

Chapter 6

Accommodations

Introduction

“Come in; please be my guest”. For years these words of welcome have greeted weary travelers seeking shelter for the night. Providing travelers with temporary shelter in an age-old profession that can be traced through recorded history the inns of biblical times. In fact, the term “hostel” (meaning inn) can be traced back to the Middle Ages.

The inns of old, usually no more than simple structures, offered meals and a bed in a room shared with other travelers seeking safety and shelter for the night. By today’s standards, these early inns were very crude. They usually had one or maybe two rooms with several beds in each room. The innkeeper would put two, three, or perhaps even four people in a bed. Although many early innkeepers were not always the most reputable lot, they did provide an important service by meeting travelers’ basic needs for shelter and food.

Most early inns looked like any other home along the roadside it could only be recognized by special signs hung by their front doors. As lodging facilities became more sophisticated, they often added taverns, which served as gathering spots for locals. Since these inns and taverns were usually built around courtyards, they became natural entertainment areas for speakers and traveling minstrels and troubadours.

Early hotels were usually just overgrown inns. However, it didn’t take long for large structures specifically designed for lodging to appear. Most of these hotels were originally built in or around seaports and train depots as well as major spa resort destinations in Canada, England, France, Germany, and the United States. In fact, development of loading facilities closely followed improvements in transportation, particularly steamships and railroads. From these modest beginnings, a variety of accommodation choices have emerged to meet the needs of today’s travelers.

Oh! So many choices!

Think for a minute about some of the commendation option from which you can choose when planning a trip. Where would you spend the night(s) on the way to go destination? Where would you stay once you reach your destination? You can probably think of alternatives ranging all the way from staying with friends and relatives to pampering yourself at a luxury hotel. Over the years, a wide range of facilities have been developed to meet travelers’ commendation needs. Just like inns of old, they became a focal point for community gatherings and social activities. In addition, they attract visitors and create opportunities for these guests to spend more time and money in the area.

Although accommodations can be found in many shapes and sizes, these facilities have commonly been grouped under the umbrella term lodging. The accommodations segment of the tourism industry consists of many popular alternatives such as bed and breakfasts, condominiums, timeshares, conference centers, hotels, and motels, as well as recreational vehicle parks and campgrounds.

If you think back to the transportation service providers we studied in Chapter 5, you will also find that many of them that travel over long routes, such as passenger trains, ferries, and even airplanes, often include accommodations as part of their total service packages. In addition, resorts provide extensive lodging facilities, and some of the newer mega cruise ships are often referred to as floating resorts. The range of available accommodation alternatives is extensive.

With so many choices, attracting and retaining guests requires attention to their needs. Marketers have zeroed in on this important group of potential frequent stayers by fine-tuning strategies to meet their specific needs. A broad array of strategies is needed to attract and retain a loyal following. In addition to frequent stayers, marketers have recognized and developed varying brands within hotel chains to meet the needs of specific market segments.

No two are exactly alike

The bed-and-breakfast (B&B) concept began in the small towns and rural areas of Europe where a family would open their home to travelers. Known as pensions, these original B&Bs were probably a lot like the inns of biblical or medieval times: a room or two with a shared bath down the hall and a homemade breakfast served before departure.

The idea of B&Bs may have started in small towns and rural areas, but this concept has spread across the world and can be found anywhere someone wants to be their own boss. In fact, after the fall of communism, some of the first businesses to appear in the former Eastern European Bloc countries were B&Bs. However, it should be noted that in the United States, and probably other countries, very small B&B homes are generally operated for supplemental income, tax benefits, and as a means of defraying utility costs rather than as an investment or sole source of income. No matter what the setting or operator, research has shown that successful bed-and-breakfast operators are those providing guests with the same positive experience again and again.

The typical American bed-and-breakfast is located in a small town (under 10,000 population), with six or seven rooms, five or six baths and ten parking spaces. Young innkeepers are taking over B&Bs in record numbers, with a quarter of inns now run by under- 40 owners, according to a survey by Bedandbreakfast.com.

Today, B&Bs come in a wide variety of sizes and service offerings. You can now find Bed-and-Breakfast Homes (1 to 3 rooms), Bed-and-Breakfast Inns (4 to 20 rooms), and Bed-and-Breakfast Hotels (over 20 rooms and sometimes a small restaurant). If you travel to southern Europe or perhaps Québec, rather than finding a bed-and-breakfast, you might find pensions, which offer similar accommodations. As B&Bs have grown in numbers, government-sponsored as well as independent reservation and referral organizations have evolved to assist owners in marketing their services to travelers seeking the comfort of home. B&Bs owners have found the Internet to be an especially effective marketing tool for booking reservations.

Even though they may look different, personal attention and breakfast in the morning are common themes that tie all B&Bs together. One reason some travelers prefer bed-and-breakfast lodgings to hotel accommodations is that a \$100 room in a B&Bs is a better buy than a \$100 hotel room. A B&B operator rarely adds on parking, telephone connection, or other charges and many offer afternoon snacks and wine in addition to a hearty breakfast. With the ready availability of the Internet, it is just easy, and more personal, to book a stay at a bed-and-breakfast virtually anywhere in the world.

Other than the differences in sizes and names, you might also notice that the breakfast foods offered will vary from country to country. For example, a breakfast in England might include stewed tomatoes, beans, and eggs. In Germany, you could be served an assortment of cold meats, hard breads, and cheeses, while in Canada, you might be served cereals, toast, and fruit.

Same time, same place?

Timeshares at condominium properties usually have the same amenities found in a typical luxury apartment setting. Condominiums (condo) and other types of accommodations are often marketed as timeshares. The idea of owning timeshares (vacation or fractional ownerships), especially in resort locations, is very appealing to individuals who can plan their travel activities in advance and want to be assured of accommodations at set times in specific locations.

Historically, buying a timeshare unit (typically 1/52 or 1/26, one or two weeks) meant purchasing fixed week at a single-site location on a fee simple or right-to-use basis. This ownership assured the purchaser of having specific accommodations for a set time and place each year. Through companies such as Resorts Condominiums International and Interval International, they could exchange their units and times with other owners at participating locations. Timeshare companies now offer flexibility through multisite programs, global exchanges, point systems, and vacation clubs. The point system or vacation credits is the up-and-coming way timeshare resorts are being marketed and sold. Resort developers assign a point value to each season, week, unit size, and type. Owners and then can use their points to exchange vacation times and locales.

Not surprisingly, the most popular locations for the millions of timeshare purchasers in the United States are at popular tourism destinations in Florida, California, Hawaii, Arizona, and Nevada. The same holds true for international destinations including the Caribbean, Europe, Mexico, and Canada.

Just as there are popular locations, there are also different times of the year that are more popular than others. These time periods are classified by colors indicating the level of demand. Low demand weeks are classified as “blue”, medium demand “white”, and high demand “red”. For example, a week during Christmas in Orlando, Florida, would probably be more desirable than a week during February in Okoboji, Iowa.

The allure of timeshare ownership is especially strong in the United States, where purchases are growing at an 8% compounded annual rate. The United States leads the world in the timeshare market, with over 3.2 million owners, and Americans are also active buyers of timeshares in other countries. The popularity of timeshares is expected to continue growing as more and more baby boomers enter the prime age for buying second homes (ages 45 to 64) and more hotel companies begin supplying the timeshare market. Hotel companies such as Disney, Fairfield, Hilton, Hyatt, Intercontinental, Marriott, and Starwood Hotels are being attracted to this industry segment because occupancy rates average almost 94%. With over 5,000 properties worldwide and many easily recognized brand-names, timeshares ownership should continue its pattern of rapid growth. Vacationers desiring ownership for longer periods of time turn to condominiums.

In a condominium development, individuals buy units for their own use. In contrast to a fractional ownership plan, the units are frequently made available for rental when not being used by their owners. These units may be managed under a straight rental agreement or be placed in a rental pool.

In a straight rental agreement, condo owners receive a portion of the rental revenues based on the rental income received for their units. In a rental pool, all condominium owners share in rental income based on the square footage of their units. In either situation, the owners typically pay for all taxes, utilities, and general maintenance expenses. In return, they perceive a percentage of the rental income (usually 49%) while the management company will retain the remainder (usually 51%) as compensation for operating and maintaining the property when owners are not using their allotted times or units. One industry leader in vacation rentals, ResortQuest, provides an extensive marketing plan that also includes web-based initiatives and a number of alliances and programs with travel agent firms and consortia. More than 1,000 travel agents

have signed up for the company's ResortQuest Specialist Program, an online and print course that teaches and certifies agents to sell the unique aspects of the product.

For those wanting a special touch in vacation ownership, fractional ownerships are just the ticket. Fractional ownership plans, typically providing high-end accommodations, can be purchased for one to three months of usage periods. Premium properties in breathtaking locations with hotel-like amenities take away the hassles of being confined to one destination and add the benefits of multiple vacation home ownership destinations. Companies like Exclusive Resorts and Storied Places are finding demand is high for the exclusive offerings.

Your attention please!

Providing accommodations built around a setting specifically designed, equipped, and staffed to host meeting creates a unique environment of a conference center. The first of these facilities was established by former President Dwight D. Eisenhower, when as President of Columbia University in 1950, he opened Arden House, a 30- bedroom house on a country estate outside New York City. Today, there are over 300 conference centers in the United States, including the original Arden House and a host of other locations such as the Scanticon Conference Center in Princeton, New Jersey; the Macklowe Conference Center in downtown New York City; and the Inn and Conference Center at the Biosphere in Oracle, Arizona.

With an employee:guest ratio of from 1:0.5 to 1:2.5, conference center managers can focus their attention on the specific needs of each group and excel at providing the desired experience of living, learning, and leisure. Extra service touches such as rearranging housekeeping schedules to clean guest rooms when attendees are in meetings or adjusting food service schedules based on changing group needs highlight the flexibility provided in conference centers. Extremely strict guidelines established by the International Association of Conference Centers must be achieved and adhered to if the facility is to be classified as a conference center.

Enjoying the great outdoors

Campers have traditionally been viewed as families or individuals wanting to save money or get close to nature and experience the great outdoors. However, with advances in technology, more people are being drawn to camping as they realize that the outdoor experience can be achieved without roughing it. It is not uncommon to find swimming pools, cable-TV hookups, convenience stores, and even restaurants as part of the operations of commercial campgrounds and recreational vehicle (RV) parks. As the levels of convenience have increased, so have the number of people who camp as well as use RVs to take a bit of home along with them.

Campgrounds and RV parks fill a special need in seasonal recreational areas as they can add significantly to the accommodation base. From an economic perspective, government-funded as well as privately developed campgrounds have essentially shifted capital investment needs to campers who bring along their tents, camper trailers, trailers, and RVs. Rather than investing in expensive buildings that could remain empty for a large part of the year, limited investments can be made in support facilities when travelers bring along their own accommodations.

In response to the growing popularity of RVs, many lodging facilities, especially when associated with casinos, are providing parking spaces for these vehicles. Nowhere is the mutually beneficial relationship between traditional lodging facilities and recreational vehicles more evident than at the Walt Disney World or Laughlin, Nevada. Specifically designed campgrounds and parking spaces with full RV hookups are

adding to the accommodation base. In addition, whole communities of travelers can be found springing up on a temporary basis in Arizona, Florida and South Texas during the winter months or in the mountains of Alberta, British Columbia, Colorado, New Mexico, Montana, Washington, and Wyoming during the summer months.

Rooms, rooms, and more

From some of the more specialized unique types of accommodations, we now move to hotels and motels that meet the majority of travelers' lodging needs. The construction of the 170-room Tremont House in Boston in 1829 technically marked the beginning of the hotel segment of the tourism industry in the United States. Services and conveniences such as a "rotunda man" (bell-hop) to carry guest bags since there was no elevator, a restaurant featuring French cuisine, private rooms with locks, soap and pitchers of water in each room, and indoor toilets made the Tremont a special place to stay. The opening of the Brown Palace Hotel in Denver, Colorado, in 1892, with its distinctive atrium design, marked another significant milestone in lodging history.

The next major change in the development of modern lodging occurred when Ellsworth M. Statler opened the Buffalo (New York) Statler Hotel in 1908. This hotel truly revolutionized the industry since it was designed and operated with guest comfort, convenience, and safety in mind. Each room had an electric light just inside the doorway, a private bath with tub and toilet, and a pitcher of iced water. In addition, free morning newspapers were delivered to each room. The hotel also had fire doors and a host of other standard features.

The Buffalo Statler Hotel ushered in a new era of lodging growth, and the industry continued to flourish in the early 1900s as hotels, designed to be the biggest and best, sprouted up across Canada and the United States. This boom stopped abruptly with the Great Depression (which began in 1929), when nearly 85% of all hotels in the States went bankrupt as business and leisure travel came to a screeching halt.

Prosperity finally returned with the end of World War II, but the focus shifted to motels rather than hotels. With improvements in road construction and maintenance, increased automobile traffic, and the desire and ability to travel, the motel segment flourished. As families began using automobiles for vacation travel, the old practice of sleeping in cars or camping beside the road no longer met their needs.

In response to changing needs, small wooden structures (the forerunner of the modern motel) were built beside major highways to serve this growing group of automobile travelers. The first use of the term "motel" occurred at the Milestone Mo-Tel, built in 1925 in San Luis Obispo, California. Strategically located adjacent to the then-youthful Pacific Coast Highway (later US 101) at the base of the Guesta Grade near the foot of Santa Lucia Mountains, the motel was a popular stop for modern motorists exploring this ruggedly beautiful county in their automobiles. The idea of "tourist courts" for the motoring public caught the eye of another lodging pioneer, Kimmons Wilson. Wilson believed consistent marketing programs and operating procedures could lead to the financial success by fulfilling an unmet need: standardized facilities, service, and quality at the end of each day. His answer to meeting this need was Holiday Inns, the first of which was opened on the outskirts of Memphis, Tennessee, in 1952.

Based on the promise of providing standardized facilities, Holiday Inns soon grew into a successful chain of motels stretching across the United States. One room looked just like another and travelers always knew there would be free parking, a telephone, air conditioning, a swimming pool, and free ice. In addition, children under the age of 18 could stay free with their parents whenever they found the distinctive Holiday Inn sign.

Hyatt Hotels ushered in the renaissance of downtown hotel properties when they agreed to take over a yet-to-be completed hotel construction project that other companies had shunned in Atlanta, Georgia. Architect John Portman had designed the hotel with an open atrium where conventional wisdom would dictate that another 500 rooms could be built. Hyatt Hotels took on the challenge of what most hoteliers considered to be an unworkable design and successfully opened the first major downtown atrium hotel since the historic Brown Palace debuted in Denver, Colorado in 1892. The atrium concept is now widely expected and can be found in a wide variety of lodging properties and most of the newer mega cruise ships.

The 1990s were a period of growth and high profits for the hotel industry. In addition, many companies added new brands of properties to better target specific segments, such as extended-stay travelers. Lodging brands continue to be acquired or consolidated, resulting in a handful of mega-operators dominated by Utell, Cendant Corporation, Marriott International, Choice Hotels International, Hilton Hotel Corporation, InterContinental Hotels Group, Best Western International, and Starwood Hotels and Resorts Worldwide. These operators control almost 3.5 million rooms and almost 30,000 properties worldwide.

Make sense of classifications and rating systems

A wide variety of lodging properties and amenities developed to meet the needs of specific market segments. For example, it's now common for business travelers to find computers outlets in their rooms as well as larger desks, better lighting, irons and ironing boards, and hair dryers. As these features and other amenities such as shampoo, lotion, in-room coffee, and free morning newspaper gained in popularity, travelers began to expect these extras at many properties. When they were added and became the norm rather than the unusual, differences between traditional lodging property classification such as hotels and motels began to blur. To clarify this situation and more clearly communicate the differences in facilities and services among properties, organizations developed standardized classification and reporting systems.

Based on the American Hotel and Lodging Association system, individual lodging properties can be classified into the following seven categories based on the distinct market segments served (examples of brand-names in each category are shown in parentheses):

1. *Limited-service budget motels.* Simple, basic, clean rooms with no amenities other than clean towels, linens, and soap. (Sleep Inns and Microtel)
2. *Limited-service economy motels.* Upgraded room decor with color television, telephone, vending machines, and generally located close to restaurants. (Motel 6, Super 8, and Red Roof Inns)
3. *Full-service, mid-priced hotels and motels.* 24-hour front desk, upgraded interior and exterior decors, limited food service, extra room amenities, and other services. (Courtyard by Marriott, Four Points Hotels, and Holidays Inns)
4. *Full-service, upscale hotels.* Better quality and more luxurious, upgraded food service and usually concierge service. (Canadian Pacific Hotels, Delta Hotels, Hyatt Hotels, Hilton Hotels, and Westin Hotels)
5. *Luxury hotels.* Lavish guest rooms offering the ultimate in room amenities. Noted worldwide for service and surroundings. (Ritz-Carlton and Four Seasons Hotels)
6. *All-suite hotels.* Separate sleeping and living quarters, limited kitchen facilities, and complimentary food and/or beverage service in morning and evening. (Embassy Suites and MainStay Suites)
7. *Extended-stay hotels.* Apartment/studio living quarters targeting travelers seeking accommodations for five or more nights. (Residence Inns, Studio 6, and Staybridge)

Other organizations such as Smith Travel Research use classifications like upper upscale, upscale, midscale with food and beverage, midscale without food and beverage, and economy to differentiate properties based on room rates. Historic hotels (independently owned properties that are over 50 years old) occupy a special category in the classification system. They not only fulfill all the requirements of a typical full-service hotel, but also have a unique character created through restored architectural structure and collections of antiques and other memorabilia. Each of these classification systems provides managers with reference groups and benchmarks against which they can evaluate performance and plan for the future. Best practices have been identified for a variety of hotel operations including check-in, housekeeping, maintenance, food and beverage, marketing, and information technology. For example, the Newark Gateway Hilton and the Ritz-Carlton Deanborn design processes to speed up the traditional check-in process and Motel 6 achieved excellence by creating a cohesive, chain-wide promotional campaign.

Lodging lexicon

Some lodging terminology is very specific and may sound almost like a foreign language the first time you hear it. For example, terms like occupancy rates, average daily rates, RevPAR (revenue per available room) and RevPAC (revenue per available customer) carry specific meanings and are frequently used to measure financial performance and make comparisons among similar classifications of lodging properties. However, other lodging terminology is more variable and at times causes some confusion. Therefore, it is always advisable to seek clarification when using these terms to ensure effective communications.

Organizing for successful operations

Lodging facilities are typically marketed and managed under one of the following ownership patterns: independent properties, franchise properties, management contract properties, or chain properties. With the possible extension of very small independent properties, some type or formalized management structure, training programs, property management systems, and standard operating procedures will be found in most lodging properties. Property management systems manage all of our property's financial reporting and a variety of other tasks such as pricing and travel agent commissions. These tasks are often offered through an Internet platform.

At first, most hotels and motels were operated as independent properties. However, between 1960 and 1990, the trend moved toward franchise affiliations and chain operations. These affiliations have proven to be profitable because "Three-quarters of business travelers and two-thirds of the leisure travelers claim to be brand-conscious". Today, the trend is for larger properties operated under management contracts, although it appears that more and more property managers are once again deciding to go it alone.

Going to alone

Independent properties are lodging facilities owned and operated as single units with no chain affiliation or common identification. Manager of independent properties have many of the same advantages and disadvantages as the sole proprietors of B&Bs. They are not bound by corporate policies, so they are free to be creative and respond quickly to the needs of their guests and communities. The price they pay for this freedom, however, is a lack of marketing, management, and financial support and other resources that are typically provided through larger, multiproperty organizations such as franchises or chains. The epitome of

these independent hotels are referred to as boutique hotels with unique architecture and décor, offering a high level of service and typically having less than 150 rooms.

Franchising

Franchise agreements provide owners/operators (franchisees) with the use of a recognized brand-name, access to central reservation systems, training programs, documented operating procedures, standardized computer software, quantity purchasing discounts, and technical assistance from the parent company (franchiser) in return for royalties and fees. In return for the benefits received from the franchiser and in addition to the required franchise fees, franchisees must give up some of their operational flexibility and follow standardized operating procedures and purchasing requirements as outlined in the franchise contract. Although franchising has been favorably received in the States, it has not been a great success in Europe and it's been even less successful in Asia, especially where there are not enough operations in a single country to establish the brand or to require the services (assistance and support) of the franchiser.

Management contracts

The idea of operating hotels under management contract was born in the 1950s with the Caribe Hilton in San Juan, Puerto Rico. The Puerto Rican government's development agency wanted a modern hotel to encourage tourism and attract industry. The government was so anxious to attract a name brand and the management skills needed that it offered to build, furnish and equip the hotel. Hilton was approached and agreed to market and manage the property under a profit-sharing lease agreement.

Management contracts, like franchises, allow lodging chains to expand aggressively into new markets without having to make capital investment in physical facilities. Under a management contract, hotel operating companies act as agents for the owner of the property. The owner of the property hires the operating company to fulfill all of the management and marketing functions needed to run the property. The property owner continues to retain all financial obligations for the property while the management company is responsible for all operating issues. For their operating expertise, management companies receive anywhere from slightly under 3% to almost 6% of either total revenues or room revenues.

Chain operations

Chain operations refer to groups of properties that are affiliated with each other and have common ownership and/or management control and oversight. Chain operations can be created in a variety of different ways. For example, many chains such as Interstate Hotels, Inc. and Ocean Properties, Ltd. have been developed using franchise agreements or management contracts. In other cases, such as Gaylord Hotels, Adam's Mark Hotels and Resorts, all properties within the chains are owned and managed by a single company. However, the most common structure is a blend of ownership, management contracts, and franchises, which is used by both Hilton and Intercontinental Hotels.

Parent companies may own, franchise, or contract to manage any or all of the properties they operate. Interstate Hotels, Inc., provides an interesting example of how these combinations can be put together. Interstate operates franchises under the Marriott, Hilton, Westin, and Hampton names as well as other properties under management contracts. The use of different brand names allows Interstate to target travelers in a variety of market segments.

Chain operations provide many management, marketing, and financial benefits. These benefits include increased purchasing power, lower costs of operations, common signage and advertising, expanded access to centralized reservation systems, and greater support from professional staff functions such as sales and marketing, finance and accounting, and human resource management. Marketing synergies are also gained through shared database information on customer preferences and usage patterns, providing opportunities for cross-selling brands.

Strength in numbers

Can property owners retain operating autonomy and still reap some of the benefits that go along with franchise affiliations or chain ownership? This question may seem like asking for the best of both worlds, but the answer is yes. Membership in referral associations allows property owners to go it alone and still share the benefits that come from “strength in numbers”.

Referral associations come in all sizes, meeting many different marketing needs. You may already be familiar with Best Western, but not Utell. Best Western claims more than 3,500 properties in over 65 countries, the Best Western logo can be found on all types of properties ranging from airport and convention center hotels to roadside motel and resorts. In contrast, Utell is less well-known, but represents over 6,400 properties linked to over 450,000 travel agent terminals worldwide. While some referral organizations such as Resolutions, Inc. serve a wide variety of properties, other such as the Historic Hotels of America Association and Preferred Hotels and Resorts worldwide serve the needs of property owners catering to specific market niches.

There's no need for members to meet standardized design specification or change time-tested operating procedures. In fact, membership requirements are straightforward and the benefits can be numerous. After meeting established quality standards and paying an initiation fee, the benefits can begin. The marketing power of instant name recognition, a centralized reservation system, and widely distributed membership directories are just the beginning. Additional benefits can come in the form of cooperative purchasing agreements, access to training information, and the ability to share ideas with other managers.

It all begins with sales

Lodging property rely on a steady flow of new repeat guests to remain financially healthy. Even before a property opens for business, sales and marketing efforts often begin and should never end. These efforts may range from simply operating under a recognized brand-name with a toll free reservation system to a complete in-house staff dedicated to selling and marketing an individual property or an entire chain of properties. No matter how simple or complex the marketing effort, the ultimate goal is to attract future bookings of both individual and group business.

To generate reservations, hotels have a variety of options. Think back to chapter 4 and the channels of distribution we presented. Hotel reservations can be made directly by travelers, or via travel agents, or through other intermediaries such as tour operators. For example, you might pick up the phone and call your hotel of choice directly to book a room. Or you could stop in and see your travel agent who could use her CRS to reserve your room. If you were attending a large convention, you might call the convention and visitors bureau or a convention housing services firm to reserve your room.

Too often, employees fail to recognize that they are important part of these sales efforts. Just as employees must be trained to deliver high-quality service, they must also be trained to deliver high-quality service, they

must also be trained to anticipate guest needs and serve as sales ambassadors. For example, when checking-in, guests' comments that they are tired and hungry provide opportunities to recommend room service. Or, when checking out, guests who mention that they will be returning in a month provide an opportunity to ask if they would like to make a reservation now for their next visit.

Providing a home away from home

Lodging properties are more than mortar, bricks, and sticks. Once the physical facility has been constructed, a staff must be hired, trained, organized, and motivated to meet guests' needs. This task often begins long before reservations are made or guests arrive. Depending on the size of a property, guests may encounter a whole host of services employees.

Basic operating functions that must be performed in all properties include administration (general management), guest contact services (such as front office reception, cashiering, and housekeeping), and guest support services (such as grounds keeping, engineering, and maintenance). In a small hotel, inn, or B&B, there may be only one or a few employees performing all of these functions. However, due to the size and complexity of many lodging properties (some with thousands of rooms and employees), additional managers, support staff, and hourly employees performing a variety of specific functions may also be required to ensure effective and efficient operation.

No matter how large or small, the ultimate responsibility for property management remains with the general manager. General managers hold uniquely important positions as they are the focal point for employees, guests, and the community. As the top manager of a property, they perform many different but interrelated roles. These roles include providing leadership, working with the community, gathering and distributing information, allocating resources, handling problems, and coordinating a wide variety of activities and functions.

As properties grow, the primary administrative and senior management duties are typically divided between the Front Office Manager, the Director of Food and Beverage, and the Director of Housekeeping, who report to the General Manager. It is also common in many properties to find the Front Office Manager and the Director of Housekeeping reporting to the Rooms Manager. These duties are further divided between front-of-the-house positions (guest contact services) and back-of-the-house positions (guests support services). For all but the smallest properties, front-of-the-house room duties are performed in the front office and by guest service employees such as the bell, concierge, and valet parking staff. Back-of-the-house rooms duties are typically performed by the housekeeping department. You will learn more about food and beverage operations in chapter 7.

Larger and more complex properties will require additional functions such as marketing (sales), accounting (controller), human resource management (HR), building maintenance (engineering), purchasing and security services. No matter what brand or management structure, the modern guest is looking for environments that are refreshing, colorful, creative, not just efficient and tasteful.

Meeting guests' needs

The front office serves as the heart of all lodging properties as well as the first and last point for guest contact. Front-office operations are the nerve center and focal point of all guest activities and many employee contracts. Front-office employees are charged with not only meeting and greeting guests, but also with fielding their inquiries about other available services and serving as the point of exchange for most

financial transactions. Other special assistance that may be provided under the direction of the front office includes bell service, concierge service, and valet parking.

A key back-of-the-house guests service support group that is critical to guests satisfaction is housekeeping. In addition to ensuring the cleanliness of all guests facilities, the housekeeping department typically has the largest number of employees in a lodging property. Housekeeping must coordinate its activities very closely with the front office as it maintains the cleanliness and readiness of guest rooms, corridors, and common public areas in addition to managing laundry facilities in many properties. Each time guests check in, their room should appear as if no one else had ever used them. In fact, complaints about housekeeping are the number one concern for travelers.

Achieving profitable operations

The financial performance of lodging properties has been historically cyclical. When the economy grows, the demand for overnight accommodations also tends to grow. This growth results in higher occupancy rates, attracting developers who build more properties. This building boom finally slows when the economy softens, causing travel to slow or the supply of new rooms exceeds demand for these rooms. Therefore, construction and pricing decisions should be based on the ability to achieve and exceed break-even occupancy levels.

Pricing and occupancy are doubly important to lodging facilities, which are noted for operating on thin profit margins due to capital and labor intensity. Building and equipping a lodging facility is very expensive and requires a long-term commitment of financial resources or capital. Once constructed, the daily, weekly, and monthly costs of providing adequate staffing continue to be incurred.

The room size of hotel/motel operation provides the main source of income and operating profits for lodging properties, typically generating over 60% of revenues and yielding a departmental margin of approximately 70%. A great deal of management and marketing effort is focused on maximizing occupancy levels and room rates by monitoring the rate or pace of future room reservations. To achieve the maximum occupancy at the best price, hotels and motels have relied on establishing several different rates and borrowed the concept of revenue management from the airline industry. These systems help managers achieve the maximum amount of revenue from a variety of available rates. If you were to walk in off the street, you would probably receive the rack rate, the standard and most expensive quoted rate for one night's lodging.

The rack rate that is offered to transient guests is the most profitable rate for a property. The least profitable are long-term contracts with preferred customers, such as airline crews, that guarantee a minimum number of paid stays per year. These contract rates may result in prices that are only one-quarter of the rack-rate. But hotel operators are willing to forgo higher rates in exchange for guaranteed consistency in occupancy and revenues. For competitive reasons, like discounts of 10% are offered to certain groups of travelers such as senior citizens, club members, and frequent stayers. Because these guests are dealing directly with the hotel or the hotel's central reservations system, the hotel saves on paper handling costs and commissions that would be paid to a travel agent or intermediary. Room rates may be further reduced when travel agents and tour operators are extended commissions of 20% or more to generate business during slow periods. Other groups offered prices below rack rates are government employees and convention attendees. Government employees may be offered significant discounts because they frequently are limited in how much they can pay by their per diem rates. Conventioneers also receive reduced rates that have been negotiated based on the total volume of business the convention will bring to the property.

For revenue management systems to work in lodging properties, the problems of multiple-night stays, the multiplier effect of rooms on other hotel functions (such as food and beverage) , the booking lead time for various types of room, the lack of a distinct rate structure and decentralized information systems, must all be addressed. Failing to understand and adjust for these multiple variables can lead to the problem of overbooking. Even when manual systems are used, overbooking can occur.

When a property is overbooked and everyone holding confirmed reservations shows up, some guest must be relocated or “walked” to other accommodations, which costs money and creates guest dissatisfaction. Since a lodging reservation is a binding contract, lodging property managers should be prepared to provide alternative accommodations free of charge plus transportation and a long distance phone call where there is “no room at the inn”.

Even though properties may grow in size and complexity, the basic business operation remains the same. Providing accommodations to the traveling public continues to be 24-hours-a-day, 7-day-a-week task that demands dedication to detail and a strong desire to welcome and serve each guest as if that guest were the first and most important person of the day.

Using technology to tie it all together

Property management systems combine computer hardware and software into an integrated information system. These systems provide a central point for accumulated data and integrate a variety of activities at the property level such as :

- Reservations
- pricing and revenue management
- guest profile
- electronic keys
- telephone, messaging, and television activation
- Maintaining guest folios
- Updating housekeeping data
- combining night audit information and reports
- maintaining employee payroll records
- updating inventory records
- creating financial statements
- tracking the effectiveness of marketing program

These systems have been further enhanced by another important development in the use of management information technology- enterprise systems -that combine information for multiple properties. Enterprise systems present a new model of corporate computing. They allow companies to replace their existing information systems, which are often incompatible with one another, with a single, integrated system. An enterprise system enables a company to integrate the data used throughout its entire organization. By streamlining data flows throughout an organization, these management information systems are delivering dramatic gains in operational efficiency and profitability. The information generated from these databases can be mined and used for a variety of marketing programs.

Discussion questions

1. Identify and describe each of the major types of accommodations
2. Explain how timeshares (vacation ownership) operate.
3. Describe the differences among independent, franchise, management contract, and chain properties
4. Explain the importance of this statement: “it all begins with sales”.
5. Identify and describe key front-of-the-house and back-of-the-house functions
6. Describe how different rates can affect hotel revenues.