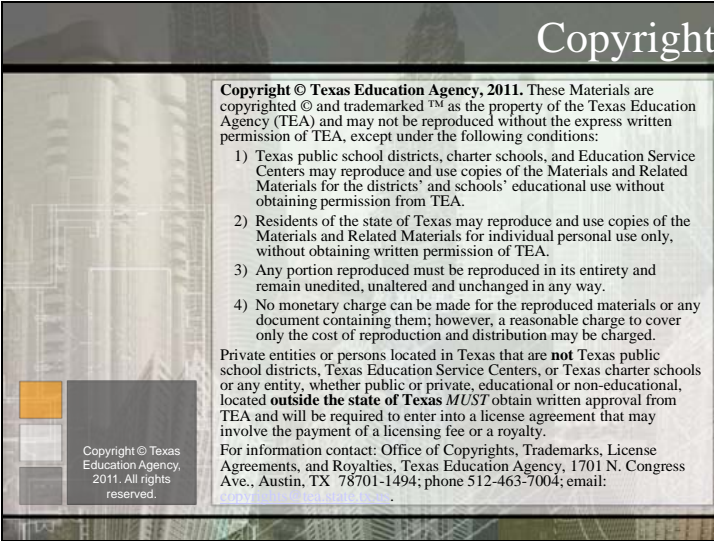


Hotel Management and Ownership PPT Presentation Notes

Slide 1






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Hotel Management




- Management and ownership are not the same thing
- Hotel Management is the day-to-day running of the hotel (also called hotel operation)
- One person (or company) can own the hotel, and another person (or company) can manage it.
- The owner can buy the hotel as an investment but not know anything about running a hotel
- A hotel management company will be hired to manage the hotel
- It is often difficult to know who actually owns the hotel

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- It can be difficult to know who owns the hotel. Since the manager is so visible, many people often think that this person is also the owner.
- Often a wealthy person, family or company will purchase a hotel as an investment. At the beginning there may not be very much profit but eventually most hotel properties provide significant profits for the owners.

MANAGEMENT CONTRACT




- Management companies operate properties owned by other entities
- Owner retains the financial and legal responsibility for the property
- Management company operates the hotel, pays hotel expenses and receives an agreed upon fee
- After operating expenses and fees have been paid, remaining profit goes to the owner
- Owner then pays debt, insurance, taxes etc.

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- Many investors hire a management company since they know very little about running a hotel. An inexperienced owner could make one bad decision that could ruin the hotel or the reputation of the hotel forever.
- An example could be cutting labor to a point that there is no customer service at the property. The employees don't have time to assist the guests or there are no visible employees to assist guests. Guests pay a good fee to stay in a hotel and expect a decent level of customer service.
- Hiring a management company is an expense that helps ensure the success of the hotel.


Hotel Management



- Example A:
 - Investor (with not hotel experience) builds and owns a hotel
 - Investor hires Hilton Management company to manage the hotel
 - Hotel has Hilton name and must follow Hilton standards
- Example B:
 - Investor (with no hotel experience) buys a Hilton franchise
 - Hotel management company hired to manage the hotel for the investor
 - Hotel has Hilton name and must follow Hilton standards

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OWNERSHIP



- Two basic structures of ownership
 1. Independent Hotel
 2. Chain Hotel
 - Many chain hotels tend to be a mixture of several types of ownership
 - Management Contracts
 - Franchises
 - Referral Groups

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INDEPENDENT HOTEL



- Single-unit business not connected with any other business
- Examples: Family-owned-and-operated hotels and B&Bs.
- Usually one owner (proprietorship, partnership or corporation)

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An independent hotel can be owned by an individual or a family or a small group of people. The hotel is not affiliated with any other hotel and operates on its own. This can be risky since there is not an already established reputation that the hotel can rely on to attract guests.

INDEPENDENT HOTEL

ADVANTAGES

- Autonomy (policies, procedures, marketing and financial obligations)
- Marketing tailored to specific populations/locations
- Flexibility in management
- Easy adaptation to changing market conditions


VACANCY

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- Depending on the owner's personalities there are some advantages. Some people like to be able to run the business the way that they think is best.
- With independent hotel properties, there are no corporate rules or guidelines that may work in one area of the country but not where you are assigned.
- Many independent hotels begin that way and eventually become chains. That is how Marriott and Hilton both began.
- In an independent property, the owner is usually on staff. He/she works at the property.

INDEPENDENT HOTEL

DISADVANTAGES




- More money spent on national advertising
- No volume purchasing power
- Travelers prefer to stay with brands they recognize

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- Unless a great deal of money is spent on getting the property's name out to the potential customer there may be low occupancy (fewer guests) at the property.
- It is hard to create the name recognition unless you have lots of guests who create your reputation through word of mouth.

CHAIN HOTEL



- Multiple-unit businesses that have the same brand name and possibly the same ownership (proprietorship, partnership or corporation)
- Chain hotels may be:
 - Management contract
 - Franchise
 - Referral group

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•Chain hotels have a recognizable name but may not be owned by who you think. Just because the name says Hilton does not mean the Hilton Company owns the property. It can be owned utilizing any of these three formats.

•An example: All of the HEB grocery stores in the Austin area are owned by the HEB company except one. That one is owned by an individual group (a family related to H. E. Butt). The store is run the same way as the others, same products, same employee training, same advertising, same customer service but the money (profits) go to that family rather than the HEB Corporation. The expenses for the Austin store are paid by their own company. There is name recognition and reputation in the HEB name so the store is profitable.

•Referral groups can also be very beneficial. If I own a hotel and my best friend from college owns a hotel and her brother also owns a hotel, we may band together and offer discounts at each other's properties. We can have advertisements in national publications that are paid for by all three of us. We can order the sheets and towels together and get bulk pricing. We each pay one third of the associated fees and save money. There are some benefits from a referral group that limit the control that a franchise structure might have.

CHAIN HOTEL

ADVANTAGES



- Brand name; strong brand identity
- Owner develops brand identity through advertising, public relations & promotions
- Brand loyalty
- Frequent guest program
- Supplies purchased in large quantity
- Centralized & specialized services (training, site selection & information systems)
- Central Reservations Center

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CHAIN HOTEL


DISADVANTAGES



- Strong control over individual properties (minimum standards, rules, policies and procedures)
- Less flexibility in management procedures

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FRANCHISE HOTEL



- A unit of a chain that has been purchased by an outside owner (franchisee)
- The outside owner runs the franchise in the way required by the chain owner (franchisor)
- Established standards for design, décor, equipment and operating procedures

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- The owner of the franchise pays the franchisor a fee for the services provided. Examples of services the franchisor could provide: the building of the property is overseen by the company design and architecture team, the hiring and training is taken care of by the company, and company guidelines and polices are established by the franchisor. In some cases, even the details like uniform guidelines and scheduling are part of the franchisor service. Advertising and marketing of the property are handled by the franchisor.
- Many times the reservation system is a central reservation system that is established and taken care of by the franchisor.
- This is a cookie cutter way of doing business. If the company is successful, you can be sure your property will be successful if you follow the guidelines. The hotel owner is copying the way the business runs.
- The fee paid by the property owner (the franchisee) may be a flat fee or a percent of the profits after all the expenses are paid.

FRANCHISE HOTEL

ADVANTAGES



- Strong brand name
- Travelers prefer to stay with brands they recognize
- Consistent established product and level of service
- National or international central reservation system
- National advertising
- Management training programs
- Advanced technology
- Central purchasing
- Architectural, construction and interior design consulting

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FRANCHISE HOTEL

DISADVANTAGES




- Strong control over individual properties (minimum standards, rules, policies and procedures)
- Less flexibility in management procedures
- Must pay a fee to franchisor

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REFERRAL GROUPS

ADVANTAGES



- Independent hotels that have banded together for a common purpose
- Hotels are not replicas but offer consistency in level of service
- Hotels within the group refer guests to other affiliated properties
- Offer central purchasing services (interior furnishings, bath amenities, linen and towels, and restaurant items)

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- Referral groups are a good reason that you may want to get to know your competitors. You may be able to collaborate and share some services.
- Referral groups are also a good reason for a hotel owner to join professional organizations. When he/she attends the annual convention, he/she may meet another hotel owner from a different city or state that runs a property that is similar in concept to theirs. Maybe the owners can share some of the necessary expenses associated with the running of your hotel (advertising, purchasing, etc.)
- Many Boutique hotels have combined to create a boutique hotel association. They share some of the advertising and promote each other's properties. There is a website that a guest can look at for a listing of boutique hotels.

The slide features a dark grey background with a faint image of a building. On the left side, there is a graphic of a 'MOTEL' sign and a film strip. The text is arranged in a list format on the right side.

REFERRAL GROUPS

DISADVANTAGES

- Members must maintain certain operating standards
- Limited control over members on agreed upon items
- A member can leave if it becomes dissatisfied
- The group can ask a member to leave if the member doesn't meet the requirements or pay dues.
- <http://youtu.be/3ioXSUGsHlo>
- **Cool Careers: Hotel Manager**

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Cool Careers: Hotel Manager

Uploaded by [jansonmedia](#) on Jan 12, 2009

http://www.janson.com/dvd/show_title.php?pid=20342 Get A Life! Cool Careers, a DVD designed specifically for high school and junior high school students, which deals with the challenges, issues and choices facing today's youth about their future lives and career choices. Anchored by two hip, young hosts, Paula Haffner and Kipp Lightburn, *Get A Life! Cool Careers* consists of feature stories from an incredibly diverse range of career opportunities and job profiles. Produced in a fast-paced and zany style by an award-winning Canadian production company, *Cool Careers* helps today's youth come to grips with some of the most important decisions of their lives, and does it in a fun and hip style that appeals to the MTV Generation.

References/Resources

Textbooks:

- Reynolds, Johnny Sue. *Hospitality Services Food & Lodging*. Second. Tinley Park: The Goodheart-Willcox Company, Inc., 2010. Print.
- *Lodging Management Program Year One*. AHLA Educational Institute

Websites:

- 20 Questions before starting a Business
Many people dream of having their own business. To see if starting a business is right for you, ask yourself these important 20 questions
<http://www.sba.gov/content/20-questions-before-starting-business>
- Is Entrepreneurship for You?
Becoming a successful entrepreneur requires sound planning, creativity and hard work.
<http://www.sba.gov/content/entrepreneurship-you>
- Master in Management
Management consists of planning, organizing, staffing, leading or directing, and controlling an organization for achieving a goal and a person handle the entire organization is known to be as a Manager.
<http://www.mastersinmanagement.org/10-famous-managers-who-changed-the-world.html>
- Top Hotel Owners & Operators
A list of ownership and development companies and third-party management companies who focus on the lodging industry.
<http://lhonline.com/hotel-development-resources/top-hotel-owners-operators/>

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