

Hotelkeeping and the Business of Hotels

These are not the same thing any more, but the objectives of both are the same. Commercial and financial success. Hotel industry consultant Melvin Gold discusses the inter-relationships.

It seems that during this prolonged economic downturn the hotel industry has been hard hit, with pressure on revenues and profits. And of course, so much has changed. But in many ways the hotel sector has fared so much better than other sectors.

I do not pretend that things have been easy, far from it. Nor do I claim to have an easy solution. But hotels, or some version thereof, have existed almost since the beginning of human life on this planet, and they have adapted constantly. Arguably there has been no time of more change than in the past decade or two, yet walk into the lobby, restaurant, bar or bedrooms of most hotels and little has apparently changed.

Actually, as far as guest expectations are concerned, once in the hotel these are largely unaltered. They want a decent night's sleep, good quality food and drink, excellent customer service, clean and comfortable surroundings, and modern amenities. They always did.

From an operational standpoint hoteliers understand that challenge and that staff recruitment and training are vital in the delivery of customer satisfaction.

The issue is that everything else seems to have changed. Ownership, financing, marketing, competition, branding, technology to name but a few things. Those things start to define the business of hotels, not hotelkeeping per se. At a senior and strategic level it is those things which engage – and perhaps distract – today's hotel management. There has recently been some press comment about the limited time spent discussing the customer in today's boardrooms. If it is true, then this is the reason.

It is worth reminding ourselves that the economic downturn has seen numerous well known brands run into severe difficulties and in some cases even disappear. Who would have thought that formerly market leading brands such as Kodak, Woolworths, and HMV, to name but a few, would have run into such difficulties. In the face of changing technology, a changing financing environment, and changing consumer habits, they were caught out.

It would be unfair to say that hotels have been unaffected by the changing business environment, in fact unfair and untrue, but no major brands or major hotels have disappeared. The financial effects on the industry have still to fully unravel, whole portfolios remain in administration or other forms of financial difficulty, but ultimately most will emerge to see a new dawn.

It is worth reminding ourselves that the fundamentals haven't changed. Hotels, and the product and services that they offer, have to be consumed in much the same way that they always have been. It may not always feel like it, but that is the strength of the sector – the product can't be downloaded, jobs can't be exported offshore, and the social experience of travel can't be replicated, whether for business, leisure, or a meeting. Yes, hotelkeeping lies at the heart of the business of hotels.

That said, the other issues cannot be ignored. The business environment has changed, and is changing. Elsewhere I have written about the change in branding in the UK hotel sector. Around 40% of UK hotels were branded in 2010, by 2030 that will be more than

60% and higher still if we take account of consortia. Around one-third of that will be in the branded budget sector. Underinvested nondescript independent hotels cannot survive that process and many will be forced to exit the market. The UK government is already amid a process of consultation the end result of which will make it easier for hotels to change use to residential accommodation. True hotelkeepers will survive and thrive though, with investment in their product and focus on customer satisfaction.

Perhaps the biggest operational dilemma is around the booking process and communication with the customer. How to deal with third party websites, social media strategies, an individual hotel website and that of the brand? Hotels have to do something in these areas but most can't afford to do everything. What works? What do your customers expect? What is cost effective? More things will change, how to be future-proof?

On the face of it why are the responses to those issues any different to a multitude of issues that have confronted hoteliers over many years? That is, commercially and with due customer focus. A long time ago there must have been similar discussion over the installation of en-suite bathrooms, perhaps even electric lighting. More recently I remember debate between mini-bars and room service and the cost and benefits of computerisation. Hoteliers are currently wrestling with the issue of wi-fi – free or paid – among other issues. The answers somehow emerge, some lead, some follow.

It is also important to see things in a balanced way. At present, with demand subdued, hotels may well need to open as many booking channels as possible. There will come a time again – yes, really! – when demand will be plentiful and hoteliers will close some less profitable (or less productive) channels. In time, and over economic cycles, commercial relationships emerge in a symbiotic way, and with balance.

I am optimistic for the future of this sector, not just commercially but as a source of growth and employment. Technology will increasingly impact, but most jobs cannot be replaced by technology. People will travel, they will make demands on hotels and hotels will rise to the challenge. Actually hotelkeepers and their teams will rise to the challenge, they will embrace change, focus on the customer, and it will drive growth of hotels as a business, with commercial and financial vitality.

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