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Hit the Ground Running: Strategies for Delivering Financial Success

“Challenging” would accurately describe the past few years in the hotel industry, with many owners in underleveraged positions on historically performing assets. For hotel management professionals, the question of how to quickly turn things around for a struggling property is paramount. These days it often is not enough to make gradual changes and long-term investments; many hotel owners need results now as hotels struggle to boost net operating income. It requires competent, bold leadership to immediately impact bottom-line results.

A hotel turnaround is an all-inclusive solution that covers asset quality, service delivery, revenue generation and capture, accurate and detailed forecasting, margin controls tied to forecast models, and a comprehensive analysis of challenges and opportunities. Leaving one of these elements out of the equation will lead to mixed results. Only management companies with nimble, aggressive and dedicated professionals can drive the necessary change.

All too often, the management team of an underperforming asset resorts to a single focus on expense cutting to offset a lack of execution on the revenue side of the business; the result is a downward spiral for the asset. As a wise hotelier once said, “Continue focusing on expenses only and you will get sales down to where you can handle them...” Truer words were never spoken.

An experienced management team will implement a balanced approach that gives equal emphasis to revenue enhancement and expense control management. When it comes to implementing strategies that can deliver immediate and significant financial results, execution is key. Understanding the property and the marketplace and diligently applying established and proven techniques will move the needle in the right direction.

Reassess the Sales Approach

An important part of hitting the ground running is doing your homework. New management should arrive with a detailed plan to immediately deploy sales and marketing dollars to the most productive segments. Review and define performance expectations within the sales force and revenue generation teams, while understanding and

supporting existing clientele. Management must acquire and assess all available market intelligence—including Marketvision, Hotelligence 360, Smith Travel Research STAR data and reservation channel contribution reports to pinpoint missed opportunities. Once you have done everything possible in the near term to bolster existing revenues, it’s time to target the competition and take market share.

Gain Control of Expenses

Never accept anything but daily profit and loss controls. Sophisticated forecasting and revenue modeling tools allow top management firms to work on 365 individual plans. Miss the first few days of the month and you are hurting service or quality for the balance of it as you try to cut in to the mistake. Once you take the sales end out of it, sparking a fast financial turnaround is all about accurate forecasting and sophisticated expense controls. Fine-tuning your occupancy and revenue forecasting and knowing how to be flexible and responsive is vitally important. Top management companies shoot for an accuracy goal of within 3 to 4 percent of their forecasts. But even when forecasting misses, being proactive to the change can make all the difference.

As with any basic home and family budget, making the numbers work is often about figuring out how to control costs the best. Payroll is typically the Number 1 hotel expense, so effectively managing the payroll dollars is critical. The trick is to do so not on a monthly or even weekly, but on an hourly basis. Managers must be trained and empowered to make these cost reducing payroll decisions, then held accountable or rewarded for the results. Armed with that insight, you can forecast if you are overstaffed and make effective money-saving adjustments.

Think Big — But Act Small

There are substantive physical adjustments and larger investments that obviously make long-term financial and operational sense. But while things like new energy management systems and bar/restaurant renovations can save money and create new efficiencies, most management companies are understandably focused on day-to-day line items. In lieu of large capital investments to effect change, consider more creative methods

that don’t negatively impact service delivery, until you can get back on more sound financial footing. Incremental, small changes will add up to substantial bottom line savings.

Review and Refine

Remember: the work is never done. On the revenue side, it is important to understand that the market of your hotel is constantly changing. There is a lot of volatility currently—shorter booking times, businesses are closing and opening and others are changing their training and travel policies. The danger is that a hotel can get into a comfort zone and it is easy to put things on cruise control, even while the market is evolving. Successful hotel managers have to continually be out there in the marketplace, staying in tune and in touch. If, at the end of the month, you are surprised by anything on the profit and loss statement, that is a sign that you are not as on top of things as you should be. The plan you had for the first 30 days may look entirely different for the next 60 to 90 days as results guide new and enhanced strategies.

Invest in the Future

And while immediate results are crucial, it is always important to consider the mid- and long-term impact of management decisions that are made today. Effective expense control management will minimize guest service impact and preserve product quality delivery. It is that combination of proactive short-term action and thoughtful long-term perspective that not only pays the bills today, but will pay literal and figurative dividends for years to come.

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