

Is Your Hotel Ready for the Downturn - By Brenda Fields

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Key markets, world wide have experience unprecedented occupancies, average rates, and RevPAR for over a decade. New York City and London in particular have experienced average occupancies well over 80% for the past several years, driving record average rates and RevPARs.

The immediate outlook remains promising but the future is less bright according to prominent analysts i.e. PricewaterhouseCooper and Smith Travel Research. One school of thought is 'If it ain't broke, why fix it?'. But we know that the hotel industry is driven by various economic factors that create many ups and down. The bad times don't last forever and the good times don't last forever, either. So what better time to address any weaknesses in the organization, flaws in the system, or product deficiencies, than when occupancies are strong and the outlook is favorable?

The return on investment on ensuring high standards in all areas is far greater than the cost of a major upgrade and marketing expenses to bring customers back after their bad experiences in your property.

This article will address the benefit of early prevention and will identify areas to evaluate in order to ensure that your property is well positioned for any downturn so that it will remain profitable and vibrant.

Physical Condition:

Continuous periods of high occupancy create lots of wear and tear on a property and taking rooms out of inventory for maintenance and deep cleaning is most likely not an option to most owners or managers when demand is high. During these feast periods, guests will pay the going rates just to have a room and will accept it in almost any condition rather than forgo the business trip or family holiday. But, once occupancies start to fall the tide will turn and hotels will experience a 'Buyer's Market'. Those properties that had noisy air conditioners, stained carpets, or slow shower drains, will find themselves eventually making the investment to be competitive in the new business environment. So why wait when we all know that 'A stitch in time saves nine'? A minimal investment now and minimal loss of revenues will more than be made up by having a loyal customer base, which will stay with you with the market turns.

Technology:

Technology advancements have allowed property's greater ease and efficiency in dealing with customers in areas such as making reservations, sending out confirmations, and preparing the invoice upon check out, just to name a few. We know, too, that maintaining the latest equipment is a major expense. The days of telephone as a line item on the P & L Statement are long gone, as now, free domestic phone calls in guest rooms are becoming the standard. As guests travel with iPods, cell phones, and lap tops, the demand for the latest technology in-room is great. So, it may be wise to evaluate your property and the needs of your customers to analyze the effectiveness of your technology, research what is available to you, and decide what, if any, areas should be upgraded for you to remain competitive in the marketplace.

Employee Training:

With continuous high demand, it is difficult for owners and managers to ensure that customer service is top of mind with their employees. Housekeepers are rushed to clean rooms for that next check in and the front office is typically rushing to check guests in, find rooms, check out guests, and answer phones, all at the same time. And when occupancies are high in your local market place, it is easy to become complacent with service that is not excellent. But when the demand falls and guests have a choice of properties, they will remember who treated them well and appreciated their business. Therefore, the commitment to invest in training during this strong market along with ongoing follow up, will place the property in a much stronger position to enjoy and maintain good business during the down times.

Direct Sales:

The cost of a direct sales effort can typically represent 50% of the marketing expense budget, with most of the expense in labor and benefits. When business declines, this is a key area that is evaluated to ensure that there is a return on investment. But, what is happening with direct sales during the feast periods? Many times, there is no direct sales plan in place. Sales people meet their targets because of the great demand and there is little, if any, proactive sales approach to ensure that there is a database of potential business that is well-qualified based for present and future business. Therefore, it is important to place systems and procedures in place so that in a downturn, good habits and work ethics are already in place to ensure that your property excels in market share.

Web Site:

The web site is probably the most cost effective marketing tool available. Web site research and web site bookings have steadily and dramatically increased, contributing to an average of 50% of the bookings. So why wait until bookings fall of to ensure that your web site is well designed and fully optimized to generate bookings? And why wait to ensure that you have the best booking engine to capture that guest who wants instant information and instant booking capabilities. Put a program into place so that you can proactively address needed enhancements to your web to stay current with trends and technology.

Therefore, to ensure that you are well positioned when there is a down turn, it will be very important as of now, when business is strong, to implement these initiatives on an ongoing basis. This will allow an owner or manager to enjoy profits, satisfy guests, and attract and maintain top employees.

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About the author

In her more than 25 years as a marketing and sales pro in the hospitality industry, Brenda Fields has emerged as the 'go to' consultant for independent and/or privately owned hotels and resorts seeking real-world solutions for today's market challenges.

From small boutique hotels to large convention properties, Brenda has created and implemented highly successful marketing and yield management programs that enable owners to achieve target results despite market conditions. With extensive expertise in pre-openings and repositionings, Brenda was responsible for the successful opening and stabilization of the Paramount Hotel in New York in 1990, for which she developed and executed a direct sales and yield management program in addition to a national and international marketing campaign.

With a 'who's who' roster of clients, Brenda has worked with a number of industry leaders and real estate investment companies including Starwood Lodging Corporation, Planet Hollywood, Choice Hotels International Olympus Real Estate Corporation, Gotham Hotels, The Kitano and Apple Core Hotels, among others.

Brenda was recently awarded 'The Best of the Best' from HSMAI for the Big Apple Awards and Recognition committee work and is President-elect of the NYC chapter of HSMAI for 2008.

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