

Focus on Your Property - Operations Reviews

Frank Bourree
July, 1997

In this highly competitive tourism industry "staying on top" requires increasing, ever vigilant focus on your product, your property and your people. Many Japanese businesses have embraced a process called "Kaizen" or constant improvement, nothing less than that kind of commitment will ensure your long term viability.

Do you have an objective opinion of your hotel? Can you see the forest from the trees? Working day to day in any environment can cause us to miss those subtle points that all add up to excellence. Are you exceeding your guests expectations? Going that extra mile? These are some of the questions savvy hoteliers constantly are asking themselves.

Many of us can not admit that after many years of experience we can overlook things about our property, our staff or even our own abilities to perform. You may need an impartial opinion and an outsiders eye to spot some obvious opportunities for improvement. If this is your case, you may find good value in an independent operations review.

The following list of questions may help you focus on your needs.

➤ **Is your staff "climate" where it should be?**

There is no more people driven or management intensive industry in the world. Ensuring that your staff and management are happy and productive will ensure guest satisfaction and repeat business.

- Do you "feel" tension in the air between staff and/or staff and management - if you do so will your guests!
- Have your union grievances increased?
- Do you personally get involved in new staff orientation?
- Are you experiencing excessive absenteeism?
- Are your staff turnover levels reasonable?
- Do staff and management have open lines of communications?
- Have you ever performed a staff climate survey?
- Is there a clear opportunity for advancement?
- Do you recognize and reward employees regularly?
- Do you perform regular performance evaluations?
- Does your training program really work?
- Do your staff know and believe in your mission statement?

➤ **What does your organizational chart look like?**

Too much or too little management can be dangerous. Having the right people in the right positions can increase efficiency and profitability. Wherever possible ensure as many people as possible are performing the job you are there for - delivering excellence in guest service.

- Is your management team top heavy?
- Do you have overlaps in department head responsibilities?
- Are reporting lines clear?
- Do you cross train department heads?

➤ **Is your franchise serving you?**

The Canadian Hotel Industry is becoming increasingly franchised or “flagged”. This trend has captured approximately 30% of Canada’s hotel market. The experience in the US market demonstrates over 75% of properties have chain affiliations.

Many bankers believe that in order to be competitive in today’s hotel market, a strong franchise affiliation is essential. Consumers want to know the level of quality for which they are paying and would rather not take the chance in having an unpleasant surprise from a “no-name” lodging facility because it reduces the perceived investment risk.

However, if you are an independent property with a high annual occupancy rate a franchise affiliation may not make financial sense. Careful analysis must be undertaken to assess the impact on your bottom line. A franchise affiliation may also bring with it a need for significant costs related to upgrading to meet your franchisor’s “punch list” (list of amenities required to meet franchise standards).

➤ **How does your financial statement look?**

It is imperative that you use your monthly financial statements as a tool to set new objectives around department revenue and expenses. Ensure department heads also understand how you are doing regularly.

Other questions to ask yourself:

- How are your departmental cost ratios compared to industry standards? (Especially wage costs - your biggest single controllable cost.)
- What is your debt/equity ratio?
- What is your banker’s expectation of your debt/equity ratio?
- Are they prepared in a timely manner so department heads can use them in a proactive manner?

➤ **Is your marketing plan working for you?**

In most regions there is intense competition for guests. An effective, comprehensive marketing strategy can set you apart from the pack. Your marketing plan should be reviewed on a regular basis bringing your team together to focus on what is working as well as new opportunities.

- Is your property “positioned” to target the demographic and psychographic guest profile?
- What are the seasonal trends and opportunities?
- What is your competition up to?
- Can you forge new joint marketing opportunities with other businesses?

- Have you changed with your market place or are you just repeating old marketing approaches?
- **Plan for capital cost upgrades?**
To remain competitive at least 6% of your sales should be allocated to maintenance and upgrading. In addition, your property should be reviewed every 5 to 7 years for more significant capital improvements to remain competitive.
- **How is your security systems?**
The hotel guest of today are demanding a certain level of security that many hotels have not provided as well as liability insurance and general insurance rates have skyrocketed in the past 5 years.
- Do you have an up to date fire/safety/emergency plan?
 - Is your key system secure?
 - Are there adequate fire prevention and detection systems in place?
 - Are your staff vigilant about strangers walking in hallways?
 - Do you have women only floors or does this attract more potential problems?
 - Does your front desk staff follow security procedures?
- **Are your food and beverage operations working for you?**
Many hoteliers have thrown up their hands in defeat at being able to generate a profit on food and beverage. Other properties have done extremely well. How do they do it?
- Is your restaurant franchised? Should it be?
 - Is your food and beverage management team trained and motivated?
 - Do you break out food and beverage departmental costs and revenues so that you can identify strengths and weaknesses?
 - Does your restaurant compete with restaurants "on the street" or simply cater to hotel guests?
 - What is the market segment your restaurant is in? High end or mid range? Ethnic?
 - Does your restaurant have adequate signage?
 - Does the restaurant market positioning fit the image and positioning of the hotel?
- **Finally, are you on top of current trends?**
If you feel unsure about answering the questions we have put to you perhaps you need an objective professional opinion. Doane Raymond offers a wide range of tourism consulting services and can bring targeted industry specialists to your property to provide a comprehensive, cost effective operation review.