 Rooms, 1990

Source: Author’s data base
Figure 4.9: Localities in South Africa with More Than 100 Rooms, 2010

Source: Author’s data base

Certain differences can be observed in the space economy of hotels in South Africa for 1990 and 2010 using as an index of importance the number of rooms as opposed to the number of hotel establishments. Figures 4.8 and 4.9 record the pattern of hotel rooms for localities which have a room capacity exceeding 100 rooms. The growth and greater depth of the tourism economy by
2010 is evidenced by the much wider range of localities that offer at least 100 hotel rooms as compared to the situation in 1990. Of many examples of growing localities which by 2010 provide at least 100 hotel rooms and make an appearance on the map of hotels by rooms (Fig 4.9) are the following: Richards Bay, Port Alfred, Magaliesberg, Ballito, Bergville, Clarens, Howick, Hluhluwe, Tzaneen, Saldanha, Kleinmond, Kuruman, and Worcester. Several other localities, however, experienced a net decline in their room capacity. Among localities that in 1990 offered 100 or more hotel rooms and by 2010 provided less than 100 rooms are Virginia, Secunda, Welkom, Grahamstown, Amanzimtoti, Dundee, Kokstad, Mooi River, Uvongo, Lichtenburg, Vryburg, Colesberg and Beaufort West. It should be noted that decline in hotel room capacity was in some cases accompanied by an upgrading in the quality of existing hotel stock (eg Grahamstown) and in other cases by the local expansion of alternative forms of accommodation, most importantly of small bed and breakfast establishments.
### Table 4.13: Leading Individual Locations for Numbers of Rooms 1990 and 2010

<table>
<thead>
<tr>
<th>Location</th>
<th>Number of Rooms</th>
<th>Location</th>
<th>Number of Rooms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Johannesburg</td>
<td>9 153</td>
<td>Johannesburg</td>
<td>13 957</td>
</tr>
<tr>
<td>Durban</td>
<td>4 443</td>
<td>Cape Town</td>
<td>13 377</td>
</tr>
<tr>
<td>Cape Town</td>
<td>4 328</td>
<td>Durban</td>
<td>6 477</td>
</tr>
<tr>
<td>Pretoria</td>
<td>1 878</td>
<td>Pretoria</td>
<td>4 771</td>
</tr>
<tr>
<td>Ekurhuleni</td>
<td>1 539</td>
<td>Ekurhuleni</td>
<td>4 386</td>
</tr>
<tr>
<td>Port Elizabeth</td>
<td>791</td>
<td>Port Elizabeth</td>
<td>2 097</td>
</tr>
<tr>
<td>Sun City</td>
<td>720</td>
<td>Bloemfontein</td>
<td>1 373</td>
</tr>
<tr>
<td>Bloemfontein</td>
<td>569</td>
<td>Sun City</td>
<td>1 301</td>
</tr>
<tr>
<td>East London</td>
<td>536</td>
<td>East London</td>
<td>1 253</td>
</tr>
<tr>
<td>Kimberley</td>
<td>458</td>
<td>Polokwane</td>
<td>937</td>
</tr>
<tr>
<td>Rustenburg</td>
<td>402</td>
<td>Nelspruit</td>
<td>819</td>
</tr>
<tr>
<td>Welkom</td>
<td>396</td>
<td>Knysna</td>
<td>729</td>
</tr>
<tr>
<td>Newcastle</td>
<td>263</td>
<td>Stellenbosch</td>
<td>688</td>
</tr>
<tr>
<td>Polokwane</td>
<td>255</td>
<td>Rustenburg</td>
<td>572</td>
</tr>
<tr>
<td>Nelspruit</td>
<td>240</td>
<td>Vanderbijlpark</td>
<td>570</td>
</tr>
</tbody>
</table>

Source: Author’s data base

On Table 4.13 is given the rank order of localities in terms of the numbers of hotel rooms available in 1990 and 2010. This ranking of South African centres shows several differences to that observed in Table 4.11. First, the position of Johannesburg as leading location in South Africa for capacity in hotel accommodation is retained. Second, is the remarkable rise and expansion of hotel room capacity in Cape Town, which between 1990 and 2010 triples its available capacity and far outstrips the performance of Durban, which formerly occupied the
second rank. Three, solid expansion in room capacity is evident in most other metropolitan centres, in particular Pretoria, Ekurhuleni, Bloemfontein, Port Elizabeth and East London. Further, whilst Durban has slipped in the overall ranking of urban centres, the city experienced an expansion of almost 50 percent in room capacity between 1990 and 2010. Outside of the metropolitan areas the locations which show stronger relative importance as measured by room capacity are the regional capitals of Polokwane and Nelspruit, and the leisure tourism nodes of Knysna, Rustenburg, Stellenbosch, and Sun City. The inclusion of Vanderbijlpark reflects hotel developments occurring at the Vaal River, the leisure hinterland for Gauteng. The localities which are declining in significance are Kimberley, Welkom and Newcastle. The demise of these centres as hotel nodes can be explained in some cases by the decline of the local economic base (Welkom and Newcastle). The strengthening role of nearby Bloemfontein as a regional hub is one potential explanation for the reduced significance of Kimberley in the national hotel space economy.
Table 4.14: Leading Locations: Net Change in Numbers of Hotel Rooms 1990-2010

<table>
<thead>
<tr>
<th>Location</th>
<th>Net Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cape Town</td>
<td>9 049</td>
</tr>
<tr>
<td>Johannesburg</td>
<td>4 804</td>
</tr>
<tr>
<td>Pretoria</td>
<td>2 893</td>
</tr>
<tr>
<td>Ekurhuleni</td>
<td>2 847</td>
</tr>
<tr>
<td>Durban</td>
<td>2 034</td>
</tr>
<tr>
<td>Port Elizabeth</td>
<td>1 306</td>
</tr>
<tr>
<td>Bloemfontein</td>
<td>804</td>
</tr>
<tr>
<td>East London</td>
<td>717</td>
</tr>
<tr>
<td>Polokwane</td>
<td>682</td>
</tr>
<tr>
<td>Sun City</td>
<td>581</td>
</tr>
<tr>
<td>Nelspruit</td>
<td>579</td>
</tr>
<tr>
<td>Richards Bay</td>
<td>556</td>
</tr>
<tr>
<td>Knysna</td>
<td>536</td>
</tr>
<tr>
<td>Stellenbosch</td>
<td>533</td>
</tr>
<tr>
<td>George</td>
<td>440</td>
</tr>
</tbody>
</table>

Source: Author’s data base

Table 4.14 provides information on net change in the leading individual localities for the period 1990 to 2010. The data confirms much of the earlier discussion in respect of patterns of significance of localities. Two points can be observed. First, is the dominance of the leading metropolitan centres and especially the new expansion in Cape Town. Second, is the new expansion that has occurred in the regional capitals of Bloemfontein, Polokwane and Nelspruit, the rise of Richards Bay, and strengthening of the leisure hubs of Sun City, Knysna, Stellenbosch and George.
Table 4.15: Declining Localities in Hotel Stock 1990-2010: Metropolitan or Secondary Cities or Towns

<table>
<thead>
<tr>
<th>Decline in Hotel Numbers</th>
<th>No.</th>
<th>Decline in Hotel Rooms</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ekurhuleni</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Welkom</td>
<td>4</td>
<td>Welkom</td>
<td>357</td>
</tr>
<tr>
<td>Virginia</td>
<td>2</td>
<td>Virginia</td>
<td>60</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Secunda</td>
<td>24</td>
</tr>
<tr>
<td>King William’s Town</td>
<td>4</td>
<td>King William’s Town</td>
<td>62</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Grahamstown</td>
<td>21</td>
</tr>
<tr>
<td>Aliwal North</td>
<td>5</td>
<td>Aliwal North</td>
<td>41</td>
</tr>
<tr>
<td>Queenstown</td>
<td>6</td>
<td>Queenstown</td>
<td>58</td>
</tr>
<tr>
<td>Newcastle</td>
<td>2</td>
<td>Newcastle</td>
<td>21</td>
</tr>
<tr>
<td>Kimberley</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Middleburg (Mpumalanga)</td>
<td>2</td>
<td>Middleburg (Mpumalanga)</td>
<td>22</td>
</tr>
<tr>
<td>Ladysmith</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kroonstad</td>
<td>2</td>
<td>Kroonstad</td>
<td>95</td>
</tr>
</tbody>
</table>

Source: Author’s data base

The previous discussion highlighted that the growth of international, domestic and regional tourism in South Africa over the period 1990 to 2010 has been accompanied by the strengthening of existing locations as hotel nodes as well as the emergence of new nodes in the hotel space economy. Other localities for a variety of reasons have exhibited stagnation, reduction or decline in either the number of hotel properties or the number of rooms available. In certain localities a decline of both indices is recorded. Table 4.15 captures these nodes of decline. It must be reiterated, however, that a decline in hotel establishments or room capacity does not necessarily equate to a parallel decline in quality of accommodation available in these localities. Examples exist of localities with declining room capacity which is accompanied either by the upgrading of
hotel stock (as at Ekurhuleni, Grahamstown, Middleburg or Queenstown) or the expansion of alternative non-hotel accommodation, most importantly of small bed and breakfast establishments.

Table: 4.16: Components of Change in Hotel Stock 1990-2010: Growth Points

<table>
<thead>
<tr>
<th>Location</th>
<th>1990 No. Hotels</th>
<th>2010 No. Hotels</th>
<th>Total Births</th>
<th>Total Deaths</th>
<th>Total Stayers</th>
<th>Net Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cape Town</td>
<td>66</td>
<td>184</td>
<td>161</td>
<td>43</td>
<td>23</td>
<td>+118</td>
</tr>
<tr>
<td>Pretoria</td>
<td>25</td>
<td>57</td>
<td>47</td>
<td>15</td>
<td>10</td>
<td>+32</td>
</tr>
<tr>
<td>Johannesburg</td>
<td>107</td>
<td>137</td>
<td>112</td>
<td>82</td>
<td>25</td>
<td>+30</td>
</tr>
<tr>
<td>Knysna</td>
<td>7</td>
<td>23</td>
<td>20</td>
<td>4</td>
<td>3</td>
<td>+16</td>
</tr>
<tr>
<td>Polokwane</td>
<td>2</td>
<td>15</td>
<td>14</td>
<td>1</td>
<td>1</td>
<td>+13</td>
</tr>
<tr>
<td>Stellenbosch</td>
<td>5</td>
<td>17</td>
<td>13</td>
<td>1</td>
<td>4</td>
<td>+12</td>
</tr>
<tr>
<td>Bloemfontein</td>
<td>11</td>
<td>22</td>
<td>18</td>
<td>7</td>
<td>4</td>
<td>+11</td>
</tr>
<tr>
<td>Port Elizabeth</td>
<td>13</td>
<td>24</td>
<td>20</td>
<td>9</td>
<td>4</td>
<td>+11</td>
</tr>
<tr>
<td>Durban</td>
<td>47</td>
<td>56</td>
<td>34</td>
<td>25</td>
<td>22</td>
<td>+9</td>
</tr>
<tr>
<td>Plettenburg Bay</td>
<td>5</td>
<td>14</td>
<td>12</td>
<td>3</td>
<td>2</td>
<td>+9</td>
</tr>
<tr>
<td>Richards Bay</td>
<td>0</td>
<td>8</td>
<td>8</td>
<td>0</td>
<td>0</td>
<td>+8</td>
</tr>
<tr>
<td>East London</td>
<td>8</td>
<td>15</td>
<td>11</td>
<td>4</td>
<td>4</td>
<td>+7</td>
</tr>
<tr>
<td>Franschhoek</td>
<td>3</td>
<td>10</td>
<td>9</td>
<td>2</td>
<td>1</td>
<td>+7</td>
</tr>
<tr>
<td>Hermanus</td>
<td>2</td>
<td>9</td>
<td>8</td>
<td>1</td>
<td>1</td>
<td>+7</td>
</tr>
<tr>
<td>Mossel Bay</td>
<td>5</td>
<td>10</td>
<td>7</td>
<td>2</td>
<td>3</td>
<td>+5</td>
</tr>
</tbody>
</table>

Source: Author’s data base
Table 4.17: Components of Change in Hotel Stock 1990-2010: Localities in Decline

<table>
<thead>
<tr>
<th>Location</th>
<th>1990 No. Hotels</th>
<th>2010 No. Hotels</th>
<th>Births</th>
<th>Deaths</th>
<th>Stayers</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Queenstown</td>
<td>7</td>
<td>1</td>
<td>1</td>
<td>7</td>
<td>0</td>
<td>-6</td>
</tr>
<tr>
<td>Aliwal North</td>
<td>7</td>
<td>2</td>
<td>1</td>
<td>6</td>
<td>1</td>
<td>-5</td>
</tr>
<tr>
<td>Kimberley</td>
<td>13</td>
<td>8</td>
<td>7</td>
<td>12</td>
<td>1</td>
<td>-5</td>
</tr>
<tr>
<td>King William’s Town</td>
<td>6</td>
<td>2</td>
<td>0</td>
<td>4</td>
<td>2</td>
<td>-4</td>
</tr>
<tr>
<td>Welkom</td>
<td>6</td>
<td>2</td>
<td>2</td>
<td>6</td>
<td>0</td>
<td>-4</td>
</tr>
</tbody>
</table>

Source: Author’s data base

The calculation of the components of change in hotel stock, as regards births, deaths and stayers, provides a basis for further analysis of the spatial patterns of change. Tables 4.16 and 4.17 give information respectively for growing localities and declining localities over the period 1990 to 2010. The two tables show the uneven patterns of births and deaths across the various localities. In addition, they reveal the high turnover of hotel stock at the majority of centres. For example, the leading three cities record together a total of only 58 hotel properties that existed in 1990 and which continued in operation through to 2010. By comparison, in the three centres of Cape Town, Johannesburg and Pretoria a total of 460 properties were either newly constructed hotels or properties that closed operations as hotels in the two decades 1990 to 2010. For growing localities the situation is clearly that births or new constructions exceed the numbers of deaths or closures. By contrast, as shown for declining localities (Table 4.17) deaths exceed births or new constructions. The high turnover of properties in these declining localities is again in evidence. The example of Kimberley is particularly interesting as it recorded 12 deaths and 7 births during this period.
Table 4.18: Leading Localities for Births of Hotels 1990-2010

<table>
<thead>
<tr>
<th>Place</th>
<th>Number of Births</th>
<th>Percentage of National Births</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cape Town</td>
<td>161</td>
<td>20.1</td>
</tr>
<tr>
<td>Johannesburg</td>
<td>112</td>
<td>14.0</td>
</tr>
<tr>
<td>Pretoria</td>
<td>47</td>
<td>5.9</td>
</tr>
<tr>
<td>Durban</td>
<td>34</td>
<td>4.2</td>
</tr>
<tr>
<td>Ekurhuleni</td>
<td>34</td>
<td>4.2</td>
</tr>
<tr>
<td>Port Elizabeth</td>
<td>20</td>
<td>2.5</td>
</tr>
<tr>
<td>Knysna</td>
<td>20</td>
<td>2.5</td>
</tr>
<tr>
<td>Bloemfontein</td>
<td>18</td>
<td>2.2</td>
</tr>
<tr>
<td>Polokwane</td>
<td>15</td>
<td>1.7</td>
</tr>
<tr>
<td>Stellenbosch</td>
<td>13</td>
<td>1.6</td>
</tr>
<tr>
<td>Plettenburg Bay</td>
<td>12</td>
<td>1.5</td>
</tr>
<tr>
<td>East London</td>
<td>11</td>
<td>1.4</td>
</tr>
<tr>
<td>Nelspruit</td>
<td>11</td>
<td>1.4</td>
</tr>
<tr>
<td>Franschoek</td>
<td>9</td>
<td>1.2</td>
</tr>
<tr>
<td>Hermanus</td>
<td>8</td>
<td>1.1</td>
</tr>
</tbody>
</table>

Source: Author’s data base
## Table 4.19: Leading Localities for Deaths of Hotels 1990-2010

<table>
<thead>
<tr>
<th>Place</th>
<th>Deaths</th>
<th>Percentage of national deaths</th>
</tr>
</thead>
<tbody>
<tr>
<td>Johannesburg</td>
<td>82</td>
<td>12.8</td>
</tr>
<tr>
<td>Cape Town</td>
<td>43</td>
<td>6.7</td>
</tr>
<tr>
<td>Ekurhuleni</td>
<td>36</td>
<td>5.6</td>
</tr>
<tr>
<td>Durban</td>
<td>25</td>
<td>3.9</td>
</tr>
<tr>
<td>Pretoria</td>
<td>15</td>
<td>2.3</td>
</tr>
<tr>
<td>Kimberley</td>
<td>12</td>
<td>1.9</td>
</tr>
<tr>
<td>Port Elizabeth</td>
<td>9</td>
<td>1.4</td>
</tr>
<tr>
<td>Bloemfontein</td>
<td>7</td>
<td>1.1</td>
</tr>
<tr>
<td>Nelspruit</td>
<td>7</td>
<td>1.1</td>
</tr>
<tr>
<td>Queenstown</td>
<td>7</td>
<td>1.1</td>
</tr>
<tr>
<td>Aliwal North</td>
<td>6</td>
<td>1.0</td>
</tr>
<tr>
<td>Welkom</td>
<td>6</td>
<td>1.0</td>
</tr>
<tr>
<td>Pietermaritzburg</td>
<td>5</td>
<td>0.8</td>
</tr>
<tr>
<td>Rustenburg</td>
<td>5</td>
<td>0.8</td>
</tr>
<tr>
<td>East London</td>
<td>4</td>
<td>0.6</td>
</tr>
</tbody>
</table>

**Note:** Other localities which lost 4 hotels include; King William’s Town, Klerksdorp, Beaufort West, Warmbaths (Bela Bela) and Knysna.

**Source:** Author’s data base

Tables 4.18 and 4.19 give the leading individual localities for the period 1990-2010 as indexed by the numbers of recorded births and deaths for hotel establishments. Several points can be observed. First, an examination of the contributions to total national births and deaths reveals that the pattern of births is more geographically concentrated than the pattern of deaths. The leading 15 localities for births or new hotel constructions collectively account for 525 births in total which represents 65.5 percent of all new births for the period. The importance of births in these localities is reflected in the finding that these new hotel constructions account for 45.1
percent of national hotel stock by 2010. The leading 15 localities for deaths, or properties that ceased to function as hotels, account for 269 deaths in total. This figure represents 26.8 percent of the 1990 national hotel stock. These results confirm that the pattern of deaths of hotel establishments is more geographically dispersed than that of births. A second observation is that a close relationship exists between the leading centres for both hotel births and deaths. This points to the high level of ‘churning’ of the hotel property stock which takes place in many major urban centres, most notably at Johannesburg, Cape Town, Ekurhuleni, Pretoria and Durban. A third observation is that the emerging growth tourism nodes of Knysna, Polokwane, Stellenbosch, Nelspruit, Plettenburg Bay, Franschhoek and Hermanus are highlighted by their strong performance for births over the study period. Correspondingly, the decline or restructuring of hotel accommodation facilities in several smaller localities is signalled in Table 4.19 with notable examples of Aliwal North, Queenstown, Pietermaritzburg and Welkom.
Table 4.20: Leading Localities for Stayers of Hotels 1990-2010

<table>
<thead>
<tr>
<th>Place</th>
<th>Stayers</th>
<th>Percentage of national stayers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Johannesburg</td>
<td>25</td>
<td>6.9</td>
</tr>
<tr>
<td>Cape Town</td>
<td>23</td>
<td>6.3</td>
</tr>
<tr>
<td>Durban</td>
<td>22</td>
<td>6.1</td>
</tr>
<tr>
<td>Ekurhuleni</td>
<td>11</td>
<td>3.0</td>
</tr>
<tr>
<td>Pretoria</td>
<td>10</td>
<td>2.8</td>
</tr>
<tr>
<td>Drakensburg (Winterton)</td>
<td>5</td>
<td>1.4</td>
</tr>
<tr>
<td>Pietermaritzburg</td>
<td>5</td>
<td>1.4</td>
</tr>
<tr>
<td>Bloemfontein</td>
<td>4</td>
<td>1.1</td>
</tr>
<tr>
<td>East London</td>
<td>4</td>
<td>1.1</td>
</tr>
<tr>
<td>Hazyview</td>
<td>4</td>
<td>1.1</td>
</tr>
<tr>
<td>Port Elizabeth</td>
<td>4</td>
<td>1.4</td>
</tr>
<tr>
<td>Rustenburg</td>
<td>4</td>
<td>1.1</td>
</tr>
<tr>
<td>Stellenbosch</td>
<td>4</td>
<td>1.1</td>
</tr>
<tr>
<td>Mossel Bay</td>
<td>3</td>
<td>0.8</td>
</tr>
<tr>
<td>White River</td>
<td>3</td>
<td>0.8</td>
</tr>
</tbody>
</table>

Note: Other localities with recorded 3 stayers are Knysna, Kuruman, Oudtshoorn,

Source: Author’s data base

Table 4.20 shows the rank order of localities for the last category of stayers. The findings on Table 4.20 merit a brief analysis. It is apparent that the numbers of actual hotel properties which continued to function throughout the study period represents only a small proportion of the total hotel stock. In total the leading 15 localities for stayers have only 131 hotel properties which remained in operation throughout the study period. This total constitutes only 11.2 percent of the 2010 national hotel stock of hotel properties. Given their size and significance in the overall
hotel space economy, it is not surprising that the greatest number of stayers is recorded in the metropolitan centres of Johannesburg, Cape Town, Durban, Ekurhuleni and Pretoria. It is observed, however, that a number of smaller centres are ranked highly in the list of stayers. Localities such as the Drakensberg, Hazyview, Kuruman, Oudtshoorn, Rustenburg and White River contain groups of long established hotels that have continued to function throughout the two decades 1990 to 2010.

Table 4.21: Property Turnover by Locality

<table>
<thead>
<tr>
<th>Location</th>
<th>% 1990 Hotel Property Stock Not Existing in 2010</th>
<th>% 2010 Hotel Property Stock Constructed Since 1990</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOUTH AFRICA</td>
<td>63.8</td>
<td>68.8</td>
</tr>
<tr>
<td>Johannesburg</td>
<td>76.6</td>
<td>81.8</td>
</tr>
<tr>
<td>Ekurhuleni</td>
<td>76.6</td>
<td>75.6</td>
</tr>
<tr>
<td>Pretoria</td>
<td>60.0</td>
<td>82.4</td>
</tr>
<tr>
<td>Cape Town</td>
<td>65.2</td>
<td>87.5</td>
</tr>
<tr>
<td>Port Elizabeth</td>
<td>69.2</td>
<td>83.3</td>
</tr>
<tr>
<td>East London</td>
<td>50.0</td>
<td>73.3</td>
</tr>
<tr>
<td>Durban</td>
<td>53.2</td>
<td>60.1</td>
</tr>
<tr>
<td>Bloemfontein</td>
<td>63.4</td>
<td>81.8</td>
</tr>
<tr>
<td>Pietermaritzburg</td>
<td>55.6</td>
<td>44.4</td>
</tr>
<tr>
<td>Polokwane</td>
<td>50.0</td>
<td>93.3</td>
</tr>
<tr>
<td>Knysna</td>
<td>57.1</td>
<td>87.0</td>
</tr>
<tr>
<td>Stellenbosch</td>
<td>20.0</td>
<td>76.5</td>
</tr>
<tr>
<td>Kimberley</td>
<td>92.3</td>
<td>87.5</td>
</tr>
<tr>
<td>Welkom</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Author’s data base
Components of change analysis sheds special light on one major facet of the restructuring of the South African hotel industry over the period 1990 to 2010, namely that of the high turnover of hotel property. Table 4.21 provides a picture for selected localities of the hotel property stock turnover over the study period. The dominant picture is of the high levels of turnover of hotel property stock nationally. In the cases of Johannesburg and Ekurhuleni more than three-quarters of all 1990 hotel properties had ceased to function as hotel properties by 2010. The most extreme examples are those of Welkom and Kimberley. There occurred a complete closure of existing hotel establishments from 1990 in the case of Welkom and over 90 percent in the case of Kimberley. Another exceptional case is Stellenbosch where only one hotel existing in 1990 had closed operations by 2010. The Stellenbosch example shows the stability of hotel properties at this Wineland location. The major restructuring and change in the hotel sector in certain localities is further demonstrated by the high proportion of new hotel developments in relation to total hotel stock in 2010. In major urban centres such as Cape Town, Johannesburg, Pretoria, Bloemfontein, Port Elizabeth over 80 percent of hotel stock in 2010 represents new hotel constructions which occurred during the period 1990-2010. In many smaller centres the extent of new hotel constructions as a proportion of 2010 hotel stock is over 85 percent, a level which is recorded at Knysna, Kimberley and Polokwane. The extreme case is that of Welkom where all the 1990 hotels closed down and were replaced by two new small hotel properties by 2010.

4.3.2 Spatial Patterns of Different Sizes of Hotel

This section turns the attention from issues relating to the spatial patterns of hotels in terms of actual establishments or room capacity and instead to investigate patterns of hotels across different size categories. The national distribution and changes in that distribution over the period 1990 to 2010 was examined in section 4.2.2. This revealed a downturn in the absolute numbers and relative share of small hotels in South Africa’s total hotel stock. By contrast, an increase was recorded for both the group of medium-sized hotels and large hotel establishments. In particular, for South Africa during the period 1990-2010 the growing significance of medium-
sized hotel establishments, providing between 51 and 250 rooms, was observed. The analysis which is presented here of the size structure of hotels is conducted across the different categories of urban centre as a whole and followed by a more focused examination at individual locality scale.

Table 4.22: Distribution of Hotels by Size Categories 1990 and 2010

<table>
<thead>
<tr>
<th>Category</th>
<th>1990</th>
<th>2010</th>
<th>2010</th>
<th>2010</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of</td>
<td>Number of</td>
<td>Number of</td>
<td>Number of</td>
<td>Number of</td>
</tr>
<tr>
<td></td>
<td>rooms</td>
<td>rooms</td>
<td>rooms</td>
<td>rooms</td>
<td>rooms</td>
</tr>
<tr>
<td>South Africa</td>
<td>808</td>
<td>174</td>
<td>21</td>
<td>716</td>
<td>412</td>
</tr>
<tr>
<td>Metropolitan Areas/Large Cities</td>
<td>210 (26.0%)</td>
<td>104 (59.8%)</td>
<td>19 (90.5%)</td>
<td>225 (31.4%)</td>
<td>260 (63.1%)</td>
</tr>
<tr>
<td>Secondary Cities/Large Towns</td>
<td>80 (9.9%)</td>
<td>25 (14.4%)</td>
<td>0 (0.0%)</td>
<td>76 (10.6%)</td>
<td>62 (15.0%)</td>
</tr>
<tr>
<td>Small Towns</td>
<td>518 (64.1%)</td>
<td>45 (25.9%)</td>
<td>2 (9.5%)</td>
<td>415 (58.0%)</td>
<td>90 (21.8%)</td>
</tr>
</tbody>
</table>

Source: Author’s data base

Table 4.22 shows actual numbers of hotels of different size for the different categories of urban settlement. In addition it shows the national proportion of each size class as distributed across the three categories of settlement. Several points are of note from Table 4.22. First, it is evident that
in 1990 the largest share of small hotels (1-50 rooms) occurred in South African small towns. Second, for the group of medium-sized hotel establishments the greatest concentration occurs in the metropolitan areas/large cities followed by small towns. Three, large hotel establishments are situated almost exclusively in the metropolitan areas/large cities with the only exception being the hotels at the Sun City resort. In 2010 the patterns are replicated albeit with minor changes. The key shifts are the growing importance of small hotels in metropolitan areas, a phenomenon which is linked to market segmentation and the emergence of small niche forms of hotel (see Chapter Six). In secondary cities and small towns there is recorded an actual decline in the numbers of small size hotels between 1990 and 2010. In both the categories of medium sized and large size hotels the dominance of the metropolitan areas/large cities is retained and even strengthened over the study period. Of note, however, is that across all three categories of urban settlement a doubling in the numbers of medium sized hotels is in evidence (Table 4.22).

Table 4.23: Proportion of Hotels by Size Category 1990 and 2010

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th></th>
<th></th>
<th>2010</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1-50</td>
<td>51-250</td>
<td>&gt;250</td>
<td>1-50</td>
<td>51-250</td>
<td>&gt;250</td>
</tr>
<tr>
<td>South Africa</td>
<td>80.6</td>
<td>17.3</td>
<td>2.1</td>
<td>61.5</td>
<td>35.4</td>
<td>3.2</td>
</tr>
<tr>
<td>Metropolitan</td>
<td>63.1</td>
<td>31.2</td>
<td>5.7</td>
<td>43.4</td>
<td>50.1</td>
<td>6.6</td>
</tr>
<tr>
<td>Areas/Large</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secondary</td>
<td>76.2</td>
<td>23.8</td>
<td>0.0</td>
<td>55.0</td>
<td>45.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Cities/Large</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Towns</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small Towns</td>
<td>91.7</td>
<td>8.0</td>
<td>0.3</td>
<td>81.7</td>
<td>17.7</td>
<td>0.6</td>
</tr>
</tbody>
</table>

Source: Author’s data base
Table 4.23 shows the results of calculating the share of the three different size categories of hotels within each of the different categories of urban settlement. This analysis reveals that in 1990 small hotels represent the largest element in the hotel stock of all three different categories of urban settlement. In the small towns over 90 percent of hotels fell into the category of small hotel. In 1990 the group of medium sized hotels was representing almost one-third of establishments in metropolitan areas/large cities and nearly one-quarter in the group of secondary cities/large towns. With the exception of Sun City, large hotels are situated in 1990 exclusively in large metropolitan areas where they constitute 5.7 percent of total stock. By 2010 certain changes can be noted. The most dramatic shift is that observed in the metropolitan areas/large cities with the rise in significance of medium-sized hotels. By 2010 medium sized hotels constitute half of hotel properties in this category of settlement. The advance of medium sized hotels is also evident in the categories of secondary cities/large towns and small towns. With respect to large hotels, the proportional shares are little changed.
Figure 4.10: The Changing Geography of Hotels of Different Size in South Africa 1990

Source: Author’s data base
The analysis of the size distribution of hotels is narrowed now to the individual locality scale. The national geographies of different sizes of hotels are mapped on Figures 4.10 and 4.11 using data calculated for each locality. These maps reveal the broad contours of a shifting spatial landscape of small, medium and large hotels in 1990 and 2010. Further information and analysis is undertaken below.
Table 4.24: Numbers of Hotels by Size Category in Select Localities, 1990 and 2010

<table>
<thead>
<tr>
<th>City/Town</th>
<th>1-50</th>
<th>51-250</th>
<th>&gt;250</th>
<th>1-50</th>
<th>51-250</th>
<th>&gt;250</th>
</tr>
</thead>
<tbody>
<tr>
<td>Johannesburg</td>
<td>62</td>
<td>36</td>
<td>9</td>
<td>56</td>
<td>68</td>
<td>13</td>
</tr>
<tr>
<td>Ekurhuleni</td>
<td>42</td>
<td>5</td>
<td>0</td>
<td>18</td>
<td>24</td>
<td>3</td>
</tr>
<tr>
<td>Cape Town</td>
<td>40</td>
<td>24</td>
<td>2</td>
<td>107</td>
<td>69</td>
<td>8</td>
</tr>
<tr>
<td>Durban</td>
<td>28</td>
<td>11</td>
<td>8</td>
<td>22</td>
<td>27</td>
<td>7</td>
</tr>
<tr>
<td>Bloemfontein</td>
<td>6</td>
<td>5</td>
<td>0</td>
<td>11</td>
<td>11</td>
<td>0</td>
</tr>
<tr>
<td>Port Elizabeth</td>
<td>7</td>
<td>6</td>
<td>0</td>
<td>8</td>
<td>15</td>
<td>1</td>
</tr>
<tr>
<td>Pietermaritzburg</td>
<td>7</td>
<td>2</td>
<td>0</td>
<td>5</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>Pretoria</td>
<td>14</td>
<td>11</td>
<td>0</td>
<td>24</td>
<td>31</td>
<td>2</td>
</tr>
<tr>
<td>East London</td>
<td>4</td>
<td>4</td>
<td>0</td>
<td>4</td>
<td>11</td>
<td>0</td>
</tr>
<tr>
<td>Polokwane</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>9</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>Welkom</td>
<td>2</td>
<td>4</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Rustenburg</td>
<td>6</td>
<td>3</td>
<td>0</td>
<td>2</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>Nelspruit</td>
<td>6</td>
<td>1</td>
<td>0</td>
<td>3</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td>Stellenbosch</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td>14</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>George</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Kimberley</td>
<td>10</td>
<td>3</td>
<td>0</td>
<td>3</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>Franschhoek</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>9</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Plettenburg Bay</td>
<td>4</td>
<td>1</td>
<td>0</td>
<td>12</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Mossel Bay</td>
<td>3</td>
<td>2</td>
<td>0</td>
<td>8</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Knysna</td>
<td>7</td>
<td>0</td>
<td>0</td>
<td>18</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>Hermanus</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>8</td>
<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Author’s data base
Table 4.25: Net Change by Size Category in Select Localities 1990-2010

<table>
<thead>
<tr>
<th>City/Town</th>
<th>1-50</th>
<th>51-250</th>
<th>&gt;250</th>
</tr>
</thead>
<tbody>
<tr>
<td>Johannesburg</td>
<td>-6</td>
<td>+32</td>
<td>+4</td>
</tr>
<tr>
<td>Ekurhuleni</td>
<td>-24</td>
<td>+19</td>
<td>+3</td>
</tr>
<tr>
<td>Cape Town</td>
<td>+67</td>
<td>+45</td>
<td>+6</td>
</tr>
<tr>
<td>Durban</td>
<td>-6</td>
<td>+16</td>
<td>-1</td>
</tr>
<tr>
<td>Bloemfontein</td>
<td>+5</td>
<td>+6</td>
<td>0</td>
</tr>
<tr>
<td>Port Elizabeth</td>
<td>+1</td>
<td>+9</td>
<td>+1</td>
</tr>
<tr>
<td>Pietermaritzburg</td>
<td>-2</td>
<td>+2</td>
<td>0</td>
</tr>
<tr>
<td>Pretoria</td>
<td>+10</td>
<td>+20</td>
<td>+2</td>
</tr>
<tr>
<td>East London</td>
<td>0</td>
<td>+7</td>
<td>0</td>
</tr>
<tr>
<td>Polokwane</td>
<td>+9</td>
<td>+4</td>
<td>0</td>
</tr>
<tr>
<td>Welkom</td>
<td>0</td>
<td>-4</td>
<td>0</td>
</tr>
<tr>
<td>Rustenburg</td>
<td>-4</td>
<td>+3</td>
<td>0</td>
</tr>
<tr>
<td>Nelspruit</td>
<td>-3</td>
<td>+7</td>
<td>0</td>
</tr>
<tr>
<td>Stellenbosch</td>
<td>+9</td>
<td>+3</td>
<td>0</td>
</tr>
<tr>
<td>George</td>
<td>0</td>
<td>+3</td>
<td>0</td>
</tr>
<tr>
<td>Kimberley</td>
<td>-7</td>
<td>+2</td>
<td>0</td>
</tr>
<tr>
<td>Franschhoek</td>
<td>+6</td>
<td>+1</td>
<td>0</td>
</tr>
<tr>
<td>Plettenburg Bay</td>
<td>+8</td>
<td>+1</td>
<td>0</td>
</tr>
<tr>
<td>Mossel Bay</td>
<td>+5</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Knysna</td>
<td>+11</td>
<td>+5</td>
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</tr>
<tr>
<td>Hermanus</td>
<td>+6</td>
<td>+1</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Author’s data base
Tables 4.24 and 4.25 record the results respectively for the actual numbers of hotels in particular size classes for a selection of different localities (Table 4.24) and of net change in establishments in each size class per selected locality (Table 4.25). The selection of localities includes all the metropolitan centres, a select group of secondary cities which were identified as leading locations in terms of growth or decline and a group of the most rapidly expanding small town hotel locations. Several key observations must be made. A surge is apparent in the numbers of hotels across all sizes in the case of Cape Town during the period 1990 to 2010. Of particular significance is the burst of growth in small and medium sized hotels in Cape Town. By comparison, the hotel stock in Johannesburg evidences a marked decline in small hotels and a growth in medium and large hotels. Table 4.25 reveals that the major hollowing out of small hotels occurred at Ekurhuleni, which can be explained by the closure of many of the former low quality establishments typical of the standard of hotel in the late apartheid period. The stock of Ekurhuleni hotels is altered by the appearance of a cluster of new constructions of medium and large hotels, mainly situated in the environs of OR Tambo International Airport. A growth of the numbers of small and/or medium sized hotel establishments is evident in other metropolitan centres or large cities including Pretoria (both small and medium), Durban (medium), Port Elizabeth (both medium and small) and Bloemfontein (both medium and small).

Outside the larger centres certain notable changes in size structure can be noted. Much of the expansion of small hotels in the leisure nodes of Hermanus, Knysna, Stellenbosch, Mossel Bay, Franschhoek and Plettenburg Bay is explained by market segmentation and the growth of niche hotel product offerings (see Chapter Five). A growth in the numbers of medium sized hotel establishments in East London, Nelspruit, George and Polokwane is also observable. This group of centres represent both leisure and business tourism destinations and their stock of hotels reflects this mix of tourists. The high expansion in the number of small hotel establishments in Polokwane appears to reflect specialist branded forms of hotel developments which once again are a feature of market segmentation.
Table 4.26: Proportion of Hotels by Size Category in Select Places, 1990 and 2010

<table>
<thead>
<tr>
<th>City/Town</th>
<th>1990</th>
<th>51-250</th>
<th>&gt;250</th>
<th>2010</th>
<th>51-250</th>
<th>&gt;250</th>
</tr>
</thead>
<tbody>
<tr>
<td>Johannesburg</td>
<td>57.9%</td>
<td>33.6%</td>
<td>8.4%</td>
<td>47.9%</td>
<td>58.1%</td>
<td>11.1%</td>
</tr>
<tr>
<td>Ekurhuleni</td>
<td>89.4%</td>
<td>10.6%</td>
<td>0.0%</td>
<td>40.0%</td>
<td>53.3%</td>
<td>6.7%</td>
</tr>
<tr>
<td>Cape Town</td>
<td>60.6%</td>
<td>36.4%</td>
<td>3.0%</td>
<td>57.8%</td>
<td>37.3%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Durban</td>
<td>59.6%</td>
<td>23.4%</td>
<td>17.0%</td>
<td>39.3%</td>
<td>48.2%</td>
<td>12.5%</td>
</tr>
<tr>
<td>Bloemfontein</td>
<td>54.5%</td>
<td>45.5%</td>
<td>0.0%</td>
<td>50.0%</td>
<td>50.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Port Elizabeth</td>
<td>53.8%</td>
<td>46.2%</td>
<td>0.0%</td>
<td>33.3%</td>
<td>62.5%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Pietermaritzburg</td>
<td>77.8%</td>
<td>22.2%</td>
<td>0.0%</td>
<td>55.6%</td>
<td>44.4%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Pretoria</td>
<td>56.0%</td>
<td>44.0%</td>
<td>0.0%</td>
<td>42.1%</td>
<td>54.4%</td>
<td>3.5%</td>
</tr>
<tr>
<td>East London</td>
<td>50.0%</td>
<td>50.0%</td>
<td>0.0%</td>
<td>26.7%</td>
<td>73.3%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Polokwane</td>
<td>0.0%</td>
<td>100.0%</td>
<td>0.0%</td>
<td>60.0%</td>
<td>40.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Welkom</td>
<td>33.3%</td>
<td>66.7%</td>
<td>0.0%</td>
<td>100.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Rustenburg</td>
<td>66.7%</td>
<td>33.3%</td>
<td>0.0%</td>
<td>25.0%</td>
<td>75.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Nelspruit</td>
<td>85.7%</td>
<td>14.3%</td>
<td>0.0%</td>
<td>27.3%</td>
<td>72.7%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Stellenbosch</td>
<td>100.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>82.4%</td>
<td>17.6%</td>
<td>0.0%</td>
</tr>
<tr>
<td>George</td>
<td>100.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>62.5%</td>
<td>37.5%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Kimberley</td>
<td>76.9%</td>
<td>23.1%</td>
<td>0.0%</td>
<td>37.5%</td>
<td>62.5%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Franschhoek</td>
<td>100.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>90.0%</td>
<td>10.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Plettenburg Bay</td>
<td>80.0%</td>
<td>20.0%</td>
<td>0.0%</td>
<td>85.7%</td>
<td>14.3%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Mossel Bay</td>
<td>60.0%</td>
<td>40.0%</td>
<td>0.0%</td>
<td>80.0%</td>
<td>20.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Knysna</td>
<td>100.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>78.3%</td>
<td>21.7%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Hermanus</td>
<td>100.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>88.9%</td>
<td>11.1%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Source: Author’s data base
With the expansion of new hotel construction and the closure of certain other hotel establishments the size mix of hotels in most localities has been altered between 1990 and 2010. Table 4.26 captures the shifting size distribution for most localities. Several localities evidence radical changes in the size distribution of their hotel stock. Among the localities that have experienced the greatest restructuring in their size structure are Ekurhuleni, Pretoria, East London, Polokwane, Nelspruit and Welkom. In many localities this change in size structure is inseparable from hotel upgrading and changes in hotel standards, the focus of discussion in the final sub-section of this chapter.

4.3.3. Spatial Patterns of Different Quality Standards of Hotel

The upgrading in the quality of South African hotels between 1990 and 2010 was identified as one of the fundamental transformations that have re-shaped the hotel industry. The improvement in the quality of stock in hotels has, however, been a geographically uneven phenomenon which will be shown in this section of discussion. The analysis in this section is organized to parallel that in the two previous sub-sections. The spatial patterns of different quality standards of hotel are first examined across different categories of urban settlement and then with respect to individual localities
Table 4.27: Quality of hotels and distribution in South Africa by various urban categories:
Numbers of hotels and rooms, 1990 and 2010

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>2010</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5 star</td>
<td>4 star</td>
<td>3 star</td>
<td>2 star</td>
<td>1 star</td>
<td>5 star</td>
<td>4 star</td>
<td>3 star</td>
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<td>1 star</td>
<td></td>
</tr>
<tr>
<td>South Africa</td>
<td>20</td>
<td>3395</td>
<td>107</td>
<td>223</td>
<td>598</td>
<td>162</td>
<td>335</td>
<td>377</td>
<td>377</td>
<td>199</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3799</td>
<td>10008</td>
<td>10678</td>
<td>13456</td>
<td>10180</td>
<td>29439</td>
<td>3258</td>
<td>6692</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metropolitan</td>
<td>15</td>
<td>3325</td>
<td>54</td>
<td>71</td>
<td>165</td>
<td>100</td>
<td>193</td>
<td>160</td>
<td>19</td>
<td>68</td>
<td></td>
</tr>
<tr>
<td>areas/Large</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>cities</td>
<td>25</td>
<td>2851</td>
<td>6357</td>
<td>5256</td>
<td>5783</td>
<td>7872</td>
<td>16319</td>
<td>18150</td>
<td>1659</td>
<td>3818</td>
<td></td>
</tr>
<tr>
<td>Secondary</td>
<td>0</td>
<td>0</td>
<td>6</td>
<td>34</td>
<td>54</td>
<td>10</td>
<td>36</td>
<td>49</td>
<td>14</td>
<td>24</td>
<td></td>
</tr>
<tr>
<td>cities/large</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>towns</td>
<td>11</td>
<td>456</td>
<td>828</td>
<td>1659</td>
<td>1364</td>
<td>373</td>
<td>2400</td>
<td>3490</td>
<td>616</td>
<td>1142</td>
<td></td>
</tr>
<tr>
<td>Small towns</td>
<td>5</td>
<td>70</td>
<td>42</td>
<td>118</td>
<td>379</td>
<td>52</td>
<td>106</td>
<td>168</td>
<td>40</td>
<td>107</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>492</td>
<td>2823</td>
<td>3763</td>
<td>1935</td>
<td>4432</td>
<td>7799</td>
<td>983</td>
<td>1732</td>
<td></td>
</tr>
</tbody>
</table>

Note: In the metropolitan areas, 3 hotels were ungraded in 1990 and 9 in 2010. In the secondary cities, 2 hotels were ungraded in 2010. In small towns there were 10 ungraded hotels in 1990 and 8 in 2010.

Source: Author’s data base

The distribution of hotels of different quality standards as indexed by star grading classification is given on Table 4.27 for the different categories of urban settlement. A number of key points must be highlighted. In the metropolitan areas and large centres the balance of the hotel stock has been restructured from the group of low standard and cheaper one and two star establishments which formed the major element in 1990 to the situation in 2010 when the majority of hotels are in the three to five star bracket. In the case of the secondary cities and large towns a parallel upgrading is in evidence with the shake-out of much of the stock of one and two star accommodation. In this category of settlement, however, the upgrading has mainly been concentrated in the range of three to four star accommodation. Finally, in the category of small towns major losses are recorded in one and two star establishments. It is noted, for example, that the number of one and two star hotels in small towns fell from a total of 497 in 1990 to 147 by 2010; dramatic reductions were also evident in room numbers from 10 072 rooms in one and two
stars in 1990 to 2,715 by 2010. The upgrading that has taken place in accommodation in small
towns shows a considerable expansion in both three and four star accommodation and very
importantly in the five star bracket of accommodation. It must be emphasized, however, that this
quality upgrading in the category of small towns has been spatially selective and in particular
reflects such growing nodes as Franschhoek, Knysna, Hermanus, Plettenburg Bay, White River
and Hazyview. Metropolitan areas and large towns have 59.2 percent of four to five star hotels
but they have 72.6 percent of the five star rooms in 2010. Correspondingly, the category of the
small towns has 31.8 percent of the total number of hotels and only 19 percent of the total rooms
in these star categories. This indicates that although a quality upgrading has been taking place in
large centres and small towns in small towns the upgrades are linked to a smaller hotel
establishment.

Table 4.28: Quality of hotels and distribution in South Africa by various urban categories:
Percent of available hotel rooms, 1990 and 2010

<table>
<thead>
<tr>
<th></th>
<th>5 star</th>
<th>4 star</th>
<th>3 star</th>
<th>2 star</th>
<th>1 star</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>8.1</td>
<td>14.0</td>
<td>9.1</td>
<td>31.8</td>
<td>24.0</td>
</tr>
<tr>
<td>Metropolitan</td>
<td>14.1</td>
<td>16.5</td>
<td>12.1</td>
<td>34.1</td>
<td>27.0</td>
</tr>
<tr>
<td>Areas/Large</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secondary</td>
<td>0.0</td>
<td>4.7</td>
<td>10.6</td>
<td>29.9</td>
<td>19.2</td>
</tr>
<tr>
<td>cities/Large</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Towns</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small Towns</td>
<td>0.5</td>
<td>11.5</td>
<td>3.7</td>
<td>26.3</td>
<td>21.0</td>
</tr>
</tbody>
</table>

Note: In calculating percentage distributions, the small group of ungraded establishments was excluded.

Source: Author’s data base
Table 4.28 further reinforces the upgrading trend which has occurred unevenly across different forms of urban settlement. Table 4.28 shows the shifting proportions of different forms of hotel by quality standards in these different settlements. Using the index of numbers of rooms this table has shown the structural change of hotel stock within each of the categories. It indicates that in metropolitan areas and large cities in 1990 the one and two star group of hotels represented almost half of total hotel stock (46.8 percent). By 2010 this had reduced in significance to only 11.5 percent. By contrast, four and five hotels which constituted 26.2 percent of rooms in 1990 by 2010 represented 50.6 percent of total room capacity. The hollowing out of the stock of one and two star accommodation in small towns is dramatically indicated by the finding that in 1990 74.9 percent of hotel room capacity was in these establishments whereas in 2010 this had fallen to 16.1 percent. At the higher end of the accommodation spectrum in 1990 four to five star hotel establishments provided only 4.3 percent of rooms available in small town hotels whereas in 2010 the share had risen markedly to 37.8 percent.
Figure 4.12: Spatial Distribution of Hotels by Star Grading, 1990

Source: Author’s data base
Figure 4.13: Spatial Distribution of Hotels by Star Grading, 2010

Source: Author’s data base
The uneven spatial picture in terms of the quality upgrading of South African hotels can be examined from Figures 4.12 and 4.13. These two figures show the geographical distribution of all graded hotels by star classification both for 1990 and 2010. Key observations are as follows. The 1990 distribution is dominated by the base pattern of one star establishments which were widespread throughout the country. The thin layer of higher quality three to five star hotels was situated mainly in four major urban tourism nodes, namely Johannesburg, Durban, Cape Town and Pretoria. Outside of these centres the most important clusters of high quality hotel accommodation are situated in the Cape Winelands, proximate to the Kruger National Park and the Drakensberg. By 2010 the national erosion of the category of one and two hotel star establishments is evident. Correspondingly, the upgrading is shown by the strengthened clusters of three to five star accommodation establishments particularly in Cape Town and surrounding Winelands, Johannesburg, Pretoria, the Garden Route (including Port Elizabeth), Bloemfontein, and, to a lesser extent, at Durban.
Table 4.29: Number of Hotels by Star Grading: Leading Centres 1990 and 2010

<table>
<thead>
<tr>
<th>Quality Standard</th>
<th>1990</th>
<th>2010</th>
<th>Net change 1990-2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>One star</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Johannesburg</td>
<td>56</td>
<td>20</td>
<td><strong>Johannesburg</strong> -36</td>
</tr>
<tr>
<td>Ekurhuleni</td>
<td>38</td>
<td>15</td>
<td><strong>Ekurhuleni</strong> -23</td>
</tr>
<tr>
<td>Durban</td>
<td>19</td>
<td>8</td>
<td><strong>Durban</strong> -11</td>
</tr>
<tr>
<td>Cape Town</td>
<td>16</td>
<td>7</td>
<td><strong>Cape Town</strong> -9</td>
</tr>
<tr>
<td>Pretoria</td>
<td>16</td>
<td>7</td>
<td><strong>Pretoria</strong> -9</td>
</tr>
<tr>
<td>Port Elizabeth</td>
<td>6</td>
<td>4</td>
<td>Pietermaritzburg -3</td>
</tr>
<tr>
<td>Bloemfontein</td>
<td>6</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Pietermaritzburg</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Two Star</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Johannesburg</td>
<td>25</td>
<td>6</td>
<td><strong>Johannesburg</strong> -19</td>
</tr>
<tr>
<td>Cape Town</td>
<td>15</td>
<td>6</td>
<td><strong>Cape Town</strong> -12</td>
</tr>
<tr>
<td>Durban</td>
<td>12</td>
<td>3</td>
<td><strong>Durban</strong> -10</td>
</tr>
<tr>
<td>Ekurhuleni</td>
<td>6</td>
<td>3</td>
<td><strong>Polokwane</strong> +5</td>
</tr>
<tr>
<td>East London</td>
<td>3</td>
<td>2</td>
<td><strong>Ekurhuleni</strong> -4</td>
</tr>
<tr>
<td>Port Elizabeth</td>
<td>3</td>
<td>2</td>
<td>Kimberley -3</td>
</tr>
<tr>
<td>Pretoria</td>
<td>3</td>
<td>2</td>
<td>Nelspruit 2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Somerset East 2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Springbok 2</td>
</tr>
<tr>
<td><strong>Three Star</strong></td>
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<td>Johannesburg</td>
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<td>Cape Town</td>
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<tr>
<td>Durban</td>
<td>10</td>
<td>21</td>
<td><strong>Cape Town</strong> +15</td>
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<tr>
<td>Pretoria</td>
<td>4</td>
<td>20</td>
<td><strong>Ekurhuleni</strong> +14</td>
</tr>
<tr>
<td>Port Elizabeth</td>
<td>3</td>
<td>15</td>
<td><strong>Durban</strong> +11</td>
</tr>
<tr>
<td>Location</td>
<td>Four Star</td>
<td>Five Star</td>
<td></td>
</tr>
<tr>
<td>-------------------</td>
<td>-----------</td>
<td>-----------</td>
<td></td>
</tr>
<tr>
<td>Wilderness</td>
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<td></td>
<td></td>
</tr>
<tr>
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<td>+9</td>
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<td></td>
</tr>
<tr>
<td>Bloemfontein</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Port Elizabeth</td>
<td>+5</td>
<td></td>
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</tr>
<tr>
<td>Cape Town</td>
<td>14</td>
<td>Cape Town</td>
<td></td>
</tr>
<tr>
<td>Johannesburg</td>
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<td>89</td>
<td></td>
</tr>
<tr>
<td>Durban</td>
<td>3</td>
<td>Johannesburg</td>
<td></td>
</tr>
<tr>
<td>Pretoria</td>
<td>2</td>
<td>39</td>
<td></td>
</tr>
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<td>Knysna</td>
<td>14</td>
<td>Pretoria</td>
<td></td>
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<tr>
<td>Cape Town</td>
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</tr>
<tr>
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<td></td>
</tr>
<tr>
<td>Johannesburg</td>
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<td></td>
</tr>
<tr>
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</tr>
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<td></td>
</tr>
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<td>Plettenburg Bay +8</td>
<td></td>
</tr>
<tr>
<td>Plettenburg Bay</td>
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<td>Bloemfontein +7</td>
<td></td>
</tr>
<tr>
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<td>Stellenbosch +7</td>
<td></td>
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<tr>
<td>Stellenbosch</td>
<td>+7</td>
<td>Mossel Bay +6</td>
<td></td>
</tr>
<tr>
<td>Mossel Bay</td>
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</tr>
<tr>
<td>Port Elizabeth</td>
<td>+6</td>
<td></td>
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</tr>
</tbody>
</table>

**Note:** Localities in italics have experienced a net change of at least 5 establishments in a quality grade.

Source: Author’s data base
Further evidence of the geographically uneven character of hotel stock upgrading is provided by the results of analyzing the changing numbers of hotels of particular star grading and calculation of net change for 1990-2010. It is revealed that one element of the upgrading of hotel stock as a whole relates simply to the demise and reduction in the numbers of one and two star hotels at certain localities. The greatest rate of closures of one and two star accommodation has been experienced in Johannesburg, Ekurhuleni, Durban and Cape Town. Between 1990 and 2010 these four cities experienced a net reduction of 126 hotel establishments in the one and two star category of hotels. Only one locality in South Africa, namely Polokwane, records any notable expansion of accommodation in the one or two star segment, a finding which relates to the growth of new budget forms of business hotel which emerged as part of market segmentation (see Chapter Five). In the three star category of hotel accommodation, the greatest expansion is observed at the three Gauteng business tourism nodes of Johannesburg, Ekurhuleni and Pretoria, at Bloemfontein and at the coastal centres of Cape Town, Durban, East London and Port Elizabeth. The spatial concentration of hotel upgrading in high end four and five star hotel accommodation is especially marked. Over the period 1990-2010 in Cape Town there is recorded a net change of 75 four star hotels and of 49 five star hotels. This remarkable net change in high end hotel stock is indexed by the fact that it exceeds that recorded in the combined net change for Johannesburg, Pretoria and Durban. Outside of the these centres in the category of four and five star accommodation, Table 4.29 highlights the expansion that has occurred at localities such as Knysna, Plettenburg Bay, Stellenbosch, Franschhoek and Mossel Bay.
Table 4.30: Proportion of Graded Hotels in Metropolitan Places/Large Cities: 1990 and 2010

<table>
<thead>
<tr>
<th>City/Town</th>
<th>1990</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
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<tr>
<td><strong>Number of Stars</strong></td>
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<td><strong>1</strong></td>
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</tr>
<tr>
<td><strong>2</strong></td>
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<td><strong>3</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>4</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>5</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Author’s data base

At the individual locality level Tables 4.30 and 4.31 provide a summary of the structural shifts in the quality of hotel stock within the major metropolitan centres and large cities. These two tables are disaggregating the data as given in Tables 4.27 and 4.28 to individual city level.
Table 4.31: Proportion of Quality as Indexed by Number of Rooms in Metropolitan Places/Large Cities: 1990 and 2010

<table>
<thead>
<tr>
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<td>2</td>
<td>3</td>
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<tr>
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<td>24.7</td>
<td>9.2</td>
<td>20.9</td>
<td>7.5</td>
<td>4.5</td>
<td>36.7</td>
<td>30.5</td>
<td>20.7</td>
<td>14.6</td>
<td>19.8</td>
<td>51.2</td>
<td>48.8</td>
<td>5.5</td>
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<tr>
<td>Ekurhuleni</td>
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<td>25.0</td>
<td>14.0</td>
<td>0.0</td>
<td>0.0</td>
<td>16.4</td>
<td>3.4</td>
<td>42.5</td>
<td>31.9</td>
<td>5.8</td>
<td>54.0</td>
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<td>16.7</td>
<td>19.8</td>
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<tr>
<td>Cape Town</td>
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<td>23.8</td>
<td>21.4</td>
<td>16.6</td>
<td>3.3</td>
<td>2.4</td>
<td>21.3</td>
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<td>14.7</td>
<td>23.7</td>
<td>27.6</td>
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<td>Durban</td>
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<td>15.5</td>
<td>9.8</td>
<td>0.7</td>
<td>48.1</td>
<td>32.7</td>
<td>8.6</td>
<td>28.5</td>
<td>23.7</td>
<td>27.6</td>
<td>20.2</td>
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<td>2.1</td>
<td>54.0</td>
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<td>16.7</td>
<td>19.8</td>
<td>0.0</td>
<td>8.8</td>
</tr>
<tr>
<td>Port Elizabeth</td>
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<td>32.4</td>
<td>21.9</td>
<td>26.3</td>
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<td>9.7</td>
<td>43.2</td>
<td>20.1</td>
<td>13.4</td>
<td>5.6</td>
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<td>0.0</td>
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</tr>
<tr>
<td>Pretoria</td>
<td>54.0</td>
<td>9.5</td>
<td>16.7</td>
<td>19.8</td>
<td>0.0</td>
<td>8.8</td>
<td>5.4</td>
<td>53.0</td>
<td>27.3</td>
<td>5.4</td>
<td>5.6</td>
<td>45.7</td>
<td>48.7</td>
<td>0.0</td>
<td>0.0</td>
<td>7.2</td>
</tr>
<tr>
<td>East London</td>
<td>5.6</td>
<td>45.7</td>
<td>48.7</td>
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<td>0.0</td>
<td>7.2</td>
<td>1.1</td>
<td>80.0</td>
<td>11.7</td>
<td>0.0</td>
<td>5.6</td>
<td>45.7</td>
<td>48.7</td>
<td>0.0</td>
<td>0.0</td>
<td>7.2</td>
</tr>
</tbody>
</table>

Source: Author’s data base

The transformation of the hotel landscape of South Africa’s major cities has been extraordinary in the period 1990 to 2010 in terms of quality of accommodation. A number of individual changes can be highlighted. In 1990 at Johannesburg and Ekurhuleni respectively one and two star hotels represented 76.4 percent and 97.7 percent of local hotel stock. By 2010 these shares were reduced to 19.5 percent for Johannesburg and 38.6 percent for Ekurhuleni. At Cape Town in 1990 one and two star rated hotels accounted for 38.2 percent of the city room capacity; by 2010 this had diminished to a mere 5.7 percent. In the category of high end accommodation, 30.1 percent of Johannesburg room capacity in 1990 was in four and five star accommodation whereas by 2010 the respective share was 51.2 percent. In Cape Town the structural upgrading of the hotel stock witnessed a change from 38.0 room capacity in four and five star hotels in 1990 to 73.1 percent by 2010. The structural change was mirrored also in other coastal cities, even including East London where in 1990 one and two star accommodation represented 51.3
percent of hotel stock whereas in 2010 this had fallen sharply to 8.3 percent. The East London case is notable for the particular dominance of three star accommodation as indicated by the finding that by 2010 80.0 percent of hotel rooms in the city were in the three star grading.

4.4 CONCLUSION

The purpose of this chapter was to examine the structural and spatial restructuring of South Africa’s hotel sector, which is a fundamental base for national tourism development, over the critical 20 year period 1990-2010 corresponding to the country’s re-engagement with the international tourism economy following years of isolation and sanctions. It was demonstrated that at the period of the country’s re-entry into the global tourism economy South Africa’s hotel sector was lacking the accommodation products and quality standards necessary to compete as an international tourism destination. Since 1990, however, the hotel sector has been restructured and spatially reconfigured in radical fashion by major waves of new investment into the sector. The essential nature of the hotel product was re-fashioned with the essential emphasis upon the provision of high quality accommodation standards as opposed to an earlier focus on liquor selling with only basic accommodation facilities on offer (Canas, 2007; Rogerson, 2011a).

The construction of a set of comprehensive data bases was an essential first step for understanding the restructuring of the hotel sector. As has been emphasized, official data is incomplete or absent on South Africa’s hotel sector. The analysis of the two hotel audits conducted for 1990 and 2010 highlights the major changes that occurred between 1990 and 2010 in the geographical distribution of hotel accommodation across South Africa. The key shifts that occurred between 1990 and 2010 can be summarized as follows. First, is the persistence and strengthening of the role of the country’s four major urban tourism centres, namely Cape Town, Durban, Johannesburg and Pretoria. Together, in 1990 these four nodes accounted for 245 hotel properties or 24.4 percent of the national total. By 2010 these four key centres hosted 434 hotels
or 37.3 percent of the total. As indexed by numbers of rooms the growing dominance of these four cities in South Africa’s tourism space economy is even greater. In 1990 these four urban nodes accounted for 10 649 rooms or 25.5 percent national share whereas in 2010 this rose to 38 582 rooms or 52.7 percent of national total. Second, other growing points in the South African tourism economy, as indexed by numbers of hotel establishments, are the leisure nodes of the Cape Winelands, the Garden Route, and Mpumalanga towns proximate to the major national game reserves and scenic attractions. Further growing nodes include certain provincial capitals, notably Polokwane, Nelspruit and Bloemfontein, and the business node of Richards Bay.

Three, the stagnation or decline in numbers of hotel establishments is shown at several different kinds of centres, mostly in the groups of either large or small towns. Examples include certain declining mining centres (Welkom, Virginia) or industrial towns (Newcastle or King Williams Town). In addition, the category of declining localities incorporates small towns such as Beaufort West or Colesberg which with changing mobilities lost their former dominant function of convenient stop-over destinations for business or leisure road travelers. Finally, of special note is the observed trend for the ‘hollowing out’ of hotels in much of South Africa’s population of small towns, many of which experienced economic misfortune in the period 1990-2010 (Nel, 2011; Nel and Rogerson, 2007). The uneven geography of hotels shown in small town South Africa, with healthy growth in certain localities and closure of hotels in other centres, is one further dimension of changing small town geographies and of broader processes of change in the making of post-productivist landscapes (Hoogendoorn and Nel, 2012).

The components of change analysis demonstrated the key underpinnings of the shifting structural and spatial organization of the country’s hotel accommodation sector. Most importantly, it was shown for the period 1990-2010 that the core drivers of change relate on the one hand to a wave of new ‘births’ in the form of new hotel developments in the three to five star quality hotel stock and on the other hand to the disappearance or ‘deaths’ of lower quality one and two star establishments that had been the former foundation of tourism in the pre-1990 period. Between
1990 and 2010 radical changes were noted in the size structure of the hotel sector with a concentration of new development in the category of medium-sized hotel providing between 51 and 250 rooms. The production of these new hotel developments and the changing geography of hotels was inseparable from the advance of market segmentation and of the innovation of a range of different forms of hotel product. These are the central themes for analysis in the next Chapter, which deals with issues of market segmentation.
CHAPTER FIVE

SEGMENTATION IN THE SOUTH AFRICAN HOTEL INDUSTRY

5.1 INTRODUCTION

One of the most striking changes affecting the South African hotel industry between 1990 and 2010 relates to segmentation and the accompanying appearance and growth of a number of different forms of hotel. Since 1990 the nature of the hotel industry in South Africa has changed with the emergence and growth of an array of new hotel products catering for particular market niches. Among new hotel products that reflect market segmentation are the appearance of the airport hotel, the all-suite hotel, the boutique hotel, the budget hotel, the heritage hotel, the limited service hotel, the luxury hotel, and the Sharia-compliant hotel. The growth of these kinds of hotel developments in South Africa is a reflection of broader international trends in the hotel sector (Chapter Two) and links to the wider expansion of the tourism industry as discussed in Chapter Three.

The aim in this chapter is to show the impact of market segmentation on the landscape of hotel development in South Africa. Three examples of new forms of hotel development which illustrate market segmentation are documented. The three selected examples are boutique hotels, the limited service hotel, and the all-suite hotel. Each of these selected examples is discussed separately with the material organized in terms of (1) a review of international scholarship in relation to each segment; (2) an analysis of the growth and locational trends of development in South Africa, and (3) specific issues relating to the establishment and growth of each particular segment. The presentation of each of the three case studies is similar with the South African
research situated against a background analysis of international trends in each of the three segments of respectively boutique hotels, all-suite hotels and limited service hotels.

In researching the three case studies methodologically in all cases the approach was broadly similar. The first stage was that of constructing a national data base for each particular segment. The development of each of these data bases was undertaken by extracting the specific hotel segment from the national 2010 listing of hotels the preparation of which was discussed in Chapter One. The second research stage involved conducting a set of key stakeholder interviews to understand the major developmental issues concerning each of the three hotel segments under investigation. All the interviews were conducted either on a face-to-face basis or telephonically; interviews lasted between one and two hours. In total this chapter analyses the findings of 40 original interviews which were undertaken with hotel managers and owners during the period May 2010 and July 2011. The interview schedule used for each segment is provided as Appendix 2 and Appendix 3.

In terms of research approach the limited service hotel case study necessarily differs from that of the boutique and all-suite hotel investigations. The development of the limited service hotel concept in South Africa is the outcome of investments made by initially only one hotel group, namely City Lodge, whereas a range of different hotel groups and individual owners have been involved in shaping the evolving landscape of boutique hotels and all-suite hotels in South Africa. In tracing the growth of the limited service hotel in South Africa an analysis of Annual Reports of the City Lodge Group from 1993 to 2010 was undertaken. This documentary material was supplemented by two key stakeholder interviews which were secured respectively with the managing director of City Lodge and the fund manager of the Hospitality Property Fund.

Organizationally, the three case studies are presented in the following sequence. Section 5.2 discusses the case of boutique hotels, Section 5.3 provides an analysis of all-suite hotels and in Section 5.4 the market segment of the limited service hotel is interrogated. As indicated above,
the boutique hotel and all-suite hotel offer examples of market segmentation in which a range of chain and independent enterprises are involved whereas the limited service case study is largely a case of the strategic development of one particular hotel chain in South Africa.

5.2 THE BOUTIQUE HOTEL CASE STUDY

This section analyzes one case study of this growing differentiation of the hotel industry in South Africa. Specifically, it focuses upon the phenomenon of the boutique hotel. McNeill and McNamara (2010: 147) assert that the “rise of the so-called ‘boutique hotel’ has been one of the biggest stories in hotel development since the late 1980s”. Internationally, the emergence of boutique hotels is identified as “one of the most interesting developments in the hospitality sector of the leisure industry” (Horner and Swarbrooke, 2005: 369). Boutique hotels are considered widely to be one of the high-performing growth segments of the international hotel industry (Freund de Klumbis and Munsters, 2005; McKinnon, 2008; Lim and Endean, 2009).

The core aim is to examine the self-definition, characteristics and organization of boutique hotels in South Africa. The focus is upon the boutique hotel as a form of tourism property, arguing that the growth of boutique hotels is one facet of the wider trend of segmentation in the South African hotel industry. The discussion on boutique hotels is in two parts. First, international debates and research on the phenomenon of boutique hotels are reviewed. The second section discusses findings relating to South Africa’s boutique hotel sector. The analysis yielded a national total of 127 establishments for June 2010 from which 20 interviews were conducted with boutique hotels selected for interview to represent the overall geographical spread of the sector.
5.2.1 The Boutique Hotel: Emergence and International Debates

The emergence of the boutique hotel is acknowledged to be an innovative response to the standardization and commoditization of the hotel and of international hotel developments occurring during the 1970s and 1980s (Rutes et al., 2001; Albrecht and Johnson, 2002; Victorino et al., 2005). This period witnessed the birth and expansion of the ‘box hotel’ concept, which was distinguished by the uniformity of the core and facilitating products” (Freund de Klumbis and Munsters, 2005). Hotel developments had been predicated on the mass-market model, with virtue made of the fact that everything would be the same and predictable as encapsulated in the classic Holiday Inn advertisement which proclaimed “The best surprise is no surprise” (Rutes et al., 2001: 28). As Teo and Chang (2009: 83) observe the popularity of boutique hotels is a reaction to the prevalent mass tourism of the 1970s “characterized by identically-designed transnational hotel companies, commodified attractions and rigid travel practices”. Hotel design as Lee (2011: 708) stresses can be a critical base for differentiation.

The systematic standardization of the hotel product precipitated a counter-movement towards the establishment and growth of what became variously styled as design, lifestyle or boutique hotels (Freund de Klumbis and Munsters, 2005). This counter-movement was inspired by a consumer search for hotels with unique or innovative characteristics. McNeill and McNamara (2010: 147) for example argue that as a “reaction to the rapid spread of standardized, easily replicated corporate hotel formats in the post war period, a number of independent hotel entrepreneurs began to focus on an individualized guest experience, based on high quality service combined with a distinctive design ambience” For Judd (2006: 330) the boutique hotel represents an example of post-Fordist tourism. It is argued that unlike Fordist tourism “which works with small profit margins and large numbers of tourists”, post-Fordist tourism stresses “unique experiences and variety, adds high value to the tourism commodity chain” (Judd, 2006: 330). Teo and Chang (2009: 83) contend that:
“Whereas in the past, hotels played secondary roles in the travel experience, staying in boutique hotels today is very much the travel experience. Often travelers understand a city/country and its culture through boutique hotels, just as much as the hotel experience defines the traveler as an individual of discernment and distinction. Boutique properties thus embody a tourism sub-culture that emphasizes personality, experience and individuality”.

The origin of boutique hotels is widely attributed to hotel innovations by Ian Schrager and Steve Rubell in New York and to Anouska Hempel in London (Callan and Fearon, 1997; Lea, 2002; Adner, 2003; McNeill and McNamara, 2010). Schrager and Rubell adopted the term ‘boutique hotel’ as they described their first boutique hotel – Morgans in New York - as similar to a boutique rather than a department store. In reaction to the box hotel Schrager designed his first hotels to be “subversive” – “the idea is to do something contrary, something that violates the status quo and as long as it is well-executed it works” (in Lea, 2002: 36). Through the use of dramatic design Schrager and Rubell instilled their hotels with the same theatrical magic and glamorous mystique that succeeded for them at their legendary nightclub – Studio 54. Schrager states that “we treated a hotel as more than just a place to sleep – a place for somebody to have fun, a visual feast. I was looking to do a hotel that I would like and by chance there would be other people out there who also would like it” (Rutes et al., 2001). In the United Kingdom, parallel trends were initiated by Anouska Hempel’s Blake’s in South Kensington London which had similar features to the initial New York boutique hotels. “It had fifty rooms some as large as broom cupboards, a dauntingly cool bar and the blackest hole of a restaurant that anyone ever overpriced in this often overpriced city. And yet if you were a rock and roll figure or an actor under 50 you stayed at Blake’s if you were anyone” (in Lea 2002: 35). Accordingly, from the 1980s the boutique hotel phenomenon surged as travelers sought accommodation that would offer them quality and a hotel stay “that was an experience in itself” (Freund de Klumbis and Munsters, 2005).

The scholarship on boutique accommodation stresses the experiential nature of this form of accommodation (McIntosh and Siggs, 2005; Chang and Teo, 2008; Teo and Chang, 2009; Yuan, 2009). One writer avers “a boutique hotel is something like art, hard to define, but you know it
when you see it” (Van Hartesvelt 2006: 32). Although the definition of the ‘boutique hotel’ is contested, it is generally considered to represent a ‘one-of-a-kind lodging experience’ with emphasis upon stylistic uniqueness, high service standards and individual guest attention (McIntosh and Siggs, 2005; Countryman and Jang, 2006; Van Hartesvelt, 2006). In one of the earliest academic investigations on boutique accommodation McIntosh and Siggs (2005) identify five dimensions that set the boutique sector apart from traditional offerings; the unique character of the property, personal touch, the homely feel of the accommodation, the high quality of the standards offered and the value added nature of the physical location and knowledge and culture of the hosts. Likewise, Horner and Swarbrooke (2005: 369) highlight five distinguishing features of boutique hotels, including:

- a smaller hotel with a more intimate feel;
- an emphasis on designer fixtures and fittings and appropriate electronics;
- each hotel seen as having an individual identity despite the presence of a ‘soft brand’ in some circumstances;
- a focus on modern styles using key designers to develop the concepts; and
- personalized service but the hotels do not always have full service facilities such as restaurants and bars.

For McNeill (2009: 219), however, the most common features simply are that boutique hotels are “individual, design-conscious, small-scale operations”. Erkutlu and Chafra (2006: 286) consider boutique as a descriptor for “intimate, usually luxurious or quirky hotel environments”. Lim and Endean (2009: 39) stress “the combination of service quality characteristics, individual design, location and facilities”. From a different perspective, Teo and Chang (2009: 84) consider that central to the concept of the boutique hotel “is the importance of the touristic experience of place histories and cultural identities”. According to Van Hartesvelt (2006: 36) the defining characteristics of boutique hotels are that they typically range from 20-150 rooms, are at least four stars, have a successful restaurant on the premises, are exclusive and typically “housed in older, unique structures that have been converted from another use”.

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The conclusion of Aggett’s (2007: 170) overview of international definitions of boutique hotels was that “boutique hotels are contemporary design-led hotels with up to 100 bedrooms, which offer unique levels of personalized service and high-tech facilities”. It was contended that the design element and uniqueness of boutique hotels are recognized as a differentiation strategy that allowed them to compete with branded hotel chains. Design and uniqueness, variously expressed in terms of architecture, buildings and pieces of furniture, are acknowledged to be a major driving force behind the growth of the boutique hotel sector (Aggett, 2007).

Much existing scholarship on boutique hotels focuses around the question of their defining characteristics and experiential qualities (Callan and Fearon, 1997; McIntosh and Siggs, 2005; van Hартесвелт, 2006; Aggett, 2007; McNeill and McNamara, 2010; Henderson, 2011). The importance of isolating a precise definition for the boutique hotel is considered to “benefit trade bodies and associations when revising their grading systems and it would also provide clarity to the sectors that make up the hotel industry” (Lim and Endean, 2009: 39). Successful ingredients behind the expansion of boutique hotels in the United Kingdom were explored and found to be visitors’ preference for individuality, high levels of service, personalized attention to guests and locations of these hotels (Aggett, 2007). In addition, services provided were important to guests, especially individual attention and friendly helpful staff (Aggett, 2007). The growth of the boutique hotels in the United States is traced in Adner’s (2003) investigation with the importance of design and aesthetics given considerable profile (Rowe, 2003). Service quality attributes and customers’ expectations in boutique hotels have come under academic scrutiny both in Thailand (Nakpradit et al., 2009) and the United States (Tucker and Aluri, 2010). Lim and Endean’s (2009: 48) research in the United Kingdom offers one of the few statements on the geography of boutique hotels, arguing that “the majority of boutique hotels are located in urban or city centre locations”.

Finally, research on boutique hotels outside of North America, Western Europe and Australasia has so far mainly focused on the experience of the city state of Singapore. A number of research
investigations have appeared around boutique hotels in Singapore. The linkages between heritage tourism and conservation are interrogated in Singapore research on boutique hotels (Chang and Teo, 2008; Teo and Chang, 2009). A critical theme in this work is that the restoration of shophouses into accommodation establishments in Singapore is part of a celebration of Singaporean identity by new boutique hoteliers (Chang and Teo, 2008). More recently, Henderson (2011) writes of the ‘hip heritage’ new boutique hotel development taking place in Singapore.

5.2.2 The Boutique Hotel in South Africa: Definition, Scope and Organization

The international overview of research on boutique hotels disclosed no examples of work relating to sub-Saharan Africa. It is against the background of international research and debates on boutique hotels, attention turns in this section to South Africa. The findings are analyzed both from the national audit of boutique hotels and the supplementary set of detailed interviews undertaken during May-July 2010 with a sample of boutique hotel owners or managers. Major findings from the national audit relate to the size of the sector, quality standards and location issues. The geographical distribution of boutique hotels provided the basis for a set of detailed structured interviews. In total 20 interviews were conducted; 12 were undertaken with establishments in the Western Cape, 4 in Gauteng and 4 in the rest of South Africa. Within the interviews the following issues were explored: (1) investment, property development and market patterns; (2) the defining characteristics of boutique accommodation; and, (3) the vexed question of the grading and the categorization of boutique hotel establishments.

5.2.2.1 Size, Standards and Geography

The national audit produced a total of 127 establishments that during 2010 marketed themselves as boutique hotels. This total should be viewed in the context of the results of the audit of all
hotel establishments which were operating in South Africa by June 2010 as analyzed in Chapter Four. Of the national total of 1165 hotels, the boutique sector represents only a small proportion of 10.9 percent of the total number of South African hotels. Nevertheless, as in 1994 there were no boutique hotels as such being marketed in the country, their appearance and expansion must be acknowledged as a new and emerging segment of the growing South African hotel industry as a whole.

![Figure 5.1: Boutique Hotels in South Africa 2010 by Grading](image)

Source: Author’s data base

On Figure 5.1 is shown the grading of boutique hotels in South Africa according to the national system of the Tourism Grading Council of South Africa (TGCSA). It is evident that the boutique hotels are part of the category of medium to luxury accommodation in the country. Of the 127 boutique hotels 12 were ungraded for various reasons. Some were new establishments and awaiting grading classification. Others were ungraded by TGCSA out of choice, preferring to be rated by other recognized tourism classifications such as the AA or Portfolio Collection. Of the 115 graded boutique hotels all were minimum 3 star establishments. As a whole, 44 percent were
5 star, 47 percent 4 star and 9 percent were graded as 3 star establishments. The high standard of these establishments shows boutique hotels represent part of the important spectrum of 3-5 star graded hotels in South Africa. Analysis of the number of graded 3-5 star hotels in South Africa as a whole, discloses that boutique hotels account for 16.8 percent of the national total. This finding emphasizes that post-1994 the opening of boutique hotels has been a significant increment to accommodation supply in the three-five star accommodation bracket.

![Figure 5.2: Boutique Hotels in South Africa 2010, by Size](image)

**Figure 5.2: Boutique Hotels in South Africa 2010, by Size**

Source: Author’s data base

In line with broad international trends of boutique hotels, the majority of establishments in South Africa are relatively small, as indexed by the number of rooms. The emphasis in boutique hotel accommodation is upon provision of service excellence, individuality, exclusivity and privacy which are possible only by the development of small establishments. As is shown on Figure 5.2,
77 percent of boutique hotels offer 25 rooms or less. In total all 127 boutique hotels offer 2,826 rooms; an average of 22 rooms per establishment.

Figure 5.3: The Location of Boutique Hotels in South Africa, 2010

Source: Author’s data base

Nationally, the location of boutique hotels reveals a pattern which is considerably different from that of the hotel industry as a whole (cf. Chapter Four). The geography of boutique hotels (see Figure 5.3) shows the heavy dominance of Western Cape province and in particular of Cape
Town. Of the national population of boutique hotels, 61 percent (77 establishments) are situated in the Western Cape, and 40 percent of all South Africa’s boutique hotels (51 hotels) are found in Cape Town. The Wineland areas of Stellenbosch, Franschhoek and Hermanus as well as the Garden Route are also locations for boutique hotels in Western Cape. The only other significant cluster of boutique hotels occurs in Gauteng which contains 19 percent (24 hotels) of the national total, mostly in and around Johannesburg. Outside of the Western Cape and Gauteng, the rest of South Africa accounts for only 20 percent of the boutique hotels which mainly are scattered between the cities of Durban, Port Elizabeth, and Bloemfontein. Of note also is the small group of boutique hotels which have emerged close to private game reserves in Mpumalanga close to Kruger National Park.
Figure 5.4: The Intra-Urban Location of Boutique Hotels – Cape Town

Source: Author’s data base
Overall, it is evident that the boutique hotel is an urban phenomenon in South Africa. At the intra-urban scale boutique hotels cluster in the upper income residential areas and business districts of Cape Town and Johannesburg. Figures 5.4 and 5.5 reveal the intra-urban patterns of boutique hotel accommodation respectively for Cape Town and metropolitan Johannesburg and
surrounds. In Cape Town the largest concentration occurs in the CBD, Bo-Kaap, the Victoria & Alfred Waterfront, Greenpoint and Seapoint. In addition, the upper-market Atlantic seaboard suburbs of Fresnaye, Camps Bay and Bantry Bay contain a significant number of boutique hotels. Other nodes of boutique hotels in the metropolitan Cape Town area are the southern high-income residential suburbs of Constantia, Bishop’s Court, Rosebank and the peripheral suburbs of Somerset West and Bloubergstrand (Figure 6.4). The location of boutique hotels within the Johannesburg region shows some similar features to those observed in Cape Town. The main grouping is in the upper-income northern suburbs of Rosebank, Dunkeld and Melrose, and in high income suburbs of Morningside and Sandhurst close to the Sandton CBD, South Africa’s financial centre (Figure 5.5). Other smaller nodes of boutique hotel properties are found close to the OR Tambo international airport, the regenerating areas within the Johannesburg CBD and around the heritage tourism attractions of the Cradle of Humankind.

5.2.2.2. Investment, Property Development, and Market Niche

Investment and development of boutique hotels in South Africa has been undertaken variously by individual investors, groups and more recently by branded large hotels. The interviews confirmed that the development of boutique hotels in South Africa is of recent origin. Of the 20 interviewed establishments; only two were established as boutique hotels prior to 2000; 9 were begun in the period 2001-2005 and nine came on stream between 2006 and 2010. Five establishments had been operating for one year or less.

New investment into the development of boutique hotels has been the prime driver for the sector. Ownership of the sampled boutique hotels was overwhelmingly domestic capital. Of the 20 surveyed boutiques, 18 were South African owned of which 17 were in the hands of either individuals or of small groups of private investors rather than large investors. The boutique sector shows consolidation in the form of a number of hotels being operated and owned by particular groups, such as The Last Word which operates or manages a chain of five boutiques.
Opportunities in the local boutique hotel industry have recently attracted the interest of large established hotel brands as well as foreign investors. The entry of Protea Hotels, one of South Africa’s largest hotel groups, into the boutique sector mirrors trends found in other countries for established hotel groups to diversify into the emerging niche of boutique accommodation (Adner, 2002; Aggett, 2007). Although the scale of foreign direct investment in South Africa’s boutique hotel sector currently is small, it is in evidence and of growing weight as reflected in the appearance of Kuwaiti and Swiss investors into the development of boutique hotels.

The properties which are now functioning as boutique hotels have mixed origins. It was revealed in the 20 interviews that only three of the properties had been built specifically for the purposes of a boutique hotel. Eleven of the sampled boutique hotels were initially residential houses, which were extended, redeveloped and modernized in order to be become boutiques. Sometimes adjoining houses or land was purchased in order to establish the initial hotel or for expansion as demand grew. Three other properties were run-down mixed use buildings in locations that were identified as desirable for boutique hotels. Examples were in the inner city of Cape Town, the Port Elizabeth beachfront and a former boatshed situated on an island in the Knysna lagoon. The final three properties were conversions and upgrading of existing guest houses.

The interviews with the sampled boutique hotels revealed the different origins of tourists and purposes of visitation. Overall, the guest profile shows a dominance of international versus domestic tourists. Among the 20 interviewed boutiques, international tourists overwhelmingly were the major market for 13 of the hotels (in these cases often more than 80 percent foreign clients); in only 4 cases the major clients were domestic rather than foreign visitors. The majority of clientele for boutique hotels are leisure tourists rather than business travelers; of the interviewed establishments 16 were dominated by leisure travelers and only two by business tourists. The largest proportion of international tourists is drawn from Germany or the United Kingdom and other parts of Western Europe; a growth of visitors from the United States was noted by a number of interviewees. The interviews reveal geographical variations in the markets
for boutique hotel accommodation. All the boutique hotels in Cape Town and surrounds are dominated by international leisure tourists. By contrast, in the rest of South Africa the pattern is of a reduced share of international clientele and a higher proportion of patronage by local business as well as local leisure tourists. The importance of hotel websites and the internet as marketing tool was evident in all interviews.

5.2.2.3 Essential Defining Characteristics of the South African Boutique Hotels

In common with findings from international research conducted on the characteristics of boutique hotels in the United Kingdom (Aggett, 2007), the United States (Rutes et al. 2001; Adner, 2003; McNeill and McNamara, 2010), Singapore (Henderson, 2011) and New Zealand (McIntosh and Siggs, 2005), South African boutique hotels are distinguished by their experiential qualities regarding intimacy, service excellence, high levels of personalized attention, individualized décor, design, and ambience.

In interviews the defining characteristics were identified as an establishment which was small, high quality and offering personalized service. Typically, respondents isolated the essence of the boutique hotel as follows: “a small intimate exclusive hotel whilst still offering all of the facilities of a large hotel”, “exclusive, up market and one of a kind”, or a small establishment offering quality in all things – food, rooms and staff, quality rooms, hands on and friendly management that make guests feel welcome as if they are staying at someone’s home”. Other respondents elaborated in similar fashion that the boutique hotel was “a home from home experience for the guests” or “in a way an extended home which is welcoming and comfortable but sophisticated as well”.

The critical factor of service excellence with personalized attention and ‘caring’ service was stressed. Often staff would develop personal relationships with guests, knowing their names and
individual preferences. One respondent observed that “To run a successful boutique hotel the owner needs to have a Biblical calling for hospitality. You are there to welcome and serve tired travelers. A happy or smiling customer is its own reward”. Although the hotel owner or manager was critical in ensuring service excellence, the role and recruitment of other staff with an understanding of the requirements of a boutique hotel was essential. In all cases, the boutique hotels have high staff to guest ratios with staff expected to be part of a team, flexible and able to multi-task. It was disclosed that only a quarter of the sample interviewees sourced staff from hospitality recruitment agencies. Others recruited staff in a variety of ways often with emphasis on individual personalities and communication skills rather than formal tourism qualifications. Often staff from local areas was hired because of the need for employees to work flexible and sometimes long hours. One interviewee stated that “No staff are from a hospitality background. They are all hired purely on their inter-personal skills. The less staff know about hospitality the better, because all those people know is a lot of theory and nothing about people and this is a people business”. Likewise, at another boutique hotel, it was asserted: “We don’t hire anyone with a hospitality background. I hire local people with character who we then train up”. In most cases recruited staff must undertake in-house training, especially focused on etiquette and interpersonal skills.

The luxury characteristic of the boutique was reflected in often unique standards of décor and design. In interviews the boutique hotel was described as “not like a normal hotel with a large lobby and public spaces but one that is personal and discreet” or as “Taylor-made luxury - a 5 star hotel with 9 star luxury”. Décor and quality of interior design were highlighted as important. It was stated variously that the hotel should be “small and personal with themed décor” and often “rooms individually decorated by an interior designer” with great attention to detail. Several boutiques offer themed décor. Examples included Shakespearian themes or the use of hip branding in rooms. The most dramatic example was of one Stellenbosch establishment in which the unique theme of mushrooms informs exterior as well as interior design, management and restaurant menu: “The manager is a mushroom specialist and the internal décor and exterior paving reflects the mushroom theme. The paving looks like mushroom spores. Each suite is
named after a type of mushroom and the colours and textures in each suite subtly reflect their name. The 60 types of mushrooms that we grow are also incorporated into our menu”. Overall, the interviews show the need that “rooms should not feel like a hotel room but more like a home”.

The different boutique hotels often were distinguished by particular strengths or unique aspects which made them attractive to guests. The experiential factors of comfort, charm and attention to detail were echoed in several interviews. Responses included the following:

- “Each of our boutique hotels has a special charm. The staff are warm and welcoming and there is very personalized attention. Everything is designed for the guests’ comfort and convenience, they work around the guest, and the guest does not have to fit in with a hotel routine. We try and create a very relaxing and tranquil environment for our guests”.
- “It is important to stay true to what a boutique hotel ought to be. We offer everything at the guest’s convenience such as when they would like their breakfast as there are no set times that the guests have to fit in with. We offer high quality service and this filters down to every aspect of the hotel”.
- “The guests set the times for their meals and they decide on their menus. If they would like to invite colleagues or friends around for dinner then they can design the menu that they would like and the hotel organizes the food and dining room especially for them. It is a place with no rules”.

In a number of instances the uniqueness of the location of the hotel also was a major asset. One Knysna interview stated: “Our location on an island on a lagoon is unique. The décor and look of the hotel is unique. The atmosphere, and being surrounded by hills and water, is tranquil and calming”. Locational issues were stressed also by city interviewees: “We are close to the major business node of Sandton but in a tucked away position which is why many of their guests like it
there. We have large and beautiful gardens which are our greatest selling point as there is a lot of
bird life and it is very peaceful, something which a lot of our guests are looking for”.

In terms of the future development of the boutique hotel sector in South Africa, the
categorization of ‘boutique hotel’ by the TGCSA, South Africa’s official grading organization,
was a vexed issue. Unlike the situation for other forms of accommodation, such as guest houses
or bed and breakfasts, South Africa’s official grading system does not have a specific category
for boutique hotels. This omission was much criticized by the majority of interviewees. The
establishments were particularly concerned that their unique offerings were not considered in the
TGCSA grading and instead that they were assessed against criteria which did not apply to them.
In many cases the establishments were graded against the services and facilities required for a
hotel. Typically, one unhappy interviewee stated: “We are a small hotel yet we are graded like a
large Southern Sun or similar. We have limited services and meals yet all the criteria of a very
large corporate hotel have to be met by more intimate hotels. We cannot provide a range of
concierge services as well as 24 hour porter and room service, yet if we want to be graded 5 stars
we would have to”.

It is evident that the current grading system does not take into account the extras that boutique
hotels offer guests in terms of personal service, a welcoming homely environment, interesting or
up-market décor all within an intimate comfortable environment. Further, another weakness of
the existing system is that allows graded country houses or retreats to market themselves as
‘boutique hotels’. Overall, dissatisfaction was widespread with the existing TGCSA grading and
80 percent of surveyed boutique establishments indicated their preference for a separate
categorization of boutique hotels. As a consequence of their dissatisfaction, many interviewees
were choosing not to renew their TGCSA grading and instead opt for certification by other
organizations, such as the AA.
For the future health of South Africa’s boutique hotel sector, clarification of the categorization of the group of boutique hotels was considered as of vital importance. As summed up by one respondent: “regulation must be put in place or else every five bedroom guest house could simply use the word ‘boutique hotel’ and tarnish the image of the sector as a whole”.

5.2.2.4 Concluding Remarks

The organization and position of boutique hotels within national hotel industries is now recognized as worthy of academic focus. Existing scholarship on boutique hotels is weighted, however, particularly towards studies in the United Kingdom and the USA, the original heartlands for this form of accommodation (Aggett 2007). Outside of these countries, whilst the spread of boutique hotels to several different parts of the developing world (India, Indonesia, Thailand) has been noted, little detailed attention so far has been accorded to their organization or operations.

In this section the development of boutique hotels has been examined in South Africa. It has been illustrated that in common with wider developments taking place in the international tourism economy the contemporary hotel industry of South Africa is marked by an increased differentiation of new product offerings. The boutique hotel represents one new element within the South African hotel sector. Like their international counterparts, developers of boutique hotels in South Africa have sought to distinguish this new tourism product in terms of its experiential qualities with strong emphasis placed upon the production of high levels of design, ambience and offerings of personalised service. South Africa’s boutique hotels represent unique small properties which are mainly operated by individuals or companies with a small collection. Although the number of boutique hotels is relatively limited, the growth of this kind of hotel represents a significant addition to the country’s stock of three to five-star accommodation targeted particularly at high yield international tourists.
The developers of boutique hotels in South Africa have carved out a distinctive geography of these tourism properties both at the national and intra-urban scale of analysis. As the major focus for long haul international tourists to South Africa, the city of Cape Town (and the surrounding Winelands) is shown as the ‘capital’ for boutique hotel developments. For the continued health and future development of this distinctive sector of the South African hotel industry, it is argued that the country’s official grading scheme to be modernized and to reflect contemporary changes in quality and attributes of hotels. In particular, consideration should be given to the unique characteristics of boutique hotels and to the establishment of both appropriate industry standards and grading.

**5.3 THE ALL SUITE HOTEL CASE STUDY**

The second case study which was undertaken to demonstrate market segmentation concerns that of the all suite hotel. The organization of this second case study follows in a similar fashion to that of the investigation on boutique hotels. An international overview is presented of the development of all suite hotels and of debates in tourism scholarship around all suite hotels. This provides the essential base for presentation of the South African research findings.

The results are presented from the national audit conducted of all suite hotels in the country, several key stakeholder interviews with property agents, and a survey of 15 managers and owners of all suite hotels which was undertaken during the period December 2010-March 2011. In total these interviews captured a total of 25 percent of all-suite hotels in South Africa with interviewees selected to reflect the geographical spread of all-suite hotels in the country (with six interviews in the Cape Town area, eight in the Johannesburg region and one in Pretoria). Within the interviews the following issues were explored: (1) investment and property development; (2) customer profiles and length of stay; and, (3) owner/management relationship and the future growth and development of all-suite hotels in South Africa.
5.3.1 The All Suite Hotel: Emergence and International Debates

According to Fockler (1996: 44) all suite hotels are “a particularly American phenomenon”. The all suite hotel or ‘extended stay’ hotel is a new lodging product which surfaced in North America during the late 1980s. Subsequently it has spread in popularity to other parts of the world, most importantly Western Europe and Australia. The concept first developed in the USA in the early 1980s when the Marriott group introduced its Residence Inn brand (Leslie and Craig, 2000). The drive towards continued market segmentation in the North American hotel sector was an expansion strategy for major hotel chains such as Intercontinental, Marriott, Hilton and Starwood. As a consequence, new brands of all suite accommodation were established or consolidated through strategic acquisitions as a means to sustain growth of the hotel brand (Rushmore and Baum, 2002). During the 1990s therefore the tempo in the development of all suite hotels accelerated (Dev and Hubbard, 1989: 21). By the early 2000s Geieregger and Oehmichen (2008: 216) could observe the all suite “is now a well-established model” for hotel property development.

According to Rushmore and Baum (2002: 159) the all suite concept in North America is based on the premise that certain types of commercial and leisure travellers do not use the meeting, banquet, restaurant and lounge facilities which are provided in most full-service hotels. By using the space allotted for these facilities as guestrooms, hotel developers can create suites with separate living and sleeping areas. Accordingly, the key to the all suite concept is to re-allocate space in a manner that keeps the room rates of a suite similar to those of comparable, full facility hotels but creates a favourable price-value relationship for the guest who does not need all the facilities offered in a full-service property (Mandigo, 1998; Moreau and Thorsteinsdottir, 2005). Guest units typically include “a sleeping area and a separate living room space which usually includes armchairs, dining table, sleeper couch and most offer a kitchen” (Clarke and Chen, 2007: 82). It is stated that a “key facet of all suite hotels, differentiating these operations quite clearly from the more traditional hotel sector, is the self-catering element” (Leslie and Craig, 2000: 223). Notwithstanding the option of self-catering, many all suite hotels also offer a free
breakfast and often an evening cocktail hour in order to attract patrons (Rushmore and Baum, 2002).

The essential features of the all suite model of hotel property development are captured by Leslie and Craig (2000) and Geieregger and Oehmichen (2008). Overall, these properties attempt to provide an experience of ‘home away from home’, personalized service and larger living spaces than full service hotels. In essence, “the concept involves the provision of a ‘home-from-home’ quality apartment which is flexible and provides a level of space and freedom not necessarily offered by the traditional style of hotels” (Leslie and Craig, 2000: 222). Generally speaking, all suites are targeted at guests seeking to stay for an extended period of time in hotel-like accommodation. In meeting guest needs, suites tend to be larger than standard hotel rooms. By contrast, public areas are usually limited to a small reception/lobby and potentially one small communal lounge/breakfast area; usually there is no restaurant or bar. In major cities all suites apartments may also provide a small meeting room/s. Services can include apartment cleaning, laundry and reception. Upscale properties often provide laundry equipment in the suite. Internet access and direct telephone/fax lines are also additional amenities that are included. Usually, the all suite product offers “enhanced security and little if any intrusion from staff” (Leslie and Craig, 2000: 222). The demand profile for all suite hotel accommodation in North America comprises both business and leisure travellers. Typically, all suite hotels apartments would generate 60 percent of their room nights in the ‘medium stay’ segment of between 7-31 days as opposed to short stay (less than 7 days) or long-term stay market of over one month. Business patrons reflect the mobility and flexibility of contemporary work, and might include for example, project managers, management consultants and senior management on temporary assignments. In terms of the leisure market, all suite hotels are popular with families on extended breaks, visiting relatives or undertaking shopping trips (Braunlich and Nadkarni, 1995; Geieregger and Oehmichen, 2008)
All suite hotel properties can vary in style from modern to traditional and range in standard from basic/moderate to upscale and deluxe. Some extended stay properties use the international hotel star rating system to indicate the level and quality of the amenities that are provided. In terms of size and capacity, all suite properties can vary from less than 10 rooms to over 200 suites. The location of a property in either an urban area or a resort defines the target market of that property and may influence the configuration and mix of studios, one bedroom and two bedroom apartments. In terms of location, all suite properties in North America mainly are concentrated close to commercial demand generators (corporate offices). Proximity to airports, access to public transport, restaurants, cafes, shops and nightlife are important locational considerations (Leslie and Craig, 2000). Nevertheless, as compared to the full service hotel, all suite properties need not be located in prime position, albeit they are generally proximate to CBDs, business parks or transport networks (Mandigo, 1988).

It is argued that all suite products have the advantage of lower construction costs as compared to a full service hotel of similar quality as a consequence of cost efficiencies, smaller public areas and reduced food/beverage facilities (Geieregger and Oehmichen, 2008). Although there are extra costs for kitchen and living space in all suite hotels, there are limited public areas which cuts cost per room. The advantages for the owner or operator are the longer average length of stay, which reduces variable costs, the limited services and food and beverage operations and the simpler front-office structure: all of these factors result in lower fixed-cost requirements and higher profit margins (Moreau and Thorsteinsdottir, 2005). Larger operators of all suite hotels benefit from economies of scale, which assist to reduce overhead costs even further and additionally they bring with them management skills acquired from the conventional hotel market. Stabilised all suite or extended stay hotels run at occupancies similar to or even higher than their competitors in the hotel sector because extended stay hotels are less affected by weekday-weekend seasonality. Accordingly, extended stay hotels benefit from lower guest turnover and therefore the cost of selling a particular room every night and the risk of failing to sell the room are significantly reduced. Importantly, for property developers and owners the development risk associated with all suite development is minimized as these properties can be
converted into residential apartments that can be sold individually (Geieregger and Oehmichen, 2008).

The concept of all suite accommodation has diffused from its North American origins to Western Europe and Australia. In both Western Europe and Australia certain local differences have emerged in the nature of the all suite accommodation. The term ‘extended stay’ or ‘apartment hotels’ is more commonly used to describe this sector in Western Europe (Leslie and Craig, 2000; Moreau and Thorsteinsdottir, 2005). One difference in the evolution of the extended stay sector in Western Europe as compared to North America relates to patterns of ownership. In Europe the extended stay market initially was dominated by independently owned and operated enterprises such that it could be observed “unlike other sectors of the hotel industry, extended stay almost has no branding” (Moreau and Thorsteinsdottir, 2005: 358). Since the early 2000s, however, a number of large international hotel chains have entered into the European market. These chains have included the North American Marriott group, France-based Accor, and the Ascott group which is based in Singapore (Moreau and Thorsteinsdottir, 2005). The result has been a phase of sector consolidation and a move away from independent ownership.

The uneven profitability performance of the all suite sector has resulted in certain changes occurring in the nature of the North American all-suite hotel. During the 1990s and early 2000s the all suite sector out-performed the traditional hotel sector (Higley, 2004). It was recorded during this period that gross operating profits from all suite hotels were consistently higher than for the hotel sector as a whole (Moreau and Thorsteinsdottir, 2005). As a result of declining hotel investment returns as a whole and in combination with escalating residential real estate prices, a hybrid variant of the all-suite hotel has emerged. What is known as the ‘condo hotel’ became established and has increased in numbers. Unlike the all-suite hotel which is fully owned by the hotel enterprise, the condo hotel is centrally managed by a hotel group with units (suites) in the condo hotel owned by individual investors (Clarke and Chen, 2007). One definition of the ‘condo hotel’ is as follows:
A condo hotel is one in which the units – rooms or suites – are owned by individuals and then are rented out on a daily basis to transient guests. In some cases the renting to transient guests is mandatory but in others it is voluntary since the owners may want to use the units for themselves and/or their families year-round. From a legal standpoint, the two key attributes of a condo hotel are: 1. The ownership by an individual of a separate interest in a discernible space (a condominium unit), and 2. The ownership of a proportional but undivided interest in the common area. The 'common area’, owned and operated by condo owners as a ‘common interest development’, is where the hotel operator usually comes into play” (Waite, 2005 cited in Pizam 2006: 167).

Dependent on the nature of the purchase agreement, the unit owners in a condo hotel may be restricted as to their individual use of the property (Warnken and Guilding, 2009). In some cases the owners can use the property whenever they like, in other cases the owners may only use the property for a limited amount of time per year, and in other instances the units are pure investment vehicles with owners prohibited from using units. A hotel management company oversees the unit bookings and reservations through the hotel rental pool with the income divided between unit owners. The emergence of condo hotels offers a number of benefits to hotel chains. The condo hotel provides a new supply of properties and opportunities for chains to expand their brands and generate fees from the management and franchising of operations (Clarke and Chen, 2007; Clancy, 2011). Another advantage of this form of property to developers or management companies is that the units can be sold ‘off plan’ thereby minimizing development risk, providing capital flow upfront and correspondingly limiting the burden of development expenses. Once again in common with the classic all-suite hotel this type of property development can be converted to apartment blocks if returns are below expectations.

Finally, in terms of the international scholarship on all-suite hotels, the Australian experience requires some attention. In Australia the terminology that is applied to the sub-group of ‘condo hotels’ is ‘strata-titled hotels’ (Warnken and Guilding, 2009; Cassidy and Guilding, 2010). This refers to hotels which offer furnished units with either the full service of a traditional hotel or limited services, marketed with or without a brand name. The growth of this strata-title hotel in Australia is most strongly represented in the Gold Coast area of Queensland (Warnken et al.,
These Australian strata-titled hotels parallel the North American condo-hotel as they are distinguished by units with separate and individual ownership title which are managed by either branded or non-branded hotel chains. The work of Warnken et al. (2008) cautions, however, that in Australia the landscape of multi-titled tourism accommodation complexes is extremely diverse and variable.

5.3.2 The All-Suite Hotel Sector in South Africa

It is against this background of international scholarship on the development of the all-suite hotel that attention turns to the South African research findings. Two sub-sections of material are given; first, a sketch of the characteristics of the all-suite hotel is undertaken; and second, key issues affecting the changing management, structure and operations of these hotels are analysed.

5.3.2.1. A Profile of All-Suite Hotels in South Africa

The arrival of the all-suite hotel concept in South Africa occurred later than in the USA, Western Europe or Australia. The research disclosed the first appearance of all-suite hotels in Johannesburg during the 1980s prior to democratic change. Since 1994, however, there has been a steady growth of new all-suite hotel openings in South Africa. The appearance and expansion of the all-suite hotel is interpreted therefore as one of several new segments of hotel development that have responded to tourism growth in the post-apartheid period. The interviews undertaken with industry stakeholders suggest that since 1995 a steady growth of new openings of all-suite hotels has taken place. Within the sample of 15 interviewed all-suite hotels, seven were established as all-suites between 1995 and 1999, five began operations during the period 2000-2005, two came on stream after 2006 and the final hotel was in the penultimate stages of development and due for imminent launch.
For 2010 the national audit of all suite hotels yielded a total of 60 establishments which either marketed themselves exclusively as all-suite hotels or had a significant proportion of all-suite units within the hotel. This finding indicates that since the all-suite concept had first made its appearance in South Africa the nature of the all suite hotel has become differentiated. The majority of establishments show all the features of the full all-suite hotel in parallel with the North American or Western European model. In terms of this group of all suite hotels, however, two different types of ownership structures were revealed. On the one hand there is the traditional all-suite hotel which is fully owned and managed by a hotel group. On the other hand is the ‘condo-hotel’ in which all suites are sold as sectional title to private individuals and the rest of the hotel is managed by a hotel group.

By 2010 a further hybrid variant of the all suite hotel could be recognised in South Africa. A number of establishments opened as full service conventional hotels were developed to include dedicated floors for all suite accommodation. Once more, these suites are sold as sectional title to private investors with the management retained by the hotel itself. Two examples of this emerging hybrid variant may be highlighted. The Da Vinci Hotel and Suites located in Sandton, the financial centre of South Africa, is a 5 star graded hotel property with 166 rooms and 54 all suites with accompanying kitchens. In Cape Town, the Fountains Hotel and Suites, a four star graded hotel situated in the CBD, is a 160 room hotel with 70 all-suite units which include studios, one-bedroom, two bedroom and three bedroom units. Of these different variants of all-suite accommodation which exist in South Africa the stakeholder interviews disclose that the largest proportion of all suite accommodation would be constituted by the traditional all-suite form. Nevertheless, the fastest growth and most recent developments have been occurring in the newer condo-hotel and hybrid all suite market.
The total of 60 all suite hotels should be contextualized within the overall picture of the national hotel industry. By 2010 there was a total of 1 165 hotels in South Africa, which means that the all-suite sector represents only a small niche segment of 5.1% of the population of all hotels in the country. By comparison, the niche of boutique hotels constitutes 10.9% of all South African hotels. For the country as a whole it is calculated that in 2010 the 60 establishments offered a total of 3 677 all-suite units or an average of 61 units per establishment. Figure 5.6 provides information on the size of all-suite hotel properties in South Africa as indexed by numbers of all-suite units. The smallest all-suite property situated close to the Cape Town CBD offers a mere 12 units; the largest all-suite property close to the Johannesburg CBD provides a total of 294 units. The majority of all-suite hotels in South Africa offer between 51 and 100 units. As shown on Figure 5.6, 22% have less than 25 rooms, 33% have 26-50 rooms, 37% have 51-100 rooms and 8% are large hotels with over 101 rooms.
In Figure 5.7 is shown the classification of all-suite hotels in South Africa according to the official national grading system of the Tourism Grading Council of South Africa (TGCSA). It is evident that the all-suite hotels are part of the category of medium to luxury accommodation in the country. Of the 60 all-suite hotels, 33% were 3 star establishments, 47% were 4 star and 17% were 5 star graded; 3% were ungraded establishments. The high standard of these establishments indicates that all-suite hotels represent part of the important spectrum of 3-5 star graded hotels in South Africa. The range of quality of all-suite accommodation offered in South Africa thus parallels that observed in North America where a similar spread of all suite quality of accommodation is on offer.
The geographical distribution of all-suite accommodation hotels in South Africa shows that this form of accommodation is highly concentrated (Figure 5.8). Nationally, the location of all-suite hotels reveals that Johannesburg and Cape Town together contain 82% of all suite hotels in the country. Johannesburg is South Africa’s business capital and major headquarter office location.
for both local and international companies operating in the region of sub-Saharan Africa. Although the city is seeking to build leisure tourism, its core tourism assets relate to business tourism (Rogerson, 2002). By contrast, Cape Town is the country’s major hub for leisure tourism and in particular is the major focus for long haul international tourists to South Africa (Rogerson & Visser, 2004). The city of Cape Town also contains a sizeable business tourism economy in terms of both domestic and international business tourism. The third most notable location for all-suite hotels is Pretoria, which is the centre for national government departments in South Africa as well as the location of diplomatic facilities such as embassies and consulate offices. Pretoria contains 10 percent of all-suite hotels in the country. Outside of these three cities, the remainder are situated in Durban, Kimberley, Krugersdorp and Port Elizabeth (Figure 6.8). Overall, the pattern of all-suite accommodation is entirely urban-focused.
Figure 5.9: All-Suite Hotel Location in the Cape Town Metropolitan Area.

Source: Author’s data base
Figure 5.10: All-Suite Hotel Location in the Johannesburg Metropolitan Area and Surrounds. (Note: Outside of the Johannesburg Metropolitan Area there is one establishment at Krugersdorp).

Source: Author’s data base

The intra-urban scale of all-suite hotels reveals certain common patterns. Figures 5.9 and 5.10 show the intra-urban location of all-suite hotel accommodation respectively for Cape Town (Figure 5.9) and metropolitan Johannesburg and surrounds (Figure 5.10). It is evident from both
Cape Town and Johannesburg that the location of all-suite hotels is predominantly constituted as a cluster in the most important business districts of these cities. In the case of Cape Town the cluster of all-suites in the CBD is adjacent also to the major tourism hub of the Victoria and Alfred Waterfront, which is one of the premier iconic tourist attractions of South Africa, particularly for long haul international visitors (Rogerson and Visser, 2004). In Metropolitan Johannesburg, the Sandton area emerges as the largest cluster for all-suite accommodation. Sandton is the location for the Johannesburg Stock Exchange, a major convention centre, and host to the majority of national and international offices of leading corporates. Outside of the core business areas in both Cape Town and Johannesburg it is observed that at secondary business hubs, such as Century City in Cape Town, the Johannesburg CBD and Bedfordview nodes, smaller clustering occurs of all-suite accommodation.

This evolving landscape of all-suite accommodation in South Africa has been shaped by a number of different actors. Of significance is there is only a minor presence in the South African all-suite market of major international brands. Leading international brands such as Marriott, Hilton, Intercontinental or Ascott are not currently represented in the all-suite sector. The only international brand representation is of Accor (one hotel in Johannesburg). It should be noted, however, that international investors have participated in funding the development of a number of the all suite hotels in the country. Chinese investors are involved in one current luxury condo hotel which is under construction in the Sandton area of Johannesburg. Most controversial is Libyan state investments linked to Colonel Gaddafi which have been channeled to fund numerous hotel developments in South Africa including (at least) two five-star all suite developments in Johannesburg (Christie and Faull, 2011: 3). Specifically, it has been revealed that Libyan holdings have 100 % ownership of one five star all suite development and a minority stake in Legacy Hotel Holdings, a South African group (Christie and Faull, 2011).

The all-suite accommodation market of South Africa is dominated by local South African brands, the most important of which are City Lodge, the Don Group and Protea. Taken together,
the leading three brands represent at least 30% of the total all-suite market in the country; a number of smaller brands also enjoy notable market share. In addition, through management contracts the role of the leading branded hotels in the overall control of the all-suite sector is further enhanced. Considerable secrecy surrounds the precise details of management contracts for all-suite hotels in South Africa. What was disclosed through industry interviews, however, was that management contracts have been the vehicle whereby the leading South African brands and hotel management companies have captured the major share of the all suite market in terms of managing these facilities. The emergence of the condo-hotel offers additional continued business opportunities for hotel management companies.

5.3.2.2 Issues in the Changing All-Suite Hotel Sector

The stakeholder interviews and information obtained through the interviews with managers of 15 individual all-suite hotels together provide insight into a number of different aspects of the historical development, contemporary directions and challenges facing the all-suite accommodation sector of South Africa.

A number of the properties functioning as all-suite hotels have mixed origins. It was revealed in the interviews that only seven of the 15 properties were built for the specific purpose of an all-suite hotel. Eight of the properties were initially constructed as sectional title developments in terms of which the property was a set of individual apartments targeted for sale to private individuals. Originally, one all-suite hotel was built specifically for student accommodation and another for a townhouse complex. All eight properties were developed and marketed during the mid- to late 1990s when the South African property market was sluggish. Nevertheless, as these sectional title developments were not selling, the properties were converted either by property owners themselves into all-suite hotels or taken over by various hotel groups for the purposes of conversion. Ironically, in 2011 one large all-suite hotel in Johannesburg is converting to an
apartment block and selling off its units to residential purchasers and investors as a consequence of over-supply and diminishing returns.

Industry stakeholders stress that certain drawbacks surround conversion from apartment blocks to all-suite hotels. In particular, difficulties are linked to the fact that design of the original sectional title property does not always maximize the needs of a hotel. Illustratively, one interviewee commented: “It is not bespoke and therefore not always as suitable for an all-suite hotel as one that is developed for that specific purpose” (Johannesburg interview). It was pointed out that lounge and restaurant space was smaller than ideal, and in one instance of a conversion that “there is no restaurant space at all, not even for breakfast” (Johannesburg interview). In addition, often there are other problems in terms of “less lifts than a hotel would have and no separate lift for service staff” (Cape Town interview). Further, business facilities are either too small or completely lacking in all-suite hotels that were built for sectional title purposes. One interviewee in Johannesburg stated “We do not have business facilities and this hotel needs more facilities to move away from its sectional title design to be more of a hotel”.

The interviews revealed greater detail relating to different origins of tourists, purposes of visitation and length of stay. Overall, the guest profile at all-suite hotels in South Africa shows the dominance of domestic as opposed to international tourists. Among the 15 interviewed all-suite hotels, domestic tourists overwhelmingly were the major market for ten of these hotels. Only one interviewee estimated that foreign visitors accounted for more than 65% of patrons. The remaining interviewees stated there was a 50/50 split between local and foreign visitors. Clearly, the majority of clientele for all-suite hotels in South Africa are business tourists rather than leisure travellers. Of interviewed establishments, 12 of 15 were dominated by domestic business travellers and only two, both in Cape Town, were dominated by leisure visitors. The majority of the all-suite hotels that were interviewed are utilized by individual or small groups of corporate employees for business purposes, often in the form of a conference. This pattern was prevalent both in Johannesburg and Cape Town. In Pretoria, the role of government was a factor
in the all-suite market of the city. At one all-suite hotel in the city government employees were the most important patrons of this 3 star establishment. Nevertheless, changing government regulations have served to reduce the market for 4 star all-suite accommodation as government no longer allows its employees to stay at accommodation establishments with a higher than 3 star grading (Pretoria interview).

The group of all-suite hotels identified the key markets of their international tourists as including France, Germany, Holland, Spain, Scandinavia, India and China. The majority of these foreign visitors are business people linked to branches of international companies in South Africa. Out of the 15 interviewees only two stated their clients were attracted by multiple bedrooms and the ability to self-cater; the remaining 13 noted that location is the primary attraction for patrons. One corporate stated that for their group of all-suite hotels, which spread across the country “it is the location that attracts guests, the fact that we are all-suite is of little consequence to the majority of guests”. Likewise, a Cape Town interviewee remarked: “Business clients are attracted to the location which is very close to the convention centre and head offices. This is the primary attraction. The guests enjoy the all-suite and more space, although hardly any of them cook or use the kitchen as this is of secondary importance”. Another respondent noted: “Business travellers enjoy the all-suite for the home style comforts such as space and balcony amenities where they can barbeque” (Cape Town interview). Other interviewees emphasized the factor of ‘value for money’, especially for long stays as food costs are lower with self catering. As a whole the group of Indian visitors to all suite hotels were exceptional. Indian business visitors were distinguished by the fact that often they sought out all-suite accommodation because self-catering allowed them “to satisfy their dietary requirements” (Johannesburg interview).

An unusual source of visitors to all-suite hotels was observed particularly in Johannesburg as from West Africa, which is a growing market for regional tourists to South Africa (Rogerson and Kiambo, 2007). Visitors from countries both in Francophone West Africa and Nigeria were recorded as both business and leisure tourism visitors to all-suite accommodation, particularly in
Johannesburg. Interviewees stated that West African visitors stay in high-end all-suite accommodation, often in the Sandton area mainly for purposes of medical visits and shopping in Johannesburg, a shopping mecca for Africa as a whole (Rogerson, 2011c). It was noted that after South Africa’s democratic transition, Johannesburg has enjoyed a steady growth of wealthy West African tourists, “many of whom used to go to Paris but now choose Johannesburg as an alternative” (Johannesburg interview).

A significant theme from the research interviews was of intensified levels of competition in the all-suite market, which is a mirror of conditions affecting the South African hotel industry as a whole. Signs of over-supply in the all-suite market geared to the business tourists were in evidence. In particular, the Cape Town market was singled out as in ‘over-supply’ because of new accommodation that came on stream, catalyzed by optimism linked to tourism growth consequent upon South Africa hosting the 2010 FIFA World Cup. One response from the all-suite sector has been either to reduce rates or to keep them in-line with conventional hotel rooms of the same grade. It was observed: “the current oversupply has also created too much choice and alternatives for the business traveller”. The key finding that most visitors to all suite accommodation do not choose these hotels for self-catering means that the South African all suite hotel is competing with the full service hotel often on criteria of price and location. The North American and Western European experience is of all-suite accommodation for ‘extended stays’ of at least 7 days. The South African situation is, however, that the average length of stay is either between 2-3 or 3-4 days. Although elements of the extended stay market were recorded, it was made clear across the industry interviews that the short stay market of between 2-4 days generated the most room nights.

Against the backdrop of recession, intensified competition and signs of saturation affecting the all-suite market in South Africa, two important trends have emerged. First, is that the large South African brands are pessimistic about the future of conventional all-suite developments. Typically, respondents stated they had “no plans to develop more” because all-suite hotels in
South Africa “have not caught on” (Pretoria interview). It was reiterated that their distinguishing feature of a product which offered self-catering was not the main attraction for their patrons. Cost and locational issues were paramount in customer choice. One Pretoria respondent averred that: “people stay with us as we have an excellent location. The fact that we are all-suite plays no part in their decision”. Likewise, another interviewee stated: “All-suites are popular purely due to their good business locations; the fact that we are all-suite has no bearing on the vast majority of clients” (Johannesburg interview). Beyond domestic brands, pessimism as to the state of all-suite market in South Africa was expressed by a large international brand. It maintained that whereas in Europe or the USA all suites “serve a segment of the market and perform well”, in South Africa the relative performance of all-suite accommodation was unpromising and considered as “offering limited growth opportunities in future” (Johannesburg interview).

A second significant finding was that under current market conditions there is a marked shift away from the traditional all-suite hotel towards the condo hotel or hybrid variant of all-suite properties. The essential economic advantage of the condo hotel or hybrid variant relate to the hotel’s reduced exposure to costs and variable occupancies. The shift away from the traditional all-suite product in South Africa was reinforced in several interviews:

- “The option of full service hotel with suites on the top floors to offer clients staying for a long period or frequent clients is a better option. These are generally privately owned so the hotel does not bear the cost of the suites. They manage them on behalf of the owners and in exchange the owner gets 4-6 weeks use of the suite per annum. The hotel often decorates the suites and has control over the refurbishment of the units as well. The guests in the suites also have use of the hotel facilities so they do not have to cater although the option is there and this ‘best of both worlds’ is much more successful than a 100% all-suite hotel” (Johannesburg interview).

- “Hybrid products that offer full service hotel with some suites is a better option as they can then offer extra space for longer term guests” (Pretoria interview).

- “The present owners have no plans to develop any more all-suites. There is definitely a future in hotel administered sectional title developments – condo hotels. Location is the key. We have a high occupancy rate not because we are all-suite but because of our location. If the location is not spot on then the returns fall and we struggle to sell or resell the units. People are not just investing in the property but on the returns they get through the short term rentals. The sectional title route is the way to go. It is not cost effective for hotel groups to run a purely all-suite hotel, better to manage the hotel and owners pick up costs of units and receive a return” (Cape Town interview).
The advantages to owners and managers of the ‘condo hotel’ or hybrid variant of all-suite accommodation were reflected in the patterns of recent investments in the South African all-suite sector. The current trend is for all suite accommodation to be marketed as a ‘lifestyle choice’ with new offerings that include beach clubs, patisseries, gyms, cigar bars, indoor and outdoor pools, children’s play areas, library, business facilities and flexible catering and room service options. For example, one property development launched in Cape Town in 2009 is a five star all-suite hotel with sectional title apartments for private investors to purchase and uses a hotel management company to manage the hotel facilities as well as the rental pool for investors. In new developments occurring in Johannesburg the move beyond the limited service conventional all-suite hotel is again highlighted. At one new luxury Sandton condo hotel development the marketing is of a ‘lifestyle accommodation product’ which is a graded 5 five star hotel. Here, choices exist for people variously to live in these properties on a permanent basis through purchase of units by sectional title, to rent their units by the day, week or month through the hotel rental pool (yet still have use of the unit), or simply utilise the unit or suite as an investment vehicle.

5.3.2.3 Concluding Remarks

Arguably, after South Africa’s transition to democracy, local investors and developers identified opportunities for adapting the concept of the all-suite hotel, as pioneered in North America, into the local context. Throughout the period 1995-2010 steady growth was evidenced in all suite developments in major urban centres of South Africa. The expansion of all-suite hotels represents a part of the wider segmentation that has been taking place in South Africa’s hotel industry since the country’s re-entry into global tourism. By 2010 the all-suite hotel industry could be recognized as a small niche segment of the expanding South African hotel sector with business tourists the core clientele.
The South African experience of all-suite hotel developments is of interest in international scholarship. In North America and Western Europe a critical market for the all-suite hotel is the extended stay segment. The South African record is, however, that most patrons of all suite accommodation, domestic business travelers, stay for only a much shorter period of time. The key differentiating factor of the all-suite from a full service hotel, the option for self-catering, is not a major attraction for the South African market. The result has been that the all-suite hotel has been competing on the basis of cost and locational considerations with the full service hotel. Domestic branded chains are dominant in the all suite sector in South Africa, including through the lucrative management contract arrangements. Within a context of market over-supply of rooms in South African hotels, a marked trend has been for a shift in South Africa towards developing hybrids of the all-suite hotel, most notably in the evolution of the condo hotel. The condo hotel in South Africa has parallel features with similar property products in the USA and Australia. The essential advantages as compared to the conventional all-suite hotel relate to reduce overhead costs to the branded hotel group as units are sectional title and owned by private individuals. In final analysis, as in Australia, the changing South African landscape of all-suite hotels is increasingly complex and differentiated and ultimately a mirror of segmentation processes occurring in the hotel industry at large.

5.4 THE LIMITED SERVICE HOTEL CASE STUDY

The limited service hotel is another new product offering that emerged from the segmentation of the hotel industry. The international origins of the limited service concept of hotel are traced back to the mid-1980s (Berger and Chiofaro 2007). This final case study of segmentation in the South African hotel industry between 1990 and 2010 examines the adoption and expansion of the limited service hotel concept. Two sub-sections of material are given. The first discusses the concept of the limited service hotel and the small amount of international scholarship concerning its development. The second section turns to the South African hotel industry and examines the expansion of the City Lodge group of limited service hotels in relation to the positioning of the country’s other major hotel groups within the traditional full-service segment of hotel operations.
As indicated in the introduction to this chapter the case study of limited service hotel departs slightly from the approach and organization of the two previous case studies of boutique and all suite hotels. This discussion is mainly an examination of the strategic development and evolution of one hotel chain which pioneered and expanded this particular market niche in South Africa. Source material for City Lodge draws from an analysis of a complete set of annual reports (AR) from 1993-2010. This information is supplemented by an historical account of the foundation of the company (Enderle, 1987) and a detailed interview on corporate strategy provided by the (longstanding) Chief Executive Officer of City Lodge Hotels (Ross, 2011).

5.4.1 The Limited Services Hotel: International Development and Research

The international origins of the limited services hotel are considered as located in developments taking place in the US hotel sector in the 1980s. The rise of the limited services concept was triggered by “the consumer drive for affordable accommodations that still offer the necessary or most frequently utilized creature comforts of the full service hotel” (Berger and Chiofaro 2007: 40). Over the past two decades the limited services hotel, which has been led by brands such as Days Inn, Comfort Inn or Super 8, has been one of the fastest expanding segments of the US hotel industry (Ransley and Ingram, 2004; Tanford et al., 2012).

Several elements differentiate the limited service hotel as opposed to its full service counterpart. The limited service hotel tends to be smaller than the full service hotel, ranging between 100-200 rooms and importantly incorporates fewer ancillary spaces such as meeting rooms, lobby space and restaurants. From existing scholarship the limited service hotel is viewed as easier to develop, easier to operate and using comparative risk analysis demonstrated to be less risky than investment in the full service hotel (Ninemeier and Perdue, 2005; Berger and Chiofaro, 2007; Younes and Kett, 2007).
As the physical product is less detailed and specialized than the full service hotel, the limited service hotel is both simpler and quicker to develop than the full service hotel (Ninemeier and Perdue, 2005). In addition, as pointed out by Berger and Chiofaro (2007: 41) “the time that is required to design a limited-service hotel is also significantly shorter than the more detailed and specialized full-service brethren”. Furthermore, as the product is simpler and more uniform in design relative to full service hotels, rapid planning and construction is another advantage of the limited service hotel. In the USA the majority of limited service hotels are franchised by large hospitality firms as the “uniformity of the product and streamlined development process is a major selling point to potential franchisee partners” (Berger and Chiofaro, 2007: 42). Overall, as compared to development of the full service hotel, the limited service variant appeals to a wide range of investors and developers.

Ease of operation is a second major distinguishing characteristic of the limited service segment. The limited service hotels are by definition less expensive to operate because they do not offer the range of services or amenities of a full service hotel. The most significant saving relates to food and beverage provision as the elimination of the restaurant in the limited service hotel results in significant labour cost savings. Berger and Chiofaro (2007: 43) point out, however, that certain limited service hotels in the USA “make arrangements with adjacent restaurants to provide room service which allows them to sell room service as an amenity and still eliminate the majority of the associated overhead and restaurant construction and management costs”.

Another set of advantages for the limited service concept relates to questions around development risk. In comparative analysis Younes and Kett (2007) show limited service hotels present the least initial property development related risk because of their relatively straightforward development process, smaller scale and simpler construction. From an analysis of historical trends in the USA it has been shown that “limited service hotels tend to be less vulnerable to economic shocks than full service and luxury hotels” (Berger and Chiofaro, 2007: 44). As a whole, therefore, limited service hotels are attractive investment vehicles because they are less capital-intensive and labour-intensive than full service hotels and during both peak and off-peak economic cycles exhibit high guest retention levels.
5.4.2 The Limited Services Concept in South Africa’s Hotel Industry

The emergence of the limited service hotel segment in South Africa must be understood as the outcome of the growth strategy pursued by one particular hotel group, City Lodge. The limited service segment market niche occupied by City Lodge contrasts with the strategic emphasis placed by the country’s other leading hotel groups upon market segments associated with full service hotels. The concept of limited service spread outside of the USA and in South Africa was adopted and refined in what has been termed the ‘selected services hotel’ (Enderle, 1987). By contrast, as discussed in Chapter Three, the other two leading hotel groups Southern Sun and Protea Hotels operate a range of branded hotel products mostly in the full service hotel category. City Lodge characterize their hotels as “selected service” due to their offering differing slightly from the American one. After extensive market research concerning South African consumer preferences a strategic management decision was taken not to merely import an already successful American branded product but rather to initiate “something specifically tailor made for the South African business community” (Enderle, 1987: 23). In the South African variant of the limited service concept, accommodation standards were improved from the American model and lifted from the one and two star level offerings to those matching a three star establishment. The discussion below identifies the key features of this new product in the hotel sector and its subsequent growth, change and adaption in South Africa by the City Lodge Group of hotels.

5.4.2.1. The Establishment of City Lodge as a Limited Service Hotel Chain

The limited service hotel pioneered in South Africa by City Lodge thus represented the opening of a new market segment which had been overlooked by the country’s existing hotel groups. The establishment of the limited service concept in South Africa was anchored upon research conducted during the 1980s which investigated the characteristics of the ‘economy sector’ of the US hotel industry (Enderle, 1987). This concept of the limited service hotel had been extensively investigated by the founder of City Lodge, Hans Enderle, when he was the managing director of
Holiday Inn South Africa. During his time at Holiday Inn Enderle researched the limited service concept with particular reference to its success in the USA (Ross, 2011).

Several aspects of the US limited service model subsequently would be modified in the context of specific market research concerning South African consumers. Local research revealed that whereas “97 percent of hotel guests wanted breakfast, only 18 percent wanted lunch at a hotel” and that “87 percent ate dinner in their hotels but indicated they were not averse to eating out” (Enderle, 1987: 23). Although these results disclosed a demand for “good quality accommodation with en suite bathrooms” many guests “were not particularly interested in facilities such as conference rooms, endless lobbies and reception areas” (Enderle, 1987: 23). The founders of City Lodge eschewed the potential option of franchising a brand from an American chain; instead they sought to initiate “something specifically tailor-made for the South African business community” (Enderle, 1987: 23). The group’s founder Hans Enderle claimed the “uniquely South African” features of City Lodge to be “the breakfast area turns into a bar in the evening” and that “instead of offering room service, City Lodge has tea and coffee machines in every room” (Enderle, 1987: 23).

Under the rubric of “the selected services hotel”, City Lodge opened its first lodge at Randburg, Johannesburg in 1985. In addition to the “homely no fuss atmosphere” on offer and “the elegant informality of a night at City Lodge” the room rates were highly competitive (Enderle, 1987: 23). Undoubtedly, the selected service hotel of City Lodge offered a marked improvement upon the standards of accommodation as provided by the country’s existing ‘economy’ segment of one and two star hotels, the majority of which focused more on profit-making from off-sale or in-house liquor selling than on the provision of decent affordable accommodation. The first City Lodge hotel was an immediate success and the group began scouting other sites to roll out their new product to the South African market. Financial backing was secured from the Mines Pension Fund which gave City Lodge a mandate to complete 1 000 rooms by 1990 (Ross, 2011). City Lodge had broken away from existing local hotel standards as it did not establish full service
hotels which hitherto were the South African norm. In establishing the limited service hotel concept the group stated their “prime business is the provision of affordable, high-quality accommodation to travelers with excellent service” (City Lodge Hotels AR, 1993). The City Lodge concept was summed up as follows: “since its formation in 1985 the group has focused on achieving high margins through offering business and tourist travelers a consistent product without the often under-utilised services and facilities and the high staff-to-guest ratios of full service hotels” (City Lodge Hotels AR, 1993).

In terms of clientele City Lodge has enjoyed a consistent base of 75 percent business and 25 percent leisure travelers. The vast majority of the group’s clients are domestic rather than international travelers; in total 75 percent of guests are South African domestic tourists. Within the cohort of international visitors, once again business tourists predominate. The client base of City Lodge thus does not reflect patterns of international tourism flows to South Africa, which are dominated by leisure visitors from Western Europe (Rogerson and Visser, 2006). City Lodge’s international guest profiles mirror more especially recent trends in the growth of business tourism to South Africa with expansion from several Asian countries, notably India, Korea and Japan, as well as growth in business travel from other countries in sub-Saharan Africa. Among the group of regional business tourists City Lodge’s largest market is Angola, albeit growth has been recorded recently also from Ghana and Nigeria.

Overall, City Lodge was positioned and styled as a ‘selected services’ hotel. This new type of hotel development in South Africa was an anomaly for the national organization which was responsible for accommodation grading. After some initial confusion the country’s national grading council adapted its grading model and City Lodge’s limited service hotel was classed a 3 star product. Since its beginnings the group has stayed loyal to the limited service model. Only minor changes and adjustments occurred to the initial concept as client needs changed. Importantly, food provision changes were effected. Initially the lodges started with a set dinner offering but in 1987 the evening food service was phased out and only breakfast was offered.
(Ross, 2011). During 2009 a coffee shop concept was introduced to offer a light snack menu throughout both the day and evening. This was in response to the growth in the numbers of female travelers many of whom often preferred not to go out at night, or business people who after a business lunch required only a light evening snack.

Another adjustment to the limited service model related to acknowledgement of the fact that the majority of clients were business people and of the need for boardroom facilities as clients wanted a place for meetings other than the common area lounge. City Lodge’s newest hotels have three small board rooms and the new flagship hotel at Johannesburg’s OR Tambo International Airport boasts large conference facilities, due to the demand and its central location which makes it a cost effective conference venue especially with international associations and airline related businesses (Ross, 2011). Fitness rooms also have been introduced to many hotels due to customer demand. Other minor adjustments concern the provision of more twin bedded rooms.
As a chain the City Lodge hotel group has expanded mainly as a result of internal growth rather than external growth. Unlike the trends noted for large hotel chains in North America to grow through franchising and use of management contracts City Lodge have not adopted this growth path. The group has, however, engaged in expansion through a strategy of brand diversification.
and of further market segmentation of its limited service model of hotel development. Figure 5.11 shows by 1990 there was a total of seven City Lodges all of which were located in major urban centres of South Africa serving the group’s main target market, the domestic business traveller. After extensive research the strategic decision was made in 1990 to diversify the group’s products. During that year City Lodge established its first Town Lodge at Bellville, Cape Town. The Town Lodge was established as a 2 star offering. This “second-tier lodge concept” (City Lodge Hotels Annual Report, 1993) was initiated as a result of the success of the initial City Lodge brand. Additional Town Lodges were opened in Johannesburg, Pretoria and Nelspruit.

Further segmentation of the limited service model occurred in 1995, City Lodge’s tenth year of operations. The group diversified its activities into both the one and four star markets with the innovation of two further brands, the Road Lodge and the Courtyard. The one star Road Lodge is a value-for-money option which is positioned at the budget end of the market. This new brand was established and rolled out in South Africa’s major cities and subsequently spread to secondary cities. The group’s entry into the four star upmarket brand was through a strategy of external growth. In a joint venture arrangement City Lodge acquired the existing Courtyard chain of five properties, including 100 percent of the management company. By 1995, ten years after the birth of City Lodge, the group consisted of a network of 19 hotels with four distinct brands serving different market segments (City Lodge Hotels AR, 1995).

The period 1995-2000, the immediate years of democratic transition, were viewed as ‘difficult years’ for the hospitality industry of South Africa (Ross, 2011). This period was marked by considerable optimism in the hotel industry around a potential major surge in international tourism to South Africa following the country’s shedding of its apartheid pariah status and re-entry into the global tourism economy. During this period several local hotel groups expanded their operations and upgraded their hospitality products. Although regional tourism from Africa burgeoned in the immediate post-apartheid years, the anticipated boom in long haul international
tourism to South Africa was not fully realized (Rogerson and Visser, 2004). The consequence was that the South African hotel sector experienced a situation of over-supply of hotel rooms. Because of poor occupancies a number of local hotel groups (Cullinan, Karos, and Stocks and Stocks) were bankrupted and their hotel properties sold on by banks (Ross 2011). The difficult trading conditions of the late 1990s are reflected in statements made in the 1999 Annual Report of City Lodge:

“The depressed economic environment, increased competition and excess room capacity that persisted in the hospitality industry in 1989 still persists in 1999. Overseas arrivals have reportedly increased but the higher figure was insufficient to offset the supply of new beds coming to the market. This factor coupled with a decline in disposable income occasioned by the economic recession, high interest rates and ongoing high levels of crime, rendered the 12 months to June 1999 one of the most difficult in the company’s history” (City Lodge Hotels Annual Report, 1999).
Notwithstanding this difficult period, further growth of the City Lodge Group’s operations took place between 1995 and 2000. With its core focus on business travelers and a customer mix dominated by domestic rather than international visitors, by 2000 City Lodge Group had expanded operations to a total of 33 properties (Figure 5.12). This included 6 four star Courtyard suite hotels, 10 three star City Lodges, 7 two star Town Lodges and 10 one star Road Lodges. Geographically, the group’s operations were concentrated in and around the major centres of
South African business tourism, with 17 hotels in metropolitan Johannesburg and surrounds. In addition to South Africa’s business capital, City Lodge operations extended also to other cities such as Cape Town, Pretoria, Port Elizabeth and Durban as well as the secondary cities of Bloemfontein and Nelspruit. Of the Group’s national portfolio of 33 properties more than half were situated in Gauteng province, South Africa’s economic heartland.

5.4.2.2 City Lodge Expansion Post 2000

For the South African hospitality sector the year 2002 is considered a watershed (Chapter Three) because it marked an upturn in long haul international leisure visitors to the country. The annual reports of City Lodge confirm the growing contribution of international tourist arrivals and of the special importance of African shopper tourists particularly in Johannesburg. In 2002 it was observed that:

“For foreign tourists often boost our occupancy levels on weekends and during off-peak periods during the year. We are confident that by benefiting from South Africa’s improving reputation as a holiday destination and our own international marketing efforts we can further grow the foreign portion of our occupancies…..Coming off a low base, there are signs that South Africa is finally taking off as a genuine international tourist destination. There is always a strong VFR (visiting friends and relatives) in our tourist mix but we are now seeing growing numbers of tourists from around the world who hire cars, stay in hotels and eat in restaurants. Of particular note is that SA is becoming a major shopping destination for visitors from elsewhere in Africa” (City Lodge Hotels AR 2002).

The City Lodge group continued to grow operations throughout the decade 2000-10. By 2003 the Group had 3 791 rooms/suites which ranked it amongst the 250 largest hotel chains in the world (City Lodge Hotels AR, 2003). With the award of the hosting of the 2010 FIFA World Cup to
South Africa further expansion of the Group’s operations was inevitable. It is suggested that a number of opportunistic independent developers entered the South African hotel market establishing new hotel operations which were specifically targeted at potential opportunities associated with the 2010 Football World Cup. The approach of City Lodge, however, towards the 2010 World Cup was more cautious, more especially in the context of the global financial crisis which began during 2008. Nevertheless, during 2010 City Lodge opened seven new hotels and also undertook a major extension and upgrading of one of its existing Johannesburg hotels. This remarkable expansion of the Group’s operations is attributed to the fast-tracking of approvals for new hotel property developments by City Councils across South Africa in response to mounting concerns which were raised about potential shortages of rooms for the 2010 World Cup. For example, because of local council procedures and delays in East London City Lodge waited 18 years in order to secure the site and proceed with a planned hotel development in the city. National government pressured local councils to speed up local approval procedures. As a result of this leverage City Lodge found itself in a unforeseen situation that the group had more hotel approvals and developments on stream than the longer-term phased pattern of development that it normally pursued (Ross, 2011).
Overall, between 2000 and 2010 City Lodge Group experienced a further growth of 19 new hotels (Figure 5.13). The group’s location strategy has been to have a presence in all South Africa’s major urban centres and to grow brand awareness. Careful research was undertaken before establishing any of their four brands in a new location with consideration given to the cost.
of proposed developments, what the market could afford and the supply situation of other hospitality products. City Lodge claim not to have a ‘follow the leader’ approach and develop hotels only if all market factors are correct; it was stated that they do not locate in any city merely because their competition has a presence there (Ross 2011). Between 2000 and 2010 the greatest number of new hotel developments occurred in terms of building 11 new Road Lodges; in addition, five new City Lodges and three Town Lodges were opened.

Figure 5.1 provides a profile of the geography of City Lodge group operations by 2010. It should be noted that new expansion was recorded during the period 2000-2010 especially in South Africa’s secondary cities, many of which were also host locations for the 2010 FIFA World Cup. New developments were recorded in George, Polokwane, Rustenburg, Potchefstroom, Kimberley, Richards Bay and East London. In addition to these developments City Lodge further expanded its imprint in South Africa’s leading urban business and leisure destinations, launching an array of new hotels in Johannesburg (3 new hotels), Pretoria (3 new hotels), Durban (2 new hotels), Port Elizabeth (2 new hotels), Cape Town (1 hotel) and Bloemfontein (1 hotel). The close association of City Lodge operations with the economy of business tourism is reflected by the continued concentration of operations in Gauteng. Of the total portfolio of 52 properties 20 were in Johannesburg and its surrounds as compared to 7 properties in Cape Town and 4 properties in Durban, South Africa’s leading two leisure tourism destinations.

As this rapid period of hotel expansion of the Group occurred at a time of global financial crisis, economic recession and consequent weak local and international markets, the group announced “a consolidation phase in South Africa” with no further developments planned on South Africa (City Lodge Hotels AR, 2010). Since the FIFA World Cup, trading conditions for South Africa’s hospitality sector have been viewed once again as “difficult” with clear signs of saturation and the over-supply of rooms in certain parts of the country, most notably in Cape Town (Ross, 2011). The two months period around the World Cup was described in somewhat under-stated
terms as “good” for City Lodge operations, particularly in the Johannesburg region (Ross, 2011). Nevertheless, after the FIFA World Cup, industry stakeholders observed “it was as if the rug had been pulled from underneath us. Everybody left and nobody has come to take their place. Business and government have both cut back substantially on travel and until that changes the hotel market will stay with a huge oversupply” (Ross, 2011). It is as an outcome of both rapid growth by City Lodge and the slowdown in the national hospitality market in late 2010 that the group is embarking on a period of consolidation. The group is pursuing a strategy of looking for future opportunities and sites for future hotel developments, undertaking land banking in order to be ready to develop new hotels in future when there are signs of upturn in demand and absorption of current levels of oversupply.

Against a backdrop of accelerating rapid market segmentation occurring during the post-apartheid period City Lodge has continued since launch in 1985 to concentrate its activities in the limited service market of South Africa. By 2010 the group was the established leader in the limited service segment of the South African hotel industry. With a portfolio of 52 hotels offering a total of 6,629 rooms City Lodge was the country’s third largest hotel group as a whole. Nevertheless, by 2010 the group was no longer the only enterprise which operated in the country’s limited service market segment as newer competition emerged from brands such as Holiday Inn Express as well as from the introduction and growth of other limited service hotel products, such as the all-suite hotel.

The internationalization of City Lodge operations had been under consideration since at least 2003. The group undertook research on potential investment opportunities for developing limited service hotels outside South Africa. Within the region of Southern Africa, Botswana, Namibia and Mauritius have been under investigation for potential 3 star City Lodge developments. Other African market opportunities have been researched in Nigeria and Ghana. Outside of Africa, hotel development options have been scrutinized in Australia, Malaysia and even parts of South America. It was considered that the most promising opportunities for replication of the South
African model appeared to exist in establishing limited service hotels in tier 1 and tier 2 cities of India (City Lodge Hotels AR, 2010; Ross 2011). Difficulties in securing access to the Indian market resulted, however, in a decision announced in 2011 that City Lodge would rather develop a chain of up to 20 branded hotels in other countries of sub-Saharan Africa. The group’s expansion is to be focused upon city business locations with the following countries the potential targets for expansion of operations: Botswana, Kenya, Mozambique, Namibia Nigeria, Rwanda, Tanzania, Uganda and Zambia (Rogerson and Kotze, 2011).

5.4.2.3 Concluding Remarks

It is evident from this third case study that the limited service segment represents another facet of the accelerating segmentation which recast the landscape of South African hotels particularly after 1990. The growth of limited service hotels in South Africa is inseparable from the market niche left vacant by the focus of existing local hotel groups upon development of full service hotel operations. Building upon the success of limited service hotels in North America, the City Lodge Group adapted the concept of limited service to open up opportunities in this hotel segment in Africa. Further, within South Africa, the City Lodge group has driven the differentiation of the limited service market.

Unlike the patterns of hotel chain development documented for North America and Western Europe, however, the dominant growth strategy adopted by City Lodge for limited service hotels in South Africa has been through a ‘traditional’ growth approach of internal developments with some hotel acquisitions rather than the emerging mainstream approach of growth through franchising and management contracts. The success of this market segmentation is imprinted in the development of limited service hotels as distinctive features of the urban fabric of all South Africa’s major cities as well as many of the country’s secondary centres. As the concept of the limited service hotel is closely associated with South Africa’s growing business tourism
economy, the geographical impact of this particular form of hotel is most strongly evident around the country’s leading business hubs.

5.5 CONCLUSION

It was argued in Chapter Two that market segmentation in the hotel sector has been an essential and expanding element of the international hotel industry particularly since the early 1980s. In addition there has emerged a growing application of the concept of segmentation to understanding tourism markets in general and hotel markets more specifically. Since the 1980s market segmentation has been an accelerating trend in the hotel sector and the identification of new market sub-segments had “become a science” scrutinized and researched by large hospitality organizations (Berger and Chiofaro, 2007: 16). It was demonstrated that pursuit of market segmentation has been a viable strategy for the growth of many hotel chains in Western Europe and North America (Cunill, 2006). This discussion provides further exemplification in a developing world context of the role of segmentation in the hotel sector.

The specific aim in this chapter was to demonstrate the importance of segmentation to an understanding of the changing character of the South African hotel industry between 1990 and 2010. It is shown in the discussion in this chapter that market segmentation made its first appearance in South Africa in the 1980s in particular with respect to both the limited service concept and all-suite hotels. Since 1990, however, there has been a much greater segmentation in evidence in the South African hotel industry. In parallel with accelerating segmentation taking place at the international level of the hotel industry segmentation has been strengthening post-1990 with the appearance of a number of new different forms of hotel such as the airport hotel, the boutique hotel and the expansion and further segmentation of existing hotel forms. The three case studies of the boutique hotel, the all-suite hotel and the limited service hotel provide clear evidence of the role of segmentation in reshaping the South African hotel industry since 1990. Although the mainstream South African hotel sector would be constituted by the full service
hotel model of various quality standards a number of new markets have been opened up and expanded through new and different forms of segmented hotels.

The analysis that was presented in this chapter shows the existence of distinctive geographies that must be understood and interpreted in relation to the different market segments. It was shown for example that the luxury boutique hotel segment is highly concentrated in the Western Cape and in particular in and around the environs of Cape Town and the Winelands. This market segment was predominantly geared towards leisure travelers with a high proportion of international visitors. By contrast the spatial structure of the all-suite market is different to the extent that the major visitors are business travelers and as a consequence the geographical patterns of the all-suite hotel phenomenon reflect strongly the geography of business tourism in South Africa. Accordingly, the importance of the all-suite hotel in particular in Johannesburg and Pretoria was noted. The limited service segment as pioneered by the City Lodge Group again has been a market segment which has been targeted at the domestic business travel market. It was noted very strongly the dominance of Johannesburg and Pretoria in the overall geography of the limited service sector. In addition the limited service segment was reflected in a number of secondary cities such as Bloemfontein and Nelspruit, and that relative to their overall significance in the South African hotel industry as a whole Cape Town and especially Durban are lesser nodes in the current spatial landscape of limited service hotels.

The total number of 38 interviews that were undertaken with representatives of boutique hotels, all-suite hotels and the limited service sector reveal a range of different issues relating to both the development and expansion of these particular market hotel segments. In terms of the evolution of the hotel properties an important observation relates to the conversion of property from a prior use to a hotel. In many cases the conversion was from a prior residential function such as apartments, townhouses, family homes or in one case a student residence. In other cases the property had a former commercial or industrial use. In the limited service sector some of the four star brand were converted from sectional title townhouses, however, the majority of the City
Lodge branded hotels were built for purpose. The constant churning of hotel property was illustrated clearly in the all-suite example where less well-performing hotels are being converted back to residential apartments and new forms of all-suite hotels are being sectionalized into condo hotels by the hotel chains into order to maximize profits.

The rich material from the detailed 38 interviews further points to different challenges that face businesses and entrepreneurs operating in particular hotel market segments. In the boutique hotel segments of particular interest was the disconnect of this form of hotel accommodation from the grading systems used by South Africa’s official grading organization and broader concerns about the need for improved regulation. In the all-suite sector, by contrast, the key concerns raised by industry stakeholders related to questions of oversupply in this particular market segment which in turn was triggering the hybrid versions of the all-suite which were termed the African condo hotel. Finally, in the case of the limited service model the success of City Lodge in opening up this niche form of hotel has resulted in new competition within South Africa and a parallel decision by City Lodge that the future growth of this hotel chain would be led by investments in other urban market centres across sub-Saharan Africa.

Overall, therefore, the analysis presented in this chapter points to the importance of unpacking the different segments of the hotel industry and of understanding the heterogeneous nature of the contemporary South African hotel industry. Since 2010, the close of this period of investigation for the South African hotel industry, a number of investments have been announced by large hotel chains for ‘green hotels’, new heritage hotel developments and additional airport hotels which together are evidence for the accelerating trend towards segmentation in the South African hotel industry. Correspondingly, this demonstrates a need for continued in depth research on segmentation and the changing South African hotel industry which is one theme discussed in the concluding chapter of this dissertation (Chapter Seven).
CHAPTER SIX

THE STRUCTURE AND INTRA-URBAN LOCATION OF HOTELS IN FOUR CITIES

6.1. INTRODUCTION

Timothy and Wall (1995: 65) observe “hotels are the purest and most visible manifestations of tourism in the city”. Accompanying as well as facilitating the expansion of urban tourism is the growth and consolidation of the commercial lodging or accommodation sector, the most important element of which is the hotel (Wall et al., 1985; Timothy and Teye, 2009; Shoval et al., 2011). In modern cities the structures built to supply tourism markets “have become increasingly visible in the landscape” (Wall et al., 1985: 604). Pearce (1979) shows various changes in city form in Western cities may be attributed to the development of high rise hotels in central business districts and of other hotels in suburban areas. Hotel development is at the heart of the growth of urban tourism and “without proper hotel facilities even the most richly attractive city could not become a major tourist centre” (Arbel and Pizam, 1977: 18). Overall, Arbel and Pizam (1977: 18) assert “the primary factor in the development of urban tourism is the accommodation industry”. Tourism accommodation is viewed as affecting urban form and function; in addition, the image of cities can be influenced by the types of hotels that are established (Wall et al., 1985). Arguably, therefore, in cities hotels are the most representative expression of urban tourism (Shoval and Cohen-Hattab, 2001: 910). Within the contemporary cityscape hotels are considered as perhaps “the only facet of the urban tourism product of which tourists are virtually the sole consumers” (Shoval, 2006: 59).

During the past decade there occurred a substantial upturn of scholarship, mainly contributed by urban geographers and planners, on issues of economic restructuring and spatial change
associated with post-apartheid transformation and the growth of service-oriented cities (eg. Turok and Watson, 2001; Beavon, 2004; Lemanski, 2006; Visser and Kotze, 2008; Borel-Saladin and Crankshaw, 2009; Tredoux and Dixon, 2009; Pirie, 2010; South African Cities Network, 2011; Todes, 2012). Notwithstanding this surge of interest around urban restructuring and spatial change in South Africa, it is remarkable to observe almost no attention has been given to the roles and impacts of the hotel sector. For example, in Pirie’s (2005) detailed overview of 15 years of urban writings on Cape Town no mention is made of the hotel sector. Urban tourism in South Africa has recorded a phase of considerable expansion in recent decades with some significant variations noted between the country’s major cities (Rogerson and Visser, 2007). Within the expansion of scholarship around urban tourism in South Africa, however, it is acknowledged the location of the hotel sector is neglected, particularly at the intra-urban scale of investigation (Rogerson and Visser, 2011a, 2011b). Although for the coastal cities of Cape Town, Durban and Port Elizabeth there is useful work which documents the early evolution of coastal tourism (Bickford-Smith, 2009) as well as various aspects of recent urban tourism growth (Grant and Butler-Adam, 1992; Visser, 2002; Heath, 2004; Kotze, 2006; Maharaj et al., 2006; Ferreira and Visser, 2007; Pirie 2007a; Preston-Whyte and Scott, 2007; Ferreira, 2011a, 2011b), the local geographies of hotels remains a research void. For South Africa’s major city, Johannesburg, there is complete lack of any detailed research on the hotel sector and it is striking that hotels merit only one mention in Beavon’s (2004) overview of the historical urban geography of the city and no mention at all in other recent scholarship on the evolving post-Fordist spatial order of the city (see eg. Crankshaw, 2008; Nuttall and Mbembe, 2008; Peyroux, 2012; Todes, 2012).

It is against such a backcloth that this chapter analyses the structural change and spatial patterns of hotel development and restructuring within four of South Africa’s major cities. This chapter extends the analysis of structure and locational issues surrounding the South African hotel sector which were discussed in Chapter Four. The international scholarship on intra-urban hotel location was reviewed in detail in Chapter Two. It was made clear that most existing tourism scholarship and debate around hotel location concentrates upon ‘tourist-historic’ cities with the
balance of research weighted towards urban tourism destinations in developed countries or the
global North. Although Asian cities have attracted a small amount of attention few studies on
intra-urban hotel location had been pursued particularly in the context of cities in the developing
world. Significantly the current literature is silent on considerations of hotel location in tourist
cities of sub-Saharan Africa. This chapter addresses therefore an under-researched topic in
existing literature around both urban tourism and urban restructuring, namely the changing
spatial patterns of hotel accommodation. In particular, the chapter focuses at the intra-urban scale
of analysis on structural change and the locational distribution of hotels in four urban tourism
destinations, namely Johannesburg, Cape Town, Durban and Port Elizabeth.

This chapter seeks to investigate the shifting patterns of hotels during the period 1990-2010 as
one facet of wider processes of urban spatial restructuring taking place in these leading South
African cities. In terms of sources, the chapter once again draws upon material compiled in the
national audit and from the two comprehensive data bases prepared on the South African hotel
sector for 1990 and 2010. Analysis is therefore undertaken at city scale of these data bases for
1990 and 2010 which contain information for each individual hotel establishment concerning
size (number of rooms), quality (star rating), and location. The analysis follows the seminal work
of Timothy and Wall (1995) in applying cartographic and qualitative tools to interpreting urban
hotel location in a developing world context.

The chapter is organized into two major sections of discussion which provide a parallel
discussion to the structural and spatial analysis of national change as discussed in Chapter Four.
The first section examines structural changes in the hotel sectors of the four cities. More
specifically, it offers a fine-grained picture of the following issues: (1) changes in hotel stock in
respect of numbers of hotels and available rooms, (2) changes of hotel stock in terms of size of
hotel establishment; and, (3) change in the quality standards of hotel stock in terms of star
grading of establishments. The second section turns to unpack the shifting spatial patterns of
hotel stock in the four cities. In particular, it provides a detailed analysis of (1) the changing
geography of hotels at the suburban scale and (2) the changing geography of hotels of different quality standard (by star grading) at suburban scale. It should be noted that no analysis is undertaken of the shifting patterns of hotels in the four cities by size of hotel establishment because of the small number of data points across the multiple size categories of hotel establishment.

6.2 STRUCTURAL CHANGE IN THE HOTEL SECTOR: FOUR CITIES

All four cities under investigation have benefited from the post-apartheid expansion of tourism which has occurred in South Africa, with Cape Town in particular boosted as a popular focus for long haul international tourism (Rogerson and Visser, 2004, 2006, 2007; Ferreira and Visser, 2007). South Africa’s cities have been major beneficiaries from the expansion of both international and domestic tourism which has taken place in the country over the past two decades, and most especially since the 1994 democratic transition (Rogerson and Visser 2004, 2007).

Although all three coastal cities under scrutiny – Cape Town, Durban and Port Elizabeth – represent long-established leisure tourism destinations, local stakeholders have recognized tourism’s importance for economic expansion and made energetic efforts to promote and diversify tourism as one of the leading sectors for driving local economic development (Rogerson and Visser, 2007). In these cities urban tourism development has been encouraged by investment in new or improved tourism products and infrastructure, including waterfront developments, beachfront improvements, leisure entertainment centres, casinos, convention centres, events promotion, and airport upgrading. As has been observed Johannesburg is a ‘non-traditional’ urban tourism destination. The city’s trajectory of urban tourism development has taken a different course to that of the coastal destinations. As well as the expansion of convention centres for business tourism, urban tourism has been boosted by new product
development in terms of cultural and heritage tourism attractions, sports tourism, struggle tourism and shopping tourism geared to the requirements of regional tourists from sub-Saharan Africa (Rogerson and Visser, 2011b).

Considerable impetus for new product innovation and tourism product upgrading in all four cities derived from the FIFA 2010 Soccer World Cup during which Cape Town, Durban and Port Elizabeth were all host cities (Ferreira, 2011a). Johannesburg, however, was the focal point for tourism activities linked to this mega-event and the city which experienced the greatest boost in urban tourism (Rogerson and Kotze, 2011; Rogerson and Visser, 2011b). Against this background, this section analyses the profile of hotel stock in the four cities in terms of numbers of hotel establishments, quality of hotel stock (indexed by star grading), and size of hotel establishment. Subsequently the discussion moves to analyze the shifting geographical patterns of hotels as a whole and as further differentiated by quality standards of hotels.

6.2.1 Change in Hotel Stock

The analysis of the changing hotel stock in the four cities can be undertaken in relation to numbers of hotel establishments, numbers of rooms, and a review of the underlying ‘churning’ of properties as indexed by hotel births, deaths and stayers.
Table 6.1: Number of Hotel Establishments 1990-2010

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>2010</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cape Town</td>
<td>66</td>
<td>184</td>
<td>179</td>
</tr>
<tr>
<td>Durban</td>
<td>47</td>
<td>56</td>
<td>19</td>
</tr>
<tr>
<td>Port Elizabeth</td>
<td>13</td>
<td>24</td>
<td>85</td>
</tr>
<tr>
<td>Johannesburg</td>
<td>107</td>
<td>137</td>
<td>28</td>
</tr>
</tbody>
</table>

Source: Author’s data base

Table 6.2: Number of Hotel Rooms 1990-2010

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>2010</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cape Town</td>
<td>4 328</td>
<td>13 377</td>
<td>209</td>
</tr>
<tr>
<td>Durban</td>
<td>4 443</td>
<td>6 477</td>
<td>46</td>
</tr>
<tr>
<td>Port Elizabeth</td>
<td>791</td>
<td>2 097</td>
<td>165</td>
</tr>
<tr>
<td>Johannesburg</td>
<td>9 146</td>
<td>13 839</td>
<td>51</td>
</tr>
</tbody>
</table>

Source: Author’s data base

The heightened tempo of tourism within the four cities is reflected in the expansion of the hotel sector. Tables 6.1 and 6.2 provide the basic data on hotel stock change in the four cities between 1990 and 2010. The two tables reveal as indexed both by numbers of hotel establishments and numbers of available rooms, these four urban tourism destinations evidence a phase of growth in the period 1990 to 2010. Variations in the performance between the four cities are clearly apparent. In terms of actual numbers of hotel establishments Table 6.1 highlights the remarkable
growth of Cape Town and the strong relative growth performance of Port Elizabeth as compared to the smaller net growth recorded in Johannesburg and Durban. Similar patterns are in evidence using the index of room numbers. Between 1990 and 2010 a dramatic expansion is recorded for Cape Town and Port Elizabeth as opposed to the more modest performance of Johannesburg and Durban.

The extraordinary boom in hotel numbers and room capacity in Cape Town is associated with the city’s emergence as an iconic international tourism destination during the post-apartheid period (Visser, 2002; Ferreira and Visser, 2007; Pirie, 2007; Rogerson and Visser, 2011). Between 1990 and 2010 Port Elizabeth records also a notable increase in the net growth of hotels with a near doubling of the city’s hotel stock. This expansion in hotel establishment numbers accompanied the city’s consolidation as a mainly domestic leisure destination (Heath, 2004). By contrast, a much slower pace of hotel growth is apparent in Durban. Historically, Durban was South Africa’s premier traditional domestic leisure tourism destination. The city experienced, however, a major shift in its tourism market during the 1990s because of a relative decline in its popularity for the predominantly white middle class clientele. As a consequence, Maharaj et al. (2006) and Preston-Whyte and Scott (2007) point out that Durban faced the challenge of re-inventing itself as an urban tourism destination. The modest performance of Johannesburg is accounted for both by the city’s later arrival as an urban tourism destination as well as by the considerable closure of an existing stock of hotels from the apartheid era that were little more than thinly veiled liquor outlets rather than providers of tourism accommodation.
Table 6.3: Components of Change in Hotel Stock 1990-2010: Four Cities

<table>
<thead>
<tr>
<th>Location</th>
<th>1990 No Hotels</th>
<th>2010 No. Hotels</th>
<th>Births</th>
<th>Deaths</th>
<th>Stayers</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cape Town</td>
<td>66</td>
<td>184</td>
<td>161</td>
<td>43</td>
<td>23</td>
<td>+118</td>
</tr>
<tr>
<td>Durban</td>
<td>47</td>
<td>56</td>
<td>34</td>
<td>25</td>
<td>22</td>
<td>+9</td>
</tr>
<tr>
<td>Port Elizabeth</td>
<td>13</td>
<td>24</td>
<td>20</td>
<td>9</td>
<td>4</td>
<td>+11</td>
</tr>
<tr>
<td>Johannesburg</td>
<td>107</td>
<td>137</td>
<td>112</td>
<td>82</td>
<td>25</td>
<td>+30</td>
</tr>
</tbody>
</table>

Source: Author’s data base

Re-examining the data earlier presented in Chapter 4 concerning the components of change in the hotel stock of these four cities yields further insight into the differential trajectories of change. Table 6.3 emphasizes that the two cities which experienced the most radical restructuring of their hotel sectors are Cape Town and Johannesburg. It reveals the extensive turnover of hotel properties which occurred in both Cape Town and Johannesburg. Of the total existing stock of 1990 establishments nearly two-thirds of Cape Town hotels and 77 percent of Johannesburg hotels ceased to exist by 2010. Of Cape Town’s total of 184 establishments in 2010 87.5 percent represent new hotel developments built since 1990. Similar trends are evident in Johannesburg where 82 percent of the city’s hotel stock in 2010 was constructed after 1990. These results underscore a major restructuring of the hotel property stock in these two leading South African urban tourism destinations during the 20 year study period. In addition, they underline the value of undertaking the components of change analysis in disclosing the drivers of change in these four cities.
6.2.2 Change by Size of Hotel

The changing size structure of hotels in the four cities can be undertaken at a more fine-grained analysis than the macro-view of sizes of hotels as presented in Chapter Four. For the four cities the structure of the hotel economy is analysed here in terms of seven different size categories of hotels and the average size of hotels in each of the four cities.

Table 6.4: Average Size of Hotel Establishment, by Numbers of Rooms 1990 and 2010: Four Cities

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>2010</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cape Town</td>
<td>66</td>
<td>73</td>
<td>+7</td>
</tr>
<tr>
<td>Durban</td>
<td>95</td>
<td>116</td>
<td>+21</td>
</tr>
<tr>
<td>Port Elizabeth</td>
<td>61</td>
<td>87</td>
<td>+26</td>
</tr>
<tr>
<td>Johannesburg</td>
<td>85</td>
<td>101</td>
<td>+16</td>
</tr>
</tbody>
</table>

Source: Author’s data base

Table 6.4 shows the results for determining the average size of hotel establishment in the four cities in 1990 and 2010. A number of points can be observed. First, is that across all the four cities an increase in the average size of hotel is in evidence. The smallest size increment occurs in Cape Town which is a reflection of the growth in the city of a number of different niche forms of hotel which were discussed in Chapter Five. The strong national concentration of boutique hotels and all suite hotels in Cape Town is undoubtedly an influential factor in the trend of only a small increase in average hotel size. The largest increases in average size of hotel establishment are recorded in Port Elizabeth and Durban which can be accounted for by the nature of the
tourism economies in these two cities both of which contain a strong element of mass, mainly domestic, sea, sun and sand tourism. The Johannesburg size change is more complex to interpret given, as noted earlier, the major churning of hotel stock in the city during the study period and the disappearance of a large share of lower standard accommodation.

Table 6.5: Numbers of Hotels by Size Class as Determined by Rooms: Four Cities

<table>
<thead>
<tr>
<th>Size</th>
<th>1-10</th>
<th>11-20</th>
<th>21-50</th>
<th>51-100</th>
<th>101-250</th>
<th>251-500</th>
<th>&gt;500</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cape Town</td>
<td>7</td>
<td>42</td>
<td>14</td>
<td>33</td>
<td>19</td>
<td>32</td>
<td>11</td>
</tr>
<tr>
<td>Durban</td>
<td>9</td>
<td>4</td>
<td>8</td>
<td>7</td>
<td>11</td>
<td>11</td>
<td>5</td>
</tr>
<tr>
<td>Port Elizabeth</td>
<td>0</td>
<td>3</td>
<td>3</td>
<td>4</td>
<td>2</td>
<td>3</td>
<td>11</td>
</tr>
<tr>
<td>Johannesburg</td>
<td>11</td>
<td>8</td>
<td>23</td>
<td>18</td>
<td>28</td>
<td>26</td>
<td>17</td>
</tr>
</tbody>
</table>

Source: Author’s data base

Table 6.5 provides the profile of hotel accommodation in the four cities as differentiated by size of establishment. Certain differences are observed between the three coastal cities in respect of the size distribution of their hotel stock. In the case of Cape Town in 1990 the hotel stock was dominated by hotels with 50 rooms or smaller which represented 61 percent of the city’s hotel establishments. By 2010 there is a much wider spread of available hotel accommodation in the city in terms of different sizes of hotels. Of note also in Cape Town is the net growth of small hotel establishments in the size classes of 1-10 and 11-20 rooms, a phenomenon which is attributable to the advance of market segmentation in the hotel sector (Chapter Five). In Durban the city’s hotel accommodation was dominated in 1990 by its group of large hotels (more than
250 rooms) which represented 58 percent of the city’s stock of hotel accommodation; by 2010 this had declined to only 36 percent of the city’s hotel rooms. During the study period the largest expansion in the three coastal cities is recorded in the group of hotels offering between 101-250 rooms; these grow from a 21 percent share of these cities’ hotel rooms in 1990 to 41 percent by 2010. Arguably, the healthy growth of hotels in Port Elizabeth during the period 1990-2010 has been led by establishments in the size range of 51-100 rooms; whereas in 1990 this size class of hotel contained only 25 percent of the city’s stock of hotel rooms, by 2010 this had risen to 43 percent of the total.

An examination of size distribution of hotels in these four urban tourism destinations of South Africa shows once again the distinctiveness of Johannesburg. It is observed that in contrast to Cape Town there is a major hollowing out of hotels in Johannesburg in the size classes of 1-10 rooms, 11-20 rooms and 21-50 rooms. Growth is in evidence in the Johannesburg stock in the three size classes of 51-100, 101-250 and 251-500 room hotel establishments. These represent size ranges for hotels offering accommodation to both domestic business travelers as well as international leisure and business visitors to the city. Finally, of note in the case of Johannesburg is the closure or downsizing of previous iconic large hotels with over 500 rooms which were located in the inner-city.

6.2.3 Change by Quality of Hotel Stock

One factor which has impacted upon the changing size structure of hotels in the four cities is that of the shifts in the quality of hotel accommodation stock. The shifting mix of hotels of different standards is analyzed in this sub-section. This is undertaken by examining the numbers of hotels by star grading, numbers of rooms of different star grading quality, and net change in numbers of hotels by star grading for the four cities of Cape Town, Durban, Port Elizabeth and Johannesburg.
Table 6.6: Number of Hotels by Star Grading 1990-2010: Four Cities

<table>
<thead>
<tr>
<th>Star Grading</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cape Town</td>
<td>7</td>
<td>56</td>
<td>14</td>
<td>89</td>
<td>14</td>
</tr>
<tr>
<td>Durban</td>
<td>3</td>
<td>7</td>
<td>3</td>
<td>18</td>
<td>10</td>
</tr>
<tr>
<td>Port Elizabeth</td>
<td>0</td>
<td>4</td>
<td>1</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>Johannesburg</td>
<td>5</td>
<td>24</td>
<td>4</td>
<td>39</td>
<td>16</td>
</tr>
</tbody>
</table>

**Note:** In 1990 Johannesburg has one hotel awaiting grading and in 2010 Johannesburg has four hotels awaiting grading.

Source: Author’s data base
Figure 6.1: Distribution of Hotel Stock by Star Grading: Four Cities

Note: Scale differences for the four cities

Source: Author’s data base
Table 6.7: Number of Rooms by Star Grading 1990-2010: Four Cities

<table>
<thead>
<tr>
<th>Star Grading</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cape Town</td>
<td>719</td>
<td>3624</td>
<td>925</td>
<td>6152</td>
<td>1030</td>
</tr>
<tr>
<td>Durban</td>
<td>690</td>
<td>559</td>
<td>386</td>
<td>2121</td>
<td>1892</td>
</tr>
<tr>
<td>Port Elizabeth</td>
<td>0</td>
<td>281</td>
<td>208</td>
<td>421</td>
<td>173</td>
</tr>
<tr>
<td>Johannesburg</td>
<td>1916</td>
<td>2871</td>
<td>846</td>
<td>4223</td>
<td>2259</td>
</tr>
</tbody>
</table>

Note: In 1990 Johannesburg has one hotel awaiting grading and in 2010 Johannesburg has four hotels awaiting grading.

Source: Author’s data base
Figure 6.2: Net Change in Hotel Stock by Star Grading: Four Cities

Note: Scale differences for the four cities

Source: Author’s data base
The findings from analyzing the hotel stock of the four cities in 1990 and 2010 are summarized in Tables 6.6 and 6.7 and Figures 6.1, 6.2 and 6.3. Table 6.6 and Figure 6.1 show the results and
profile of the hotel stock for the four cities as differentiated by star grade of accommodation. Table 6.7 unpacks the data for the four cities in respect of the distribution of rooms of different quality standards. Figure 6.2 illustrates the net change in hotel numbers by star quality of accommodation for each of the four cities. Figure 6.3 shows the net change in hotel rooms for each of the four cities as differentiated by the different star ratings.

What is evident in all four cities is that there has been an upward shift in the quality of hotel stock with a much higher proportion of hotels graded as 3-5 star accommodation as opposed to the lower 1-2 star stock of hotels. For example, in Cape Town there is a dramatic growth in the group of up-market 4-5 star graded hotels from a total of 21 establishments in 1990 to 145 establishments by 2010. The upgrading of the hotel stock in Cape Town is further shown by the finding that in 1990 the largest number of hotel rooms in the city were in the group of 3 star hotels (1030 rooms); by 2010 this had changed to the largest number of available hotel rooms being in the category of 4 star accommodation (6152 rooms). As demonstrated in the analysis of market segmentation (Chapter Five), one expanding niche segment during the period 1990-2010 has been that of boutique hotels which contributed to the expansion of 4-5 star accommodation in Cape Town. In Durban a parallel upgrading of hotel stock is apparent with the greatest expansion taking place in the tier of 3-4 star accommodation. As indexed by numbers of available rooms, in both 1990 and 2010 the largest share of hotel accommodation in Durban was provided in the segment of 3 star accommodation; in 1990 Durban had a total of 1892 3 star rooms whereas in 2010 the number was 3117 in total. In Port Elizabeth considerable upgrading of hotel stock is again recorded; in 1990 the city had only 4 hotels within the 3-5 star grading; by 2010 19 hotels in the city were positioned in the category of 3-5 star accommodation. Alongside the trend towards a growth in 3-5 star graded hotels in all the coastal cities, Table 6.6 and Figure 6.1 demonstrate the net decline in the stock of 1-2 star graded hotels. This decline in the category of one and two star accommodation was observed as national trend in Chapter Four. In the case of Johannesburg the upgrading in the city’s stock of hotels by 2010 is a result of both new constructions of 3-5 star hotel properties and importantly of the diminution of one and two star hotel establishments.
Figures 6.2 and 6.3 graphically portray the shifting mix of the different grades of hotel accommodation in the four cities. The data on net change by star group in each city, both in terms of hotel numbers and numbers of rooms, reinforces the trends discussed towards upgrading of quality standards of hotel accommodation across these four South African urban tourism destinations.

As a final observation, it should be reflected that the increased production of hotels for tourism development in South Africa, in particular post-2000 in the major centres such as Cape Town and Johannesburg, resulted in a major over-supply of certain forms of hotel accommodation in these two cities (Ferreira, 2011a). This issue is particularly pertinent in Cape Town and Johannesburg where the fragile state of the hotel sector in these cities was exposed in 2010. This followed the massive extension of hotel stock through new constructions triggered by an investment wave linked to the FIFA 2010 World Cup. With the lack of any integrated data base on the hotel sector in South Africa false impressions were created and disseminated during the mid-2000s about the lack of quality accommodation in the country to meet the demands of the projected number of international tourists for this major sporting spectacle. As a consequence of the global financial crisis coupled with negative media representations of South Africa, actual numbers of international arrivals for the World Cup was considerably below what industry analysts had forecasted (Ferreira, 2011a; Hammett, 2011). Among several consequences has been the liquidation and closure of several hotels, the conversion of other hotel properties to residential apartments or office space, and widespread existence of depressed returns in certain segments of the Johannesburg and Cape Town hotel markets. This situation of over-supply serves to underline the importance for developing improved geographic data on the hotel industry on the one hand and using such improved data for assisting investigations for local strategies for what Solnet et al. (2010) call ‘hotel turnaround’ on the other.
6.3 INTRA-URBAN SPATIAL CHANGE IN THE HOTEL SECTOR: FOUR CITIES

The discussion on intra-urban spatial change in the hotel sectors of Cape Town, Durban, Port Elizabeth and Johannesburg is presented in two sub-sections of material. The first sub-section reviews the location patterns and changes during the period 1990 to 2010 for each of the four cities at the suburban level. The second sub-section further differentiates the spatial analysis by looking at the patterns of different hotel graded accommodation within each city at a suburban level.

6.3.1 Location Patterns of Hotels

The changing spatial patterns of hotel accommodation are examined here separately for each city in order to identify local trends in relation to wider processes of urban restructuring. Initially the three coastal cities will be examined and followed by South Africa’s major city, Johannesburg.
Figure 6.4: The Spatial Distribution of Hotels in Cape Town 1990

Source: Author’s data base
Figure 6.5: The Spatial Distribution of Hotels in Cape Town 2010

Source: Author’s data base
Figures 6.4 and 6.5 show the location patterns of hotels in the Cape Town metropolitan area in 1990 and 2010. It is evident that hotel accommodation in Cape Town is clustered in particular parts of the city. In 1990 the largest clusters of hotels are recorded in the CBD and the proximate coastal area of Sea Point. The rapid growth of new hotels in the city between 1990 and 2010 is mainly concentrated in and around the CBD, Foreshore and the Victoria and Alfred Waterfront, and the adjacent coastal areas, notably Sea Point, Green Point and Bantry Bay. By 2010 distinct clusters of hotels can be observed away from this inner core of Cape Town in the upmarket southern suburbs of the city, at Claremont and Constantia, as well as coastal areas of Bloubergstrand, Hout Bay, Simon’s Town and Fish Hoek. On the edge of the Cape Town metropolitan area other clusters can be found at the decentralized nodes around Milnerton, Bellville and Somerset West.

What is most striking about the location of hotels in the Cape Town metropolitan area in 1990 and 2010 is the continued dominance and strengthening of the inner city core and adjacent coastal suburbs. This pattern of hotel location can be accounted for by initiatives launched by the city council in partnership with the private sector to renew and upgrade the inner city economy. The priorities of the Cape Town Partnership were those of “economic growth and job creation, building strong trading communities, delivering equitable and effective services and fostering a creative city” (Pirie, 2007b: 128). As part of wider initiatives to physically upgrade Cape Town’s inner core, since 2000 there has been the transformation of derelict buildings, deserted historic squares, period office blocks, and disused working spaces into a myriad of different types of apartment buildings, hotels, hostels, restaurants, clubs, bars and cafes. This infrastructural upgrading served to transform the inner city from merely a place of work to a 24 hour city to live, work and play (Pirie, 2007b). Coupled with the re-emergence of the inner city as a desirable place to work, live and visit has been the growth and continued success of the adjacent V & A Waterfront, the most popular tourist attraction in South Africa, which was transformed “from port to playground” (Ferreira and Visser, 2007: 227). This successful landmark development served to physically link the waterfront with the inner city, resulting in positive spillovers for new commercial developments in these and surrounding areas.
Another important basis for continued growth of hotels in the inner core of Cape Town relates to business tourism as opposed to leisure tourism. In 2003 the Cape Town International Convention Centre opened within the inner city. In addition, conference facilities available at other hotels in the city core as well as the waterfront confirmed the inner core as a major business tourism hub as well as leisure tourism hub. The decentralized clusters of hotels in the Cape Town metropolitan areas are commercial and retail nodes (Bellville, Milnerton [Century City], Claremont) or at what Ashworth and Tunbridge (1990) would describe as ‘nice’ locations; examples would include Constantia, Hout Bay and Simon’s Town.
Figure 6.6: The Spatial Distribution of Hotels in Port Elizabeth 1990

Source: Author’s data base
Figure 6.7: The Spatial Distribution of Hotels in Port Elizabeth 2010

Source: Author’s data base
Analysis of the geography of hotels in Port Elizabeth provides a contrast to the Cape Town experience for the period 1990-2010. It is shown on Figures 6.6 and 6.7 that in 1990 the city’s small existing base of hotels was focused mainly in the CBD cluster and at Humewood proximate to the coastal strip. By 2010 the relative importance of the CBD of Port Elizabeth for hotel development had diminished markedly. The new geography of hotels in the city is dominated by the cluster of new hotel developments that had taken root at Summerstrand and the further consolidation of the Humewood area. Between 1990 and 2010 therefore the geographical distribution of city hotels shifted away from the inner city and CBD in particular to the outer suburbs and more especially to the Port Elizabeth beachfront. The demise of the 1990 cluster of CBD hotels is part of the broader decline of the inner cities of many large South African metropolitan areas. Although initiatives are ongoing to renew the inner core of Port Elizabeth, these initiatives have not retained the hotels in the CBD. By 2010 for both Port Elizabeth’s leisure and business tourists, the major location for hotel development is the beachfront and close environs.
Figure 6.8: The Spatial Distribution of Hotels in Durban 1990

Source: Author’s data base
Figure 6.9: The Spatial Distribution of Hotels in Durban 2010

Source: Author’s data base
Examination of the geography of hotels in Durban shows a combination of the spatial trends that were discernable in Cape Town and Port Elizabeth. Figure 6.8 reveals that in 1990 Durban hotel accommodation was concentrated in three major clusters at the beachfront, the CBD and the northern coastal node of Umhlanga. Outside of these three areas minor hotel clusters are evidenced at the two decentralized suburban nodes of Berea and Morningside and along the arterial roads to the north, south and west of Durban. By 2010 the cluster of hotels at the CBD has strengthened, the beachfront largely has retained its hotel stock, albeit with little additional growth, and the Umhlanga node greatly expanded (Figure 6.9). Limited hotel development has taken place also at the two decentralized suburban nodes. In common with hotel development patterns in Cape Town, the Durban experience is of the continued importance of the CBD area, which adjoins the beachfront. In contrast to Cape Town, however, other hotel clusters are more significant than the CBD, a result which reflects some physical decline in the inner core of Durban which spills over to the deterioration of the beachfront during the 1990s (Preston-Whyte and Scott 2007). Although partnership initiatives have taken place to reinvigorate Durban’s inner city and beachfront, including a casino development, upgrading of the city waterfront, and establishment of a new entertainment and aquarium complex, these have not achieved the degree of success of central Cape Town in attracting major hotel clusters. One common experience between the two cities is the establishment in 1997 of an international conference centre in Durban, a natural focus for business tourism which was allied to area infrastructural upgrading and the development of additional tourism facilities. The Durban case also has a parallel with Port Elizabeth in the strengthening of newer clusters of beachfront hotels at Umhlanga, which is now a substantial decentralized retail and commercial hub. In respect of all three coastal centres it is observed that both in 1990 and 2010 the airports of these cities have not emerged as a focal point for any significant concentration of hotel developments.
Figure 6.10: The Spatial Distribution of Hotels in Johannesburg 1990

Source: Author’s data base
Figure 6.11: The Spatial Distribution of Hotels in Johannesburg 2010

Source: Author’s data base
The changing location pattern of hotels in Johannesburg is mapped out on Figure 6.10 and Figure 6.11. The geographical distribution of hotels has been refashioned in the two decades of 1990 to 2010. In 1990 the hotel geography of Johannesburg exhibits a strong cluster in and around the CBD and its immediate environs. As observed by Rogerson and Kaplan (2007: 274) “until the early-1990s Johannesburg inner city was one of the major focal points for tourism enterprises” and “the inner city developed as a cluster for business tourism”. The most notable focal point for hotel development was in and around the CBD, with the city’s Carlton Hotel at its heart, and the adjacent suburbs of Berea, Hillbrow and Braamfontein as important zones also for hotel developments. From the mid-1990s the inner-city economy of Johannesburg experienced decline and a similar pattern of decline impacted upon the tourism economy. The first serious signals for the declining inner-city hotel economy appeared in 1993 with the downgrading of the five star Johannesburg Sun International, built only in 1986, to a three star Holiday Inn Garden Court. The significance of the downgrade of the Johannesburg Sun International can be appreciated by the fact that at the time of its construction it was the most expensive hotel development in South Africa costing an estimated R1 billion. The rapid deterioration of the hotel sector in the inner city was further confirmed in 1998 with the closure of the Carlton Hotel, an iconic part of the Johannesburg cityscape, formerly a five star luxury hotel.

The newer growth nodes for tourism and hotel development in Johannesburg shifted northwards away from the inner city to suburbs such as Rosebank and the emerging new CBD of Sandton. The suburbs of Rosebank, Sandton as well as Melrose, Randburg and Morningside emerged as the new growing spaces for hotel development in Johannesburg in a parallel with geographical shifts taking place in the patterns of commercial and retail developments in the city (Rogerson and Kaplan, 2007: 275). The critical segment of business tourism accelerated in its shift in focus towards the strengthening business hubs of Rosebank and Sandton (Beavon, 2004). Indeed, these areas became critical axes of what Crankshaw (2008: 1692) styles as the “post-Fordist spatial order of Johannesburg”. By the early 2000s Rosebank and Sandton could no longer simply be described as ‘suburbs’ rather they were “totalized suburbs” which comprise large clusters of offices, shopping malls, and recreation and tourism facilities, including the construction of major
new hotel developments (Crankshaw, 2008). The northward shift in the geography of hotel developments in Johannesburg was given further impetus by the relocation of the Johannesburg Stock Exchange to Sandton. This relocation further consolidated the attractiveness of Sandton for the local and international headquarter offices of banking and financial services, legal, and accounting enterprises. Construction of the Sandton Convention Centre, which opened in 2002, was a critical step in putting Johannesburg on the national and international competitive map for MICE tourism and again reinforced the attractiveness of the Sandton node for tourism (Rogerson, 2002). The Sandton node thus emerged as the leading business tourism hub as well as new leisure/retail capital for the metropolitan Johannesburg area. With the announcement that Johannesburg would be the major location for the 2010 FIFA World Cup from 2006 a wave of new hotel developments and refurbishments commenced in the Sandton area and the surrounding suburbs of Sandown, Morningside and Fourways. In addition, the Rosebank area was a further consolidated as an important hotel node in the city, both for business and leisure tourists.

From 2008 there emerged a trend within Johannesburg for the emergence of what might be described as ‘new hotel spaces’ in the city. Among these new hotel spaces the most significant is that of a re-emergence of hotel developments in the inner-city. The re-emergence of the inner city as tourism zone for Johannesburg is linked to wider initiatives which have been ongoing since the late 1990s to physically regenerate and economically revive the inner city economy. One recent initiative which is linked to a boutique hotel development is the establishment in City and Suburban (the eastern edge of the CBD) of the Maboneng (Arts on Main) Precinct as a focal point for arts and creative industries which is re-using former light industrial buildings. The use and upgrading of the Ellis Park area for hosting major national and international rugby games as well as a venue for FIFA World Cup also has been a further stimulus to revival of the inner city as a tourism zone. Other nodes of rediscovery in the inner city for hotel investments have been around the headquarter offices of major mining houses and banks as well as close to the Newtown cultural district. Finally, in respect of new hotel spaces, one must note the establishment in 2008 by the London based InterContinental Hotels Group of a 48 room four star hotel which is situated in the Kliptown area of Soweto, which has been the focus of heritage
tourism initiatives. This hotel is especially noteworthy for the fact that it is the first major hotel investment since 1994 in a formerly black township.

In terms of the geography of hotel developments in South Africa’s major city it should be noted that the city’s international airport, O R. Tambo, is a vibrant hub or cluster for hotel developments. Nevertheless, in the geography of metropolitan Johannesburg, the hotel cluster falls outside the boundaries of the city and is actually located in the neighbouring metropolitan area of Ekurhuleni.

6.3.2 Changing Spatial Patterns of Hotels by Quality

The final issue under review concerning the intra-urban geography of hotel development in South Africa relates to differentiation of hotels by quality of accommodation. This discussion analyses the four cities once again with initial focus on the three coastal cities and then followed by the Johannesburg case study.
Figure 6.12: Spatial Patterns of Hotels in Cape Town 1990 by Star Grading

Source: Author’s data base
Figure 6.13: Spatial Patterns of Hotels in Cape Town 2010 by Star Grading

Source: Author’s data base
Figure 6.14: Spatial Patterns of Hotels in Durban 1990 by Star Grading.

Source: Author’s data base
Figure 6.15: Spatial Patterns of Hotels in Durban 2010 by Star Grading

Source: Author’s data base
Figure 6.16: Spatial Patterns of Hotels in Port Elizabeth 1990 by Star Grading

Source: Author’s data base
Figure 6.17: Spatial Patterns of Hotels in Port Elizabeth 2010 by Star Grading

Source: Author’s data base
In respect of the spatial patterns of different quality standards of hotels in the three coastal cities, Figures 6.12 - 6.17 show the geographical distribution of hotels of different star grading for 1990 and 2010 respectively for Cape Town (Figures 6.12 and 6.13), Durban (Figures 6.14 and 6.15) and Port Elizabeth (Figures 6.16 and 6.17). Across all three cities one common observed trend is for differences to exist in the distributions of different quality standards of hotel accommodation as indexed by star grading. For example, for 1990 in Cape Town the geography of one star accommodation exhibits a dispersed pattern with such accommodation spread through the inner city, some coastal locations as well in parts of the city’s industrial areas. Two star accommodation geared to budget leisure travelers is concentrated mainly in the Sea Point and CBD clusters. Three star accommodation targeted at business as well as mid-range leisure travelers is again mainly focused in the CBD, Sea Point as well as at Bellville and at the False Bay coastal strip. The upmarket 4 and 5 star accommodation in Cape Town is spread largely through what in international research by Ashworth and Tunbridge (1990) would be termed as ‘nice’ suburban areas as well as in the CBD and proximate coastal areas (Fig 6.12). Likewise, the spatial differentiation of hotels of different quality standards is evident from an examination of hotel patterns in Durban in 1990 (Figure 6.14). Once again, the pattern of one star accommodation is more spatially dispersed than for any other quality level of hotel accommodation. The cheaper 2 star grade accommodation highlights the importance of beachfront locations both close to the CBD and at Umhlanga. The beachfront close to the CBD is the geographical axis for both 3 and 4 star hotel accommodation which is targeted at business travellers and mid-upper range leisure travelers. By contrast, the luxury five star accommodation is limited and occurs at the CBD, the beachfront and Umhlanga (Figure 6.14).

Over the period 1990-2010 there is evidence of both the continued spatial differentiation of hotels of varying quality standards and of certain changes in the geographical distribution of hotels of particular standards. In the case of Port Elizabeth for both 1990 and 2010 different spatial trends can be observed across hotels of different quality (Figures 6.16 and 6.17). The Durban example discloses different geographies that emerge for those hotels of lower standards (1-2 star) which are declining in numbers as opposed to hotels in the mid- to luxury quality range.
(3-5 star) which have been expanding in numbers (Figure 6.15). Between 1990 and 2010 the declining group of lower standard hotels shifts from a dispersed distribution to a concentration in the CBD and adjacent beachfront. It is shown that the two star cluster existing at Umhlanga in 1990 has disappeared by 2010 as a result of upgrading of the hotel stock in this area to mid-range and higher accommodation standards. By 2010 the geographical axis of the growing group of mid-range (3 star) to luxury accommodation has moved both northwards along the coast and away from the CBD and inland to ‘nice’ locations such as Berea, Morningside, Westville and Kloof (Figure 6.15).

The Cape Town example in 2010 confirms again the tendency for continued differences in the location patterns of hotels of varying quality standards in this city (Figure 6.13). Once again, the lower quality levels of accommodation exhibit distributions which are clearly different to the city’s luxury end accommodation. Whereas the surge of new hotel developments which occurred in Cape Town (in particular post-2000) cluster in and around the city’s CBD, the waterfront and coastal suburbs such as Sea Point, Green Point and Bantry Bay, the declining rump of one and two star hotel accommodation is to be found only in cheaper properties in the CBD, industrial areas and the decentralized commercial node of Bellville. The most distinctive feature of the Cape Town maps of hotels of different standards is of the role of the CBD as premier location for hotels of all quality standards. This phenomenon is as a consequence, as noted earlier, of the highly successful inner city revitalization initiatives coupled with the natural beauty of the historic inner core, seafront and the iconic views of Table Mountain. Another strong feature of the Cape Town hotel geography is that of the strengthening of upmarket hotel clusters at ‘nice’ locations scattered through the metropolitan area, with good examples being those at Bloubergstrand, Claremont, Constantia, Simon’s Town and Somerset West (Figure 6.13).
Figure 6.18: Spatial Patterns of Hotels in Johannesburg 1990 by Star Grading

Source: Author’s data base
Figure 6.19: Spatial Patterns of Hotels in Johannesburg 2010 by Star Grading

Source: Author’s data base

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Finally, the Johannesburg case once more demonstrates the existence of the spatial differentiation of hotels of varying quality standards. The geography of hotels in this city, however, departs from that observed in the three coastal cities. In 1990 (Figure 6.18) it is striking that the Johannesburg CBD is the focal point for hotels of all grades of accommodation. The location of one star accommodation shows a spread of these hotels into the adjacent suburbs of Hillbrow, Braamfontein and Berea and also significantly an extension of one star hotels into the mainly industrial suburbs to south and west of the CBD. Examples would be Ophirton, Turffontein, Malassburg and Newlands. Many of the one star hotels in these suburbs represent examples of mainly liquor dominated hotels with limited poor standard accommodation. In the grade of two star accommodation as well as the dominance of the CBD of note is the cluster in Berea and a scatter of developments in the northern suburbs, in particular around Bryanston. In the middle to up-market range of hotel accommodation the location of three star accommodation, outside of the CBD, the most notable clusters are in Berea and at Sandton. For four and five star hotel facilities, the sparseness of these types of accommodation is observed with the only luxury hotels outside of the CBD to be found at Sandton and Rosebank.

By 2010 (Figure 6.19) the location of hotels of different quality standards in Johannesburg has been radically restructured. The CBD hosts the largest number of the rump of one star accommodation; of note, however, is that the newer branded limited service one star developments (such as Formula One and Road Lodges) situated in the northern suburbs including Randburg and the new office/light industrial node of Midrand. The hollowing of the category of two star accommodation in Johannesburg by 2010 is a striking phenomenon with the few hotels of this standard located at Sandton, Norwood and Bruma. A radical change is observed between 1990 and 2010 in the patterns of three to five star graded accommodation in Johannesburg. The key change is the demise of the former dominant CBD clusters and the corresponding rise of groups of three to five star accommodation in the emerging new leisure tourism and especially business tourism hubs in the city. Of special significance is the rise of Sandton as the axis for both the categories of medium range three star accommodation and luxury four to five star accommodation in the city. Other important nodes for three star
accommodation are observed as Rosebank, Morningside, Fourways and Midrand, areas which have enjoyed growth of business tourism because of the decentralization of office and commercial businesses to the environs of these suburbs. Beyond the Sandton cluster, other suburbs which have notable developments of four and five star accommodation include Rosebank, Rivonia, Hyde Park and Illovo, suburban areas that might be called ‘nice’ using the categorization of Ashworth and Tunbridge (1990) as well as significant retail and office nodes in the city. Finally, in the category of luxury four and five standard accommodation in Johannesburg one must note the ‘new’ or re-emergent spaces for hotel development such as the inner city, Soweto and Ormonde, close to the Gold Reef City theme park.

6.4 CONCLUSION

The objective of this chapter was to examine hotel development in South Africa at the intra-urban scale of analysis and provide links to the international research as reviewed in Chapter Two. This discussion complements the inter-urban investigation of structural and spatial change that was presented in Chapter Four and draws upon issues of market segmentation which were interrogated in Chapter Five.

The results of this analysis of hotel location patterns in the three coastal cities of Cape Town, Durban and Port Elizabeth, as well as South Africa’s major economic centre of Johannesburg show both certain common trends as well as differences with previous international research. The most obvious commonality relates to the establishment of clusters of hotels in specific parts of these urban tourism destinations. Issues of location accessibility are clearly evident in the South African case as in the international context (see Yang et al., 2012). In common with the observed patterns in both developed and developing world case studies the CBDs of South Africa’s three coastal cities have been an important locational focus for the hotel sector as a whole. In addition, the dominance of the CBD in the hotel sector of Johannesburg was highlighted for 1990. With the changing morphology and restructuring of cities, geographical
change in hotel patterns was recorded, which is a trend that mirrors work by Begin (2000) and Yang et al. (2012).

It can be argued that South Africa’s coastal cities do not evidence a parallel with the ‘new CBD’ locations which were identified in the Oppermann et al. (1996) investigation of Kuala Lumpur. There is strong evidence, however, of what Ashworth and Tunbridge (1990) style as ‘nice’ locations in suburban areas and which in all three coastal cities would extend to include certain beachfront locales. The most distinctive South African coastal city is Cape Town, an iconic international tourism destination in which the CBD and its surrounds have strengthened as a locus for the hotel sector because of the waterfront re-developments and successful partnership initiatives undertaken for the physical revitalization of the city’s downtown core (Pirie 2007a, 2007b; Ferreira and Visser, 2007). A further trend in South African coastal cities confirming the international experience is of the existence of a marked spatial differentiation and a hierarchy of locations for hotels of different quality standards.

The Johannesburg example is perhaps the most distinctive of the four cities under investigation concerning intra-urban patterns of hotel location. The Johannesburg case does provide empirical evidence for both the emergence of hotel clusters in a new CBD location, namely Sandton, as well as the establishment of new hotels in the upmarket northern suburbs, which might be characterized as ‘nice’ locales. In common with what Bégin (2000) observed for Chinese cities, there has been a gravitational shift in the axis of the urban hotel economy. In Johannesburg, however, the core drivers of change are linked to the physical and economic decline of parts of the inner city and the emergence of a post-Fordist spatial order as described by Crankshaw (2008) rather than issues of congestion in an historic old core or of restrictions on building size and accessibility. Overall, the geography of hotel development in Johannesburg reveals a complex pattern of disinvestment in certain city spaces and subsequent reinvestment and re-vitalization of those spaces as well the changing patterns of hotel investment towards the new successful nodes of business and leisure tourism in the city. A further comment on the Johannesburg experience is that unlike the coastal nodes the city’s international airport (albeit
located outside its municipal boundary demarcation) has attracted a critical cluster of ‘airport hotels’ in the manner of the distinct market segment as observed by McNeill (2009).

In final analysis, this chapter demonstrates that an understanding of hotel change in urban South Africa is inseparable from broader processes of local economic restructuring and the growth of service-oriented cities which are driving changes in the spatial patterns of the country’s urban centres as a whole. Distinct and changing geographies of hotels are recognized in the South African context; these reveal both commonalities and differences with the international experience of hotel location.

This chapter represents the close of the empirical analysis of hotel change in South Africa between 1990 and 2010. In Chapter Three the key drivers of hotel development and investment associated with the growth of the South African tourism industry between 1990 and 2010 were investigated. An understanding of the structural and spatial change of the South African hotel industry over this period has been undertaken variously at the national or inter-urban scale (Chapter Four), through the lens of analyzing questions of market segmentation (Chapter Five) and by a four city investigation of structural developments and spatial change in the case studies of Cape Town, Durban, Port Elizabeth and Johannesburg. The concluding chapter of this thesis provides a summary of key findings and of possible future research frontiers concerning the hotel industry in South Africa.
CHAPTER SEVEN

CONCLUSION

7.1 HOTELS AND NEW SOUTH AFRICAN GEOGRAPHIES

During the twenty year period spanned by this investigation, a series of radical changes have occurred in the economy, society and politics of South Africa. These changes have resulted in the emergence of new geographies of change particularly in the post-apartheid period. South African geographers have responded by analyzing and mapping out these new geographies of change with respect to many issues, such as; agriculture, cities, employment, housing, migrancy, planning, and small business development among others. This thesis has focused on one dimension of change in South Africa, namely shifts in the accommodation or lodging sector. It was argued that although some work by geographers has been undertaken on small scale forms of accommodation most importantly backpacker hostels, bed and breakfast accommodation and guest houses a striking gap exists in respect of the hotel industry which is central to the country’s tourism economy. This thesis has attempted to address this gap in knowledge by analyzing the structural changes in the hotel industry and the accompanying transformation that has occurred in the geography of the hotel sector.

The purpose of Chapter Seven is to provide an understanding of the original contribution to geographical research which has been made in this investigation. Two uneven sets of material are discussed. First, is to provide a summary of the key arguments, findings and contributions which have been made by this study. The major empirical chapters already have provided an overview of the central findings relating to inter alia, the key drivers for hotel development in
terms of demand and supply side considerations (Chapter Three), the national analysis of structural and spatial restructuring of the hotel sector (Chapter Four), the advancement of segmentation and its importance in the hotel industry (Chapter Five) and, the intra-urban geographies of change using the four examples of Cape Town, Durban, Johannesburg and Port Elizabeth (Chapter Six). This discussion here will not repeat these detailed findings but instead locate them within broader scholarship on hotels in general and the economic geography of hotels in particular. The second part of this conclusion identifies a number of potential areas for further investigation which flow out from the research findings which have been emerged from this dissertation.

7.2 KEY FINDINGS, ARGUMENTS AND CONTRIBUTIONS

This research study was focused on understanding structural changes and the reconfiguring of the spatial landscape of the hotel industry in a growing tourism destination of the global South. Its contribution must be viewed, as argued in Chapters One and Two, in relation to the relatively limited body of existing writings in tourism geography about the accommodation sector more broadly and the hotel sector in particular. In Chapter Two it was acknowledged that there is a large volume of academic writing on hotels which has been contributed to from what is termed the hospitality management perspective. This hospitality management literature largely has focused on the internal workings and management of hotels and reflects the strong connection of hospitality studies traditionally to issues of vocational education and training. It was argued, following Timothy and Teye (2009) that a striking omission within scholarly writings about hotels has been to examine their role(s) as part of local, national and international tourism economies. A small number of economic geographers, most notably Ioannides (2006), Niewiadomski (2009, 2012) have recognized this gap and issued a call for the growth of economic geography contributions on hotels.
Notwithstanding the fact that Pearce (1979) acknowledged the spatial patterns of tourism supply products as one of the six foci for the geography of tourism, thirty years later, as was argued in Chapter Two, only a limited amount of academic investigations examine the development of hotel industries within specific countries and in particular their changing spatial organization. A more promising picture exists on location studies at the city scale of investigation where it was observed in Chapter Two that a stream of studies have been conducted in cities across both developed and developing countries concerning the spatial dimensions of change in the hotel sector. Across the international literature that was reviewed in Chapter Two a consistent theme was that the majority of scholarship relating to hotels concentrated upon North America and Western Europe but with a striking and an enormous recent growth of work on Pacific Asia, most notably China.

As a reflection of tourism scholarship as a whole, it was noted that there was minimal writings and research taking place on hotels in Africa with the small available scholarship coming predominantly from a hospitality management perspective. With Africa’s rise in the global tourism economy there is a clear need to address this lacuna regarding hotel research in the continent. In particular, the challenge is to undertake research beyond the hospitality management perspective and instead to situate the hotel as a central part of shaping competitive tourism economies. The empirical research undertaken in this investigation must be understood as offering one contribution to the several gaps in scholarship which were noted above. More specifically, the contribution of this study must be acknowledged in relation to the limited international literature which locates the hotel as part of the tourism system, the need for economic geographical contributions towards understanding hotels, and the essential gaps in international scholarship around hotel development and change in Africa as a whole (and hotels in South Africa in particular).

This research provided an analysis of the fundamental restructuring which has taken place in the South African hotel industry over the period 1990 to 2010. In Chapter Three the demand side
and supply side issues regarding hotel development were examined. On the demand side the key points emerged regarding the historical changes of the hotel in South Africa from an establishment which was primarily geared to profits from liquor sales to an institution in which the provision of accommodation and services was at the heart of the hotel business. The starting date for this investigation of 1990 marked the end of a long period in which product development in the hotel sector in South Africa was geared almost exclusively to the domestic white tourism market. After 1990 the hotel industry has adjusted necessarily to the new demands of a vibrant growth in international tourism as well as an expansion of domestic tourism including a new black leisure and business tourism market. The close of the study in 2010 was a period in which much new hotel property investment was coming on stream and precipitated by expectations raised by a potential upturn in international tourism arrivals linked to South Africa’s hosting of the 2010 FIFA World Cup.

On the supply side of hotel development in Chapter Three attention was drawn to the significance of the hotel as an investment vehicle and as a form of property. The analysis in Chapter Three revealed there was a growing institutional interest in the hotel as a property asset but, as in the case of many other parts of the world, ownership of hotels was primarily in the hands of individuals. In the South African context the emergence of large corporations involved in hotel development was an outcome of the shift from a hotel industry that was liquor dominated to one that had a focus on accommodation. Nevertheless, in Chapter Three it was made clear that the growth strategies used by the country’s leading hotel chains have taken different paths with some such as Protea Hotels preferring to expand by using the channel of management contracts, whereas others such as City Lodge have chosen to expand by owning and developing their own hotel properties.

The reconfiguring of the structural and spatial dimensions of the South African hotel industry was demonstrated to have a number of critical features (Chapter Four). Although the actual number of hotels changed very little between 1990 and 2010 there was a fundamental change in
the size of hotels, the quality of hotels and the location of hotels. In terms of size the most notable change related to the reduced significance of the small hotel, mainly as a result of the closure of a large mass of low class hotel establishments that were little more than a bar with rooms attached. The major expansion that was observed in Chapter Four between 1990 and 2010 was within the category of medium sized hotels and, to a lesser extent, a growth in the number of large hotels. The changing size structure of the hotel industry was inseparable from the changes which were in evidence in relation to hotel quality. Chapter Four shows clearly that the largest share of new hotel developments in South Africa in the study period was of new hotel properties in the three to five star quality standards. By contrast, there was very limited investment in hotel development in the one and two star accommodation segment.

Using components of change analysis it was shown that hotel properties have experienced a massive turnover and churning during the study period such that the majority of hotels which existed in 1990 were no longer in existence by 2010. Indeed, it revealed that the majority of hotel establishments in 2010 were the consequence of hotel constructions coming out of different waves of property development which concentrated at the three to five star quality category. These structural changes which were taking place in the hotel sector were linked to a radical re-fashioning of the spatial patterns of hotels in South Africa over the study period. The full details of these changes are mapped out in Chapter Four with the key changes being the concentration of new hotel property developments in South Africa’s major cities, the major foci of tourism demand. The city of Cape Town, the major focus for international tourists, was shown as at the apex of the restructuring of the South African hotel industry in the period 1990-2010. The largest share of new luxury hotel property developments in the three to five star quality range were centred in Cape Town and its environs. Other important growth was linked to business tourism developments in Johannesburg and certain other major cities.

Of note in the changing national geography of hotel stock was the decline of hotels across small town South Africa. The exceptions were certain small town localities with strong tourism assets.
In these localities of growth in small town South Africa, new hotel investments took place, often in the form of small high quality hotels. One further critical finding was of the erosion and disappearance of hotels throughout small town South Africa. It should be noted, however, that in certain small towns quality upgrading did take place in the hotel sector and in other small towns the loss of hotels created opportunities for alternative small scale forms of accommodation such as guest houses and bed and breakfast accommodation.

In Chapters Five and Six the analysis moved from the macro-geography of hotels and hotel development at national scale to unpack specific and emerging different geographies. In Chapter Five the critical concept of market segmentation was introduced to explain the differentiated forms of hotel development which have occurred in South Africa, in particular since 1990. Although by 2010 the largest share of hotels in South Africa was in the full service segment, over the twenty year period there has been a considerable growth in other forms of hotel development. Market segmentation in South Africa is reflected in the growth of a host of different forms of hotel which depart from the standard full service concept. In Chapter Five the emergence and different geographies of the boutique hotel, all-suite hotel and limited service hotel were examined. It was argued that the boutique hotel phenomenon is the most distinctive feature of the change in the nature of small hotels in South Africa. These niche establishments have a distinct geography, mainly in the Cape Town environs and Johannesburg, which relates to their target market of international leisure visitors and domestic high end leisure and business travelers. The all-suite hotel phenomenon was interrogated as a second case of market segmentation. Once again a distinctive geography was disclosed; the all-suite hotel case shows the importance of understanding the hotel as a form of property which can be used flexibly as other property types such as apartments or offices. The development of the boutique and all-suite hotels occurred by a range of different owners including recently some large corporate investors. The third case study, of the limited service hotel, constitutes a market segment that was used by one particular corporation as its vehicle for strategic expansion. It was shown that the expansion by City Lodge pioneered the growth of a new market segment in South Africa which had been neglected by the other major hotel chains, most importantly Tsogo Sun (Southern Sun) and
Protea Hotels. The limited service segment was revealed to have a geography that was distinct as it concentrated on the major urban centres because of its target market of mainly business tourists.

Finally, in Chapter Six the micro-geographies of hotel development at the urban scale were explored in the context of four cities. The South African experience was one in which several of the factors identified in other international studies were confirmed. Issues of accessibility and clustering were shown to be factors of considerable importance in explaining the detailed geographies of hotels in the four cities. Of considerable significance, however, particularly in the case of Johannesburg, was that shifts occurred in the spatial organization of hotels in the city in relation to broader changes in urban development as part of the post-Fordist spatial order. The ‘spaces of hospitality’ in Johannesburg shift radically over the twenty year study period away from the inner city and northwards towards the new commercial nodes. Finally, in all four cities distinct changes were observed in the geography of hotel establishment of different quality standards

7.3 FUTURE RESEARCH AVENUES

The research presented here suggests a number of new issues that can be undertaken further in terms of extended enquiries into the economic geography of hotels in South Africa. By way of conclusion six areas of research can be highlighted.

The first theme for research is extended empirical monitoring of the ongoing spatial and structural changes taking place in the country’s hotel industry. The importance of this issue was underlined by the misconceptions at the time of the run up to the 2010 FIFA World Cup when there was a lack of knowledge about the actual amount of accommodation provision in the country. This is one of the contributory factors of a subsequent oversupply of hotels in certain
markets. This task of empirical monitoring should be done on much shorter time periods than the twenty year period which was undertaken in this study. At the outset of this research it was planned that the study would examine structural and spatial changes over the two time periods of 1990-2000 and 2000-2010. This objective could not be realized because of the absence of any baseline list of hotels that could be used to construct a reliable data base for the year 2000. The absence of such a list is one of limitations in this investigation which therefore had to be pursued by comparing just 1990 and 2010. Future investigations can build from the enormous amount of work that resulted in the construction of the 2010 hotel data base, a result of almost six months of data triangulation, and undertake empirical monitoring of the changing hotel sector over shorter time frames than was possible for this study.

The second research area is that considerable opportunities exist for more detailed historical investigation of the changing development of the hotel industry in South Africa. As Grundlingh (2006) has pointed out archival material concerning the tourism sector in general and the hotel sector more particularly is scarce in South Africa. Nevertheless, opportunities exist to use House of Assembly Reports, a range of government commissions, industry sources, local newspaper material and national newspaper archives to examine in much greater detail the trajectory of hotel development in South Africa during the twentieth century. Among issues that can be investigated are; the initial spatial concentration of early hotels outside of the country’s major cities and further examination of the nexus of early hotel development and the liquor trade. Another critical set of research opportunities concerns the distinctiveness of the hotel industry in South Africa during the apartheid era. During the apartheid period there occurred the establishment of forms of hotel accommodation which were racially distinctive in terms of so-called ‘non-white’ hotels. This historically distinctive South African form of the segmented hotel merits documentation. A further issue in the apartheid period that has not been documented is the struggles around so-called ‘international’ hotels and especially the participation of black tourists under certain conditions. These unique trajectories in the historical economic geography of hotels of South Africa warrant investigation.
The third research theme that demands further work surrounds further investigations of market segmentation. One of the critical findings of Chapter Four was that the provision of the one and two star range of accommodation in South Africa had been overlooked in the rush to expand the high end three to five star range of quality accommodation. The critical niche of budget hotel development is one which has attracted international attention (Fiorentino, 1995) and a need exists to explore this distinctive and critical segment of hotels in South Africa, more especially in light of national government’s initiatives to expand the country’s tourism industry beyond a focus on high end tourists. Another market segment that has appeared in South Africa that requires further investigation is that of the airport hotel. Research can build upon the work of McNeill (2008, 2009) to investigate the nature of investment in airport hotel developments at South Africa’s international and local gateways.

A fourth theme in hotel development relates to what is sometimes called, flagship hotels, which are iconic developments in particular localities. In the vein of research which has been conducted on such hotels as Raffles in Singapore or the Hilton in Sydney there are opportunities to pursue contemporary as well as historical investigations on South Africa’s flagship hotels, the most important being the Mount Nelson in Cape Town and the rise and fall of the Carlton Hotel in Johannesburg.

A fifth theme for investigation relates to further research around the environmental management of hotels and so-called ‘greening’ strategies. Considerable amount of work has been done on environmental management of hotel properties in the global North and there is a considerable interest in a number of growing tourism destinations in the global South. As a long haul destination South Africa is facing the challenge of creating a more carbon-neutral tourism destination. One aspect of the move towards carbon-neutrality is the innovation of greening strategies by hotels (Rogerson and Sims, 2012). This question has important economic implications both for the operations of hotels and also for local economies in terms of the adoption of local procurement and/or food sourcing strategies. Further research on the greening
of hotels in South Africa and of environmental management in different forms of hotel is another research frontier.

A sixth and final theme relates to the position of South African hotel companies and their globalization strategies. The globalization of hotels is a theme which has attracted the concern of a number of scholars as discussed in Chapter Two. Nearly all of the existing work is focused on hotel chains which are based in the global North. Opportunities exist to examine the outreach of South African hotel chains into Africa and increasingly beyond. The strategic growth of South African hotel corporations such as Tsogo Sun (Southern Sun), Protea Hotels, Sun International and City Lodge can add fresh insight into existing debates about the globalization of hotels.
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**INTERVIEWS**

1. **Hotels as a property asset class**

Gerald Nelson, Chief Executive Officer, Hospitality Property Fund, Johannesburg, 10 April 2012

Stan Garrun, Managing director, IPD South Africa, Johannesburg, 16 April, 2012

Jess Cleland, Head of Research, IPD South Africa, Johannesburg, 16 April 2012

Deborah Sampson, Asset Manager, Standard Bank Properties, Johannesburg, 17 April 2012

Grant Abrahams, Acquisitions and disposals Manager, Redefine Property Fund, 17 April 2012

James Templeton, Chief Executive officer, EMIRA Property fund, 30 April 2012

Kelly Clinton, Asset Manager, Stanlib Property Fund, 26 April 2012

Graham Wood, Managing Director, Tsogo Sun Hotels, 8 May 2012

Clifford Ross, Chief Executive, City Lodge Hotels, 2012

Richard Pretorius, Pension Fund Advisor, deVere Investments, 25 April 2012
2. Interviewees: Boutique hotels

Athol Place Boutique Hotel, Athol, Johannesburg, 22 June 2010
Banksia Boutique Hotel, Rosebank, Cape Town, 12 June 2010
Coco-de-Mer Boutique Hotel, Ballito, Natal, 17 July 2010
Compass House, Bantry Bay, Cape Town, 18 May, 2010
Eendracht Hotel, Stellenbosch, Winelands, 19 May 2010
Fairlawns Boutique Hotel, Sandton, Johannesburg, 20 June 2010
Hippo Hotel, Cape Town CBD, 18 May 2010
Lombardy Boutique Hotel, Pretoria, 20 July 2010
Misty Waves, Hermanus, 27 July 2010
Quartermain Boutique Hotel, Sandton, Johannesburg, 14 June 2010
River Manor Boutique Hotel, Stellenbosch, Cape Winelands, 19 May 2010
Sheppards Boutique Hotel, Nelspruit, 28 May 2010
The Bishopscourt Boutique Hotel, Bishopscourt, Cape Town , 20 May 2010
The Constantia, Constantia, Cape Town, 20 May 2010
The Franschhoek, Franschhoek, Winelands, 17 May 2010
The Lofts, Knysna, 4 June 2010.
The Long Beach, Long Beach, Cape Town, 20 May 2010
The Wild Mushroom Boutique Hotel, Stellenbosch, Cape Winelands, 17 May 2010
Villa Bali Boutique Hotel, Bloemfontein, 5 June 2010
Windemere Boutique Hotel, Port Elizabeth, 9 June 2010
3. Interviewees: All-Suite Hotels

Courtyard Hotel Bruma, Johannesburg, 28 January 2011
Courtyard Hotel, Cape Town, 8 February 2011
Courtyard Hotel Rosebank, Johannesburg, 28 January 2011
Courtyard Hotel, Sandton, Johannesburg, 27 January 2011
Courtyard Hotel, Port Elizabeth, 7 February 2011
Courtyard Hotel, Sunnyside, Pretoria, 30 January 2011
Fountains Hotel and Apartments, Cape Town, 18 February 2011
Leisure Bay, Milnerton, Cape Town, 9 February 2011
Mercure Hotel, Bedfordview, Johannesburg, 14 February 2011
North Wharf, Cape Town, 10 February 2011
Pepper Club, Cape Town, 7 February 2011
Premiere Classe Suite Hotel, Melrose, Johannesburg, 16 February 2011
Protea Hotel Hatfield Apartments, Pretoria, 20 February, 2011
Sandton Skye, Sandton, Johannesburg, 2 February 2011
The Michelangelo, Sandton, Johannesburg, 2 February 2011
The Raphael, Sandton, Johannesburg, 2 February 2011

Clifford Ross, City Lodge Group, Sandton Ross, C. (2011). Interview with CEO City Lodge Hotels, South Africa, Johannesburg, 6 June.

Tony Balabanof, City Lodge Group, Sandton.

Gerald Nelson, Hospitality Property Fund

Wayne Roberts, Lynn Estates, Sandton
APPENDIX 1

Hotels as a property asset class questionnaire

1. Would you view a hotel property the same as other property asset classes? If not why?

2. Why do you think that hotel property is not a popular property asset class with South African investors?

3. Do you think that hotel properties should be part of a diversified property portfolio – reasons?

4. Do you think that hotel properties should be valued the same as other property asset classes – reasons?

5. Is your investment company interested in broadening their hotel investments?

6. Property funds in South Africa are mainly diversified funds, there are very few dedicated funds and yet overseas these funds generally perform very well – why do you think that this is the case?

7. How has property asset allocation changed over the past 10 years within the 3 main asset classes of retail, industrial and office properties?

8. Gauteng is geographically dominant within most funds property holdings, have there been any shifts in geographical emphasis over the past decade ie: small towns, secondary cities or other provinces?)
APPENDIX 2

Boutique Hotels Questionnaire

1. How long has this business been operating as a boutique Hotel?
2. Was the property established as a boutique hotel or was it something else before?
3. Is this hotel owned by an individual or a group? If a group are other in the group also Boutique hotels?
4. IS the ownership South African or foreign? If foreign, where from?
5. Why was this established as a boutique hotel?
6. What do you understand by the generic term – ‘boutique hotel’?
7. What makes this hotel a boutique hotel?
8. Have you changed the building to make it a boutique hotel?
9. What are the three most important elements that make this a boutique hotel?
10. How do you distinguish yourselves from other boutiques or small luxury hotels?
11. Do you think that the current grading system is sufficient for grading boutique hotels?
12. Do you think that boutique hotels should have to meet certain criteria before they can call themselves a boutique, and should this be legislated?
13. How do you source your staff and what qualities do you look for? How many staff do you employ (full time and/or part time)?
14. How do you see the growth of the boutique hotel market in South Africa?
15. Who are your main customers? What is the proportion between foreign and local?
16. What is the proportion between leisure and business visitors?
17. How do you market yourselves – websites, agencies, word of mouth – which do you think is the most successful marketing tool?
18. Do you see the boutique hotel market as saturated or do you foresee future growth?
19. In your area who are the leading players in the boutique hotel market?

20. Which was the first boutique hotel in your area and when was it established?
APPENDIX 3

All-Suite questionnaire

1. How long has your hotel been operating?

2. When did the all-suite phenomenon become part of the SA hotel market offering?

3. Who are your main customers? Split between foreign and local tourist and leisure and business tourist.

4. What type of customer is most common – individual business, corporate groups, associations and conventions, individual leisure and extended stay?

5. Overseas literature suggests that all-suite hotels have attracted clients who are tired of the uniformity and standardization of many hotels – is this the case with your hotel?

6. Do companies see all-suite as value for money – in terms of company spending on employees business travel?

7. Corporate demand is linked to the economy has there been any shift in occupancy levels by business people over the past 2 years?

8. What is the average length of stay?

9. Short stay, medium stay or long stay – which of these generates the most room nights?

10. Are there differential rates depending on length of stay?

11. Are the rates comparable or slightly higher than a similar star conventional hotel (although there is a lot more in-room space and facilities are customers prepared to pay extra for this)?

12. How do you market yourselves?
13. Construction costs for all-suite hotels are lower and there is the possibility of converting these developments into sectional title flats thereby lowering the risk to developers – is this a factor in the SA all-suite market?

14. All-suite hotels are situated in business areas – do your business customers conduct business on site? Do the hotels supply business facilities – is this a part of all-suites that could grow in future developments (in the USA the demand from business for meeting space has been so high that all-suites are now migrating towards more conventional hotel facilities)

15. What is the ownership/management structure of your hotel – has it always been this way, if changed over time why and what are the benefits?

16. Are there any particular benefits to being a group of hotels?

17. Any plans to develop more all-suite hotels, if yes will they be the same blueprint, and where will they be located?

18. Comments on the future growth of the all-suite market in SA?