

## An update on the hotel industry in France and in Paris

Jun 17, 09 | 1:59 am

By *Thierry Poupard*

The French hospitality industry is about to experience a new turn partly due to Government reforms which have not much to do with the current economic downturn. This note is an update on what is going on in the hotel classification in France and on the luxury segment in Paris.

By the end of this month, the hotel industry will get rid of the old norms that have been used for the past 23 years in order to evenly match the international standards and to have a more comprehensive ranking. The zero star and the 4\* "Luxe", as they are in the old classification, will disappear while the new one has a scale from one to five star. However, because there is a big gap between a regular 5\* and an outstanding property, an ultimate level will be created and probably called 5\* "Palace". The criteria to reach this level is not based on objective or rational characteristics but on specific features that make the place unique such as its location, architecture, view or history. One may wonder why officials haven't created a 6\* category as it already exists in several countries? Amazingly, up to now, the term Palace exists only in people's mouth, not in the official language. There are eight luxury hotels in Paris which belong to this segment: *Four Seasons - George V, Plaza Athénée, Meurice, Bristol, Crillon, Ritz, Park Hyatt - Vendôme* and the recent *Fouquet's Barrière* on the Champs-Élysées. Except for the latter, they all share the common criterion of being more or less from the same architectural period and most of them are or will be under heavy remodeling, extension or reconstruction: a new spa (Institut Dior) in the Plaza Athénée, an extension and a gastronomic restaurant for the Bristol (opens in september), a vast project of renewing the rooms and upgrading the spa for the Ritz... Because they all will have to cope soon with strong competitors.

- Next year, the *Raffles* chains, in association with a Qatari sovereign fund, will reopen the *Royal Monceau* on avenue Hoche (149 rooms before the "Demolition Party" in 2008) after a 440 million Euros complete refurbishing: 42 suites, furniture by Philippe Starck, a 28 meter pool, a 1 500 sq. meter spa (!) with large hammams, a luxurious 100 seat cinema, a library, etc.
- The same year *Shangri-La* will have its first address in Europe on avenue d'Iéna in Prince Roland Bonaparte's former "hôtel particulier" with an outstanding view on the Eiffel Tower. An investment of 250 to 280 millions Euros for 109 rooms including 40 suites, a 1 000 sq. meter spa with a giant swimming pool, an «all day dining» under a magic glass roof...
- In 2012, *Mandarin Oriental* (150 rooms) will open in an Art Deco building on Faubourg Saint Honoré street. Very little information on this one apart from the 40 million dollars investment.
- The *Peninsula*, in partnership with the Qatari investment company Diar, will operate the *Majestic Kleber* in a 30.000 sq. meter building that was once the Majestic hotel before it became the International Conference Center (which held the talks for peace in Vietnam between Mr Kissinger and Mr Le Duc Tho in 1973) This will require huge works.

There are currently 27 000 hotels of all categories in France and, within the next three years, 150 of them are supposed to obtain the 5\* status. Many properties will have to undertake significant refurbishing and upgrading in

order to accede to the right category in the new classification, and the estimated global investment is 10 billion Euros. The French Government has created a specific fund in order to achieve this modernization. It's worth the challenge, because France remains the first country of destination on the planet (even though its market shares shrinks slightly), the hospitality business weights 6% of the GDP, twice as much as the car industry, and employs 2 million people, as much as the car industry.

My next article will be about an event that has never been seen before and could have a tremendous (positive) impact on the restaurant industry and on the consumers in France: as of July 1<sup>st</sup> the VAT rate will drop from 19,6 to 5.5%.

#### About the Author



Thierry Poupard is a French citizen and lives in Paris. He is currently an independent consultant in marketing, sales and service for restaurant, hotel and spa industries in France. Feel free to visit his web site [www.thierrypoupardservices.com](http://www.thierrypoupardservices.com) or to contact him on his blog or by e-mail [tp@thierrypoupardservices.com](mailto:tp@thierrypoupardservices.com) about this article or any subject that relates to this field.

Previously he was Director of Strategic Marketing of a large European fast food chain, consultant on local marketing and sales for retail chains and networks, account director in various advertising agencies. He holds an MBA from University of San Francisco.

In addition to his professional activity, Thierry is the author of "Service Attitude" published (in French language) in June 2007. He is speaker at H.E.C. school of management for Executive Education and MBA Program, trainer at IFHOR (school for employees of hotels and restaurants), member of [the Leaders Club](#) (restaurants) and [Restaurants sans Frontières](#) (caritative) associations, columnist on [neorestauraton.com](http://neorestauraton.com) since January 2006, and partner of [NESS](#), the Wellness Business Magazine.

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