

CHAPTER 1

Overview of the Hotel Industry



INTRODUCTION

The hotel industry has evolved from its very modest beginnings of families and small business operators offering a single bedroom or just a few guest rooms to the high-rise or resort-style properties of today that may contain thousands of guest rooms. This chapter will help you understand the environment within which hotel managers operate modern hotels. Managers of lodging facilities work in the tourism industry, one of the largest in the world, and this text discusses common management principles, knowledge, and skills that can be transferred to hotels of many types and sizes in almost any location.

Lodging facilities can be classified by location, room rate (the amount charged for a guest room), and number of guest rooms. They can also be classified by the type of guests they serve (e.g., business or leisure travelers) or by ownership and management alternatives.

The purpose of this book is to help you learn what a general manager (GM) in today's hotel environment must know and do to be successful. As your career

in the lodging industry progresses, you will be able to build on the base of information found here. As your personal experiences add to this foundation, you will find yourself able to manage more effectively in a wider range of positions with ever-increasing responsibilities.

The hotel industry is a service industry and success requires a proper attitude or philosophy about serving guests. Hotel GMs cannot “fake” their concern about guests. Instead, they must have a genuine enthusiasm to please those visiting their properties. This concern must also extend to the hotel staff because they will likely interact with guests far more than their managers.

This chapter begins by providing an overview of the tourism industry and, more specifically, the lodging sector within it. It continues by explaining how lodging organizations may be organized and by identifying current industry challenges. It concludes by examining career opportunities and offering some career planning suggestions.

CHAPTER 1 LEARNING OBJECTIVES

As a result of successfully completing this chapter, readers will be able to:

1. Define components of the tourism industry and its lodging (hotel) sector.
2. Examine lodging industry properties, guests, and characteristics.
3. Describe lodging property ownership, management, and organizational alternatives.
4. Identify current lodging industry challenges.
5. Review typical lodging industry career opportunities and effective career planning principles.

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Lodging Is Part of the Tourism Industry

Learning Objective 1

Define components of the tourism industry and its lodging (hotel) sector.

We begin our study of hotel operations management by noting that lots of information will be addressed because the hotel management discipline is complex. However, it will also be fun and exciting to learn how professional **hoteliers** describe their work.

HOTEL TERMINOLOGY

Hoteliers: Those professionals who work in the hotel and lodging business.

We will focus on the GM of a 350-room hotel offering many guest services and what he or she must know and do to operate a successful property. By studying a property of this size, we can present *practical* information applicable to many lodging businesses. Good news! The policies and practices to be discussed are, in many ways, relevant to a property of any size. Therefore, you will be learning how to be an effective manager regardless of the size of hotel(s) you will manage.

Overview of the Tourism Industry

Lodging properties are a segment within the **tourism industry**. According to the United Nation's World Tourism Organization (UNWTO), a visitor is classified as a tourist if his or her trip includes an overnight stay or is classified as a same-day visitor otherwise.¹ The U.S. tourism industry is one of the top 10 largest industries in 49 of the 50 states and in the District of Columbia.²

Figure 1.1 provides an overview of the types of organizations that comprise the tourism industry.

HOTEL TERMINOLOGY

Tourism Industry: All businesses that cater to the needs of the traveling public.

When reviewing Figure 1.1, note that there are four major tourism industry segments. One (hospitality) is composed of lodging and food and beverage operations. This book is about the *lodging operations* sector. In addition to personal travel, people also travel for business, which might include professional meetings

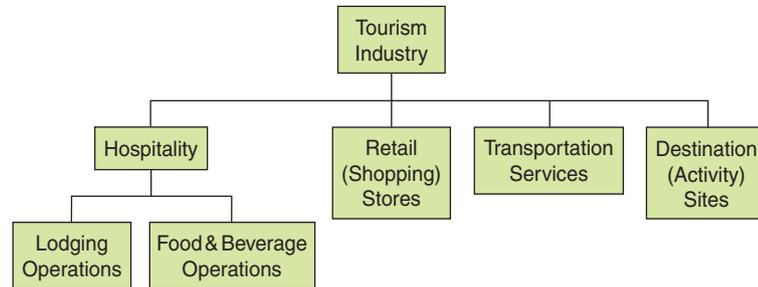


FIGURE 1.1
Segments in the Tourism Industry

and conventions. Facilities that host these meetings are part of the lodging operations sector and include convention centers and private retreats as well as hotels.

The other component of the hospitality segment, food and beverage operations, includes businesses such as numerous types of restaurants that desire a profit. Many hotels offer food and beverage service venues, and managers in these properties use the same management principles as their counterparts in commercial (for-profit) restaurants. There are also noncommercial (nonprofit) food-service operations in facilities such as schools and healthcare facilities, the military, and many other places where people can consume meals away from their homes.

Retail (shopping) stores include gift/souvenir shops, retail shopping malls, markets, and other businesses selling products to those residing within a specific location and to those who travel to that area. Transportation services include



How many lodging and F/B operations are shown in this picture? mitgirl/Fotolia

airplanes, rental cars, trains, cruise ships, and other alternative ways that people travel between destinations. Finally, destination (activity) sites include places where tourists visit including locations offering sporting, ethnic, entertainment, cultural, and other events.

The Lodging (Hotel) Sector

In its narrowest sense, the term *hotels* refers to places with guest rooms for sleeping. However, this term is of limited use to today's traveling public because there is a wide variety of lodging alternatives. At one extreme, some guests may select a lavish destination resort in an exotic location that, in addition to sleeping rooms, offers many recreational alternatives, food and beverage outlets, and numerous other luxurious amenities. Other travelers prefer a **full-service hotel** that offers, in addition to sleeping rooms, a variety of food and beverage services. These may include **à la carte** dining rooms, coffee shops, or lounges, and **room service** and banquet facilities. Still other travelers desire a **select-service hotel** that simply provides sleeping rooms with no food and beverage service except, perhaps, a limited complimentary breakfast. On the farthest end of our lodging alternative continuum are lodging organizations with sleeping spaces, some without private restroom facilities such as **hostels**, and others rented on a short-term (ranging up to six or more hours) basis at airports and other locations.

HOTEL TERMINOLOGY

Full-Service Hotel: A lodging property that offers guest rooms and meeting space as well as complete food and beverage services.

à la carte: A food-service operation in which the menu items offered are individually priced.

Room Service: Food and beverage products served to guests in their sleeping rooms.

Select-Service Hotel: A lodging property that offers "selected" services to guests that include rooms but only very limited food services; also known as *limited-service hotel*.

Hostel: Inexpensive sleeping accommodations, typically dormitory style and often with shared bathroom facilities that are popular with young travelers.

This range of lodging options is still not inclusive. For example, facilities other than those commonly referred to as hotels may offer sleeping accommodations. These include private clubs, casinos, cruise ships, time-share condominiums, and campground lodges. In addition, there are hotels offering only **suites** (known as *all-suites hotels*), extended-stay hotels designed to attract guests who tend to stay for a longer period of time, and very small hotels usually operated out of converted homes (Bed and Breakfast or B&B properties).

HOTEL TERMINOLOGY

Suites: This term generally refers to a guest room consisting of at least two physically separated rooms or, at least, a hotel room that is extra-large when compared with that hotel's standard guest room.

To this point we have addressed lodging operations open to all of the traveling public. There are also facilities offering sleeping accommodations for selected groups of people living away from their homes for short or long periods

of time. These include schools, colleges, and universities offering residential services, healthcare (hospital and extended-care) facilities, correctional institutions (prisons), and military bases.

Close Look at Lodging Organizations

Learning Objective 2

Examine lodging industry properties, guests, and characteristics.

This section provides an overview of lodging organizations from three perspectives: the properties themselves, the guests, and important characteristics shared by all hotels.

Lodging Properties

In 2013, there were approximately 52,887 lodging properties with 4,926,543 rooms in the United States. This means the “average”-size lodging property contained 93 rooms ($4,926,543 \text{ rooms} \div 52,887 \text{ properties} = 93 \text{ rooms per property}$). Additional characteristics of that “average” property include a suburban location and a room rate of more than \$85.00.³ This information should be of interest to those aspiring to be GMs of a very large, luxurious property in a large city. There are, of course, many properties of this type and managing one is an excellent goal. However, the “average” property is smaller, is in a nonurban location, and sells its rooms for a relatively modest price. Realistic expectations of employment opportunities, especially early in one’s career, are important. The good news is that excellent opportunities exist in all types of properties of all sizes in all locations, and the principles required to operate a smaller hotel are the same as those used to operate large properties.

Some hotel operators classify hotels by the rates they charge for rooms. This is difficult because frequently used industry terms such as *upscale*, *mid-price*, *economy*, and *budget* vary by geographic regions. For example, a very nice room at a mid-priced lodging property in a small rural community may be less than \$75 per night. However, in New York City, it may be difficult to find the same type of room for even five times this rate!

INTERNET INFORMATION

Want to learn current information or statistics about the size and scope of the domestic and/or global lodging industry? If so, search the Internet for topics such as:

- Largest U.S. hotel chains
 - World’s largest hotel groups
 - Best hotels in the world
-

Lodging Guests

Recent statistics indicate that approximately 41% of lodging **guests** traveled for business; the remaining 59% of guests traveled for pleasure.⁴

HOTEL TERMINOLOGY

Guest: A person who rents rooms and/or purchases food or beverages at a lodging property.



AN INTERESTING DETAIL

Throughout this book we refer to the person renting the hotel room as a *guest*—not a *customer*. In everyday use, these terms are often used interchangeably. However, professional hoteliers know the terms have different meanings. To the extent practical, hoteliers treat those visiting their properties the same as they would treat friends visiting in their own homes.

In contrast, *customer* implies someone whose relationship with the property is based only upon the exchange of money for products and services provided. Yes, *guests* must pay for the products and services they receive; however, the tactic of treating visitors as *guests* rather than *customers* helps establish the positive guest-service philosophy that is critical to a hotel's success.

People travel for one or more of four reasons: business, conference/group meetings, vacation, or for other purposes. Some hotels cater to one category of guests all the time. However, many hotels generate business from two or more types of guests. For example, business travelers may visit the property during the workweek and vacationers may visit the hotel on the weekend when they are in the area for personal reasons. Increasingly, business and meeting attendees combine their group meeting attendance with vacations. They may bring their families and attend meetings during part of their stay, and then enjoy a family vacation for the remainder of the visit.



Guests staying at this hotel may be traveling for business reasons during the week and for personal occasions on the weekends. Photographee.eu/
Fotolia

INTERNET INFORMATION

Want to see current statistics about the U.S. hotel industry? Check out the American Hotel & Lodging Association (AH&LA) at www.ahla.com

When you reach the site, click on “Information Center.”

Current as of 23 February 2015

Lodging Industry Characteristics

Professionally operated hotels share several common characteristics. For example, there is an emphasis on *safety, cleanliness, and service*. Few, if any, guests consider only the room and other physical attributes of the property when making a guest room-purchase decision. For example, safety and cleanliness are very important considerations. Friendliness (hospitality) of property staff is also an important issue that, along with the physical aspects (size, quality of maintenance, furnishings, and other factors), is part of the guests’ evaluation. These become intangible (difficult to quantify) aspects of the purchase decision that potential hotel guests consider.

Hotel managers recognize several other factors that impact their operations:

- **Inseparability of Manufacture and Sales.** One cannot separate the “manufacture” (production) of a guest room with its “sale.” A room exists and is sold at the same site. Contrast this with, for example, the manufacture and sale of an automobile, a shirt, or a television set. These products are typically manufactured at one site and are sold at another. The hotel’s GM and staff must be “experts” in both manufacture and sales, while their counterparts in other industries must only be an “expert” in the production or the sales function.
- **Perishability.** If a guest room is not rented on a specific date, the **revenue** for that guest room for that date is lost forever. By contrast, an automobile, shirt, or television can remain in inventory for sale on a later date.

HOTEL TERMINOLOGY

Revenue: Money the hotel collects from guests for the rental of rooms as well as the purchase of hotel goods and services.



- **Repetitiveness.** The steps involved in preparing a guest room for rental or producing a specific menu item are basically the same every time these items are sold. These routines, or operating procedures, allow for some standardization. At the same time, however, they can also create challenges. First, it is always important to focus on the guests’ individual needs and, second, standardization provides less opportunity for creativity in the decision-making processes used to perform required work.
- **Labor Intensive.** In many industries, for example, automotive, electronics, and technology, sophisticated equipment has replaced people in many work activities. By contrast, less of this has occurred in hotels because employees are needed to provide services and products. The traveling public increasingly

wants and will pay for services and products delivered by employees who consistently attain required standards. A hotel's ability to attract and retain qualified staff members who consistently deliver excellent service is a key to the success or failure of a hotel.

Hotel Ownership, Management, and Organizational Alternatives

Learning Objective 3

Describe lodging property ownership, management, and organizational alternatives.

In this section, we will address ownership, management, and organizational alternatives for lodging organizations.

Who Owns and Manages Hotels?

Large hotel **brands** dominate the U.S. lodging industry's guest room inventory. However, brands, most often, do not own the hotels that carry their names. Instead, hotel owners elect to affiliate, for a fee, with the brand. This arrangement is addressed in great detail later in this text (see Chapter 14 *Franchise Agreements and Management Contracts*) because the relationship between those who own and manage the brands (**franchisors**) and those who actually own and operate the hotels within the brand (**franchisees**) is unique.

HOTEL TERMINOLOGY

Brand: The name of a hotel chain; sometimes referred to as a flag.

Franchisor: A company who owns the right to manage a brand and sells the use of the brand's name and/or business model.

Franchisee: A person or entity that purchases the right to use a brand name and business model for a fixed period of time and at an agreed-upon price.

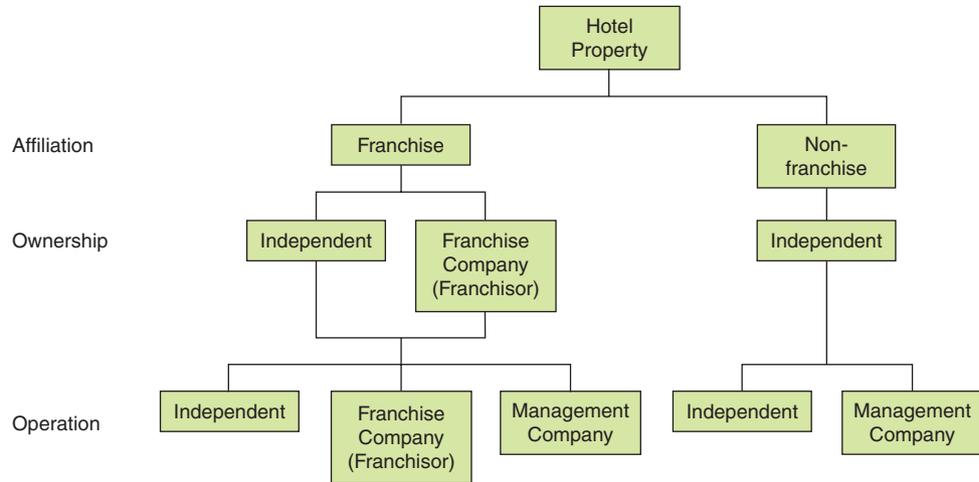
AN INTERESTING DETAIL

A motorist is driving along the highway and sees a sign for a popular hotel chain. The name is easily recognizable because of an extensive nationwide advertising campaign. A typical person might think the hotel company purchased some land and built another hotel to operate in this location.

In fact, that is not likely. Instead, an independent investor or company has probably built the property on owned (or leased) land and signed an agreement with the brand name's owners to operate the hotel in a manner consistent with that brand's standards. In many cases, the investor will also hire a third-party operating company to manage the hotel.

There are numerous ways hotels are owned and managed (see Figure 1.2), which includes:

- **Single-Unit Property Not Affiliated with Any Brand.** Some single-unit, or independent, properties have been in business for many years, are extremely successful, and may be the preeminent hotel in a community or area. This,

**FIGURE 1.2**

Summary of the ownership/management arrangements possible today. It confirms that the ownership/management of a hotel can be complex because of the many possible ownership/management alternatives.

however, is the exception. These properties capture an ever-smaller **market share** in the lodging industry nationwide.

HOTEL TERMINOLOGY

Market Share: The percentage of the total market (typically in dollars spent) captured by an individual hotel property. For example, a hotel generating \$200,000 in business traveler guest room revenue annually in a community where business travelers spend \$1,000,000 per year will have a 20% market share ($\$200,000 \div \$1,000,000 = .20$ or 20%).

- **Single-Unit Properties Affiliated with a Brand.** Properties that are part of a hotel chain are the most prevalent arrangement type in the United States. This brand-affiliation arrangement, whether the hotel operates internationally, nationally, regionally, or locally, is successful because of brand name recognition and because it is often easier to receive needed financing for businesses affiliated with a brand.

Of course, some owners have multiple hotels, and, when they do, they have a variety of options available to them:

- **Multiunit Properties Affiliated with the Same Brand.** Some owners own several hotels and affiliate all of them with the same brand. This often makes managing them easier because the expectations of the brand's owners are well known.
- **Multiunit Properties Affiliated with Different Brands.** Some owners elect to choose several brands. Sometimes this is done because they own more than one hotel in a market area and feel that two hotels with the same brand would compete against each other directly. In other cases, the owners may have some select-service and some full-service hotels, and the same brand name would not apply to both of these dissimilar types of properties.

- **Multiunit Properties Operated by the Brand or Others.** Some brands will, for a fee, offer their own management services to hotel owners. Also, some third-party companies neither own the brands nor the hotels, but simply provide, for a fee, professional management services to the hotel's owners.

These entities are known as **management companies**. There are many management companies that operate hotels of numerous brands owned by many separate owners. This special arrangement will also be examined more fully in Chapter 14.

HOTEL TERMINOLOGY

Management Company: An organization that operates a hotel(s) for a fee; sometimes called a *contract company* or *contract management company*.

- **Multiunit Properties Owned by the Brand.** Some large brands do own and operate some of their own hotels. Independent (not controlled by the brand) hotel ownership, however, is the most common type in the United States.

Hotel Organizational Structures

From the guest's perspective, the primary functions of hotel personnel remain the same regardless of property size. Guests, many of whom make advance reservations, want to be checked into a safe and clean room and expect to pay (often by payment card) upon departure. They may expect food and beverage services offered in a full-service property as well. As the number of rooms in a hotel increase, the number of employees increases as well, and they perform tasks in increasingly more specialized positions.

To understand the differences in hotels of varying sizes, let's consider how small hotels (less than 75 rooms), large hotels (350 rooms), and mega properties (3,000 rooms and larger) are typically organized.

REAL WORLD HOTEL CHALLENGES (1.1)

J.D. Ojisama is the assistant GM of an independent (privately owned) full-service hotel with 250 rooms. The present GM, the son of the hotel's founder, has expressed an interest in early retirement; he has two children, one of whom is a department head in the property.

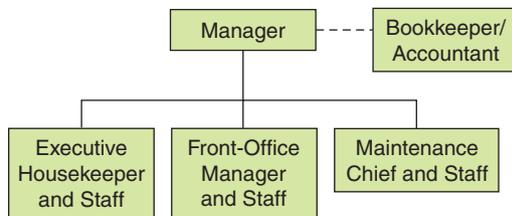
J.D. has been approached by a management company to assume the position of GM in a 385-room property in another city. The recruiter noted the company's track record in quickly promoting its managers to larger properties with increasingly greater compensation.

J.D. believes this to be true because of the increasing number of hotel management contracts the company is acquiring.

J.D. discusses the situation with his present GM who, in addition to being the boss, is also a friend. "You should do what is best for you," said the GM. "However, you have a secure position here. Your salary increases are fair, and I promise they will keep coming. Besides, you grew up around here, and all your friends and relatives are nearby. If you move on with the management company, you will have

to relocate to another area. Then, what will happen later if they lose the contracts to manage some properties or are acquired by another management company? You have a good job with almost guaranteed employment here. Why jeopardize it?"

1. If you were J.D., what issues would affect your decision?
2. Why might J.D. want to accept employment with the contract management company?
3. Why might J.D. want to stay with his present employer?

**FIGURE 1.3**

Organization Chart for Small (75-Room), Limited-Service Hotel

Small Hotels

Figure 1.3 shows a sample organization chart for a smaller, select-service hotel with 75 rooms. The property owner may even be the GM. Such a hotel is likely to have someone responsible for maintenance and some maintenance support staff, an executive housekeeper who supervises hourly paid employees who clean the hotel's rooms and public spaces, and a front-office manager who supervises those working at the hotel's **front desk**.

There may or may not be a designated individual responsible for hotel sales. A bookkeeper/accountant (typically part-time) may be retained for completion of financial reports and tax returns; however, this position may also be held by the hotel's GM.

HOTEL TERMINOLOGY

Front Desk: The area within the hotel used for guest registration, communication, and payment.



Large Hotels

Figure 1.4 is a sample organization chart for a larger, full-service hotel with 350 rooms. It illustrates the departments and functions that will be addressed in detail in the following chapters. With increased size, specialists (department heads) are hired by the GM to perform accounting, revenue management, sales and marketing, front office, housekeeping, food and beverage, safety and security, engineering and maintenance, and perhaps other important tasks. These top-level hotel officials will require assistance from managers and supervisors who, in turn, manage the day-to-day work of entry-level staff members.

Mega Hotels

Figure 1.5 details a sample organization chart for a mega hotel with 3,000 rooms and shows many positions required to operate a very large hotel. Note, for example, the food and beverage department and its many highly specialized positions. Positions with very specific duties in other departments are also necessary to handle the increased work required to effectively operate a hotel property with this many (or more) rooms.

Note that very large hotels typically require a **resident manager** to assist the GM with the direct supervision and coordination of several operating departments: food and beverage, purchasing, engineering and maintenance, front office, and security.

HOTEL TERMINOLOGY

Resident Manager: The manager in a large hotel who is directly responsible to the GM for the property's operating departments. This often includes food and beverage, purchasing, engineering and maintenance, rooms (front office and housekeeping), and security.



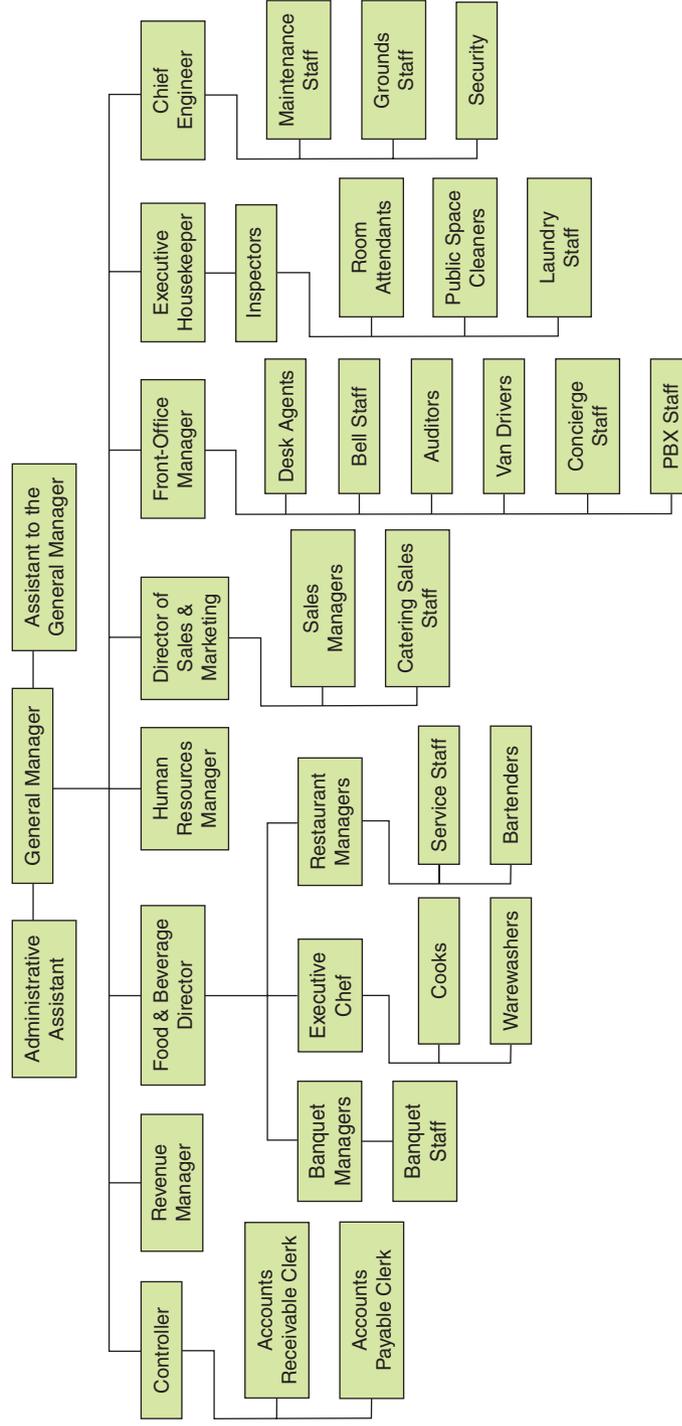


FIGURE 1.4
Organization Chart for Large (350-Room), Full-Service Hotel

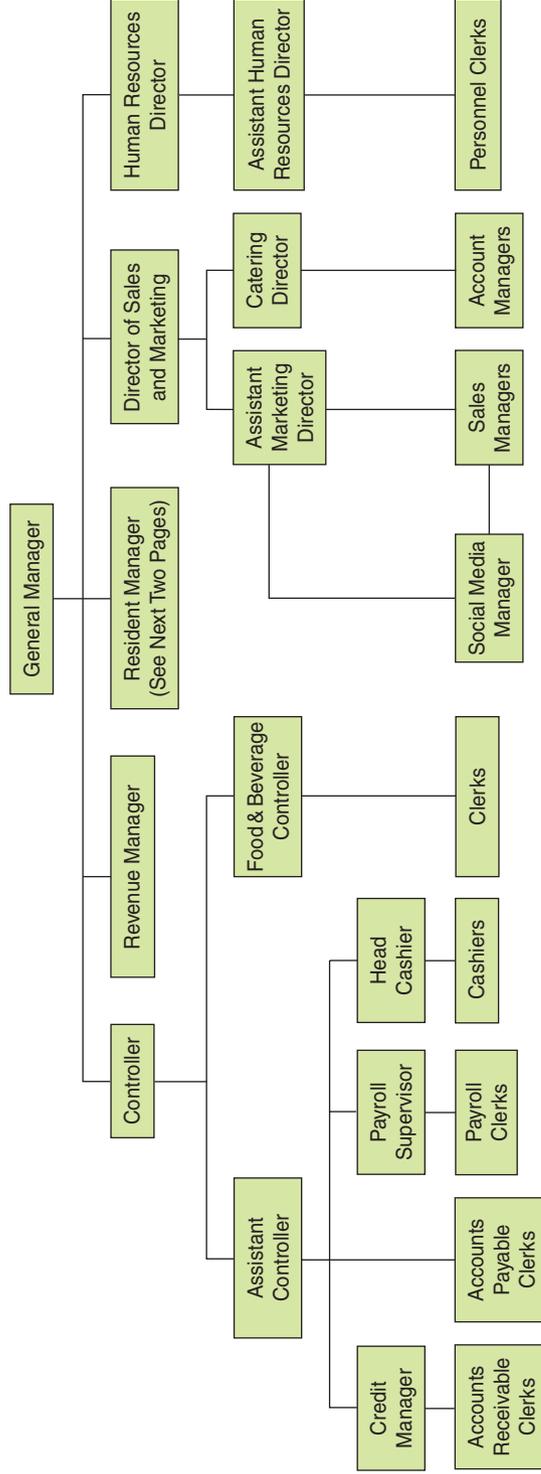
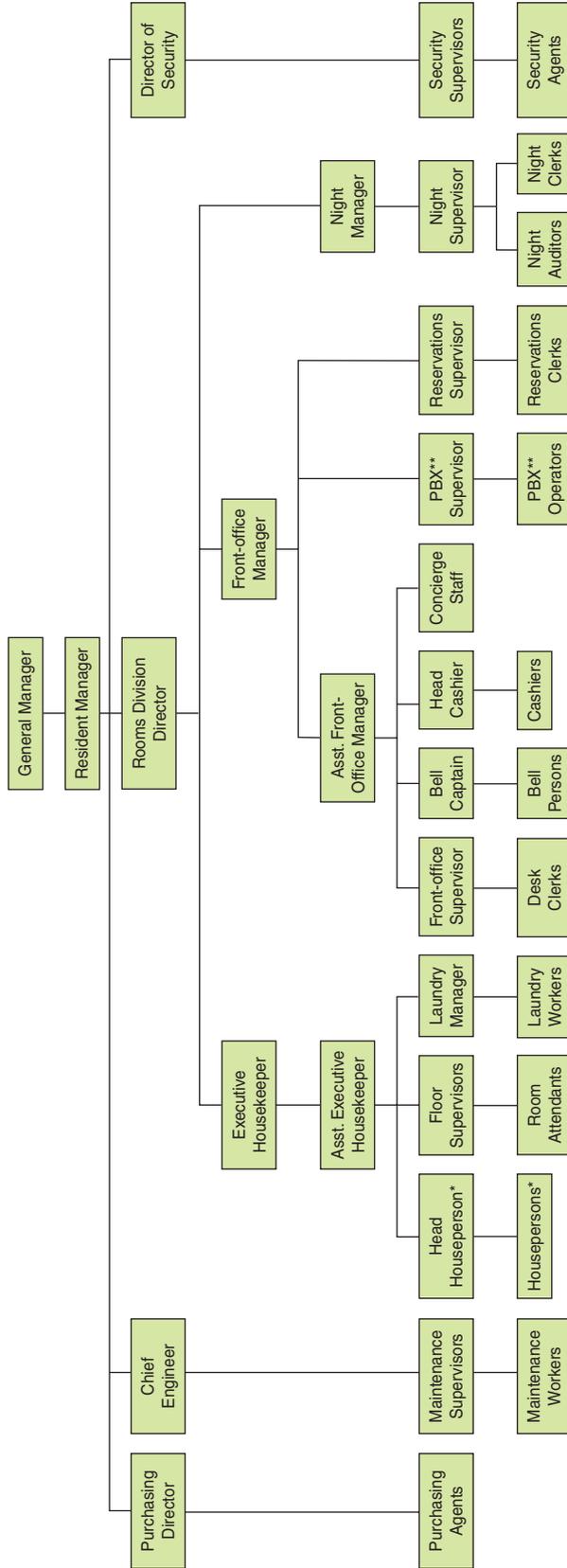


FIGURE 1.5
Organization Chart for Mega (3,000-Room) Hotel



*Housepersons are responsible for cleanliness of public/group function spaces.

**Public Broadcast Exchange—a technology relating to the within-hotel communications (telephone) system.

FIGURE 1.5 (Continued)

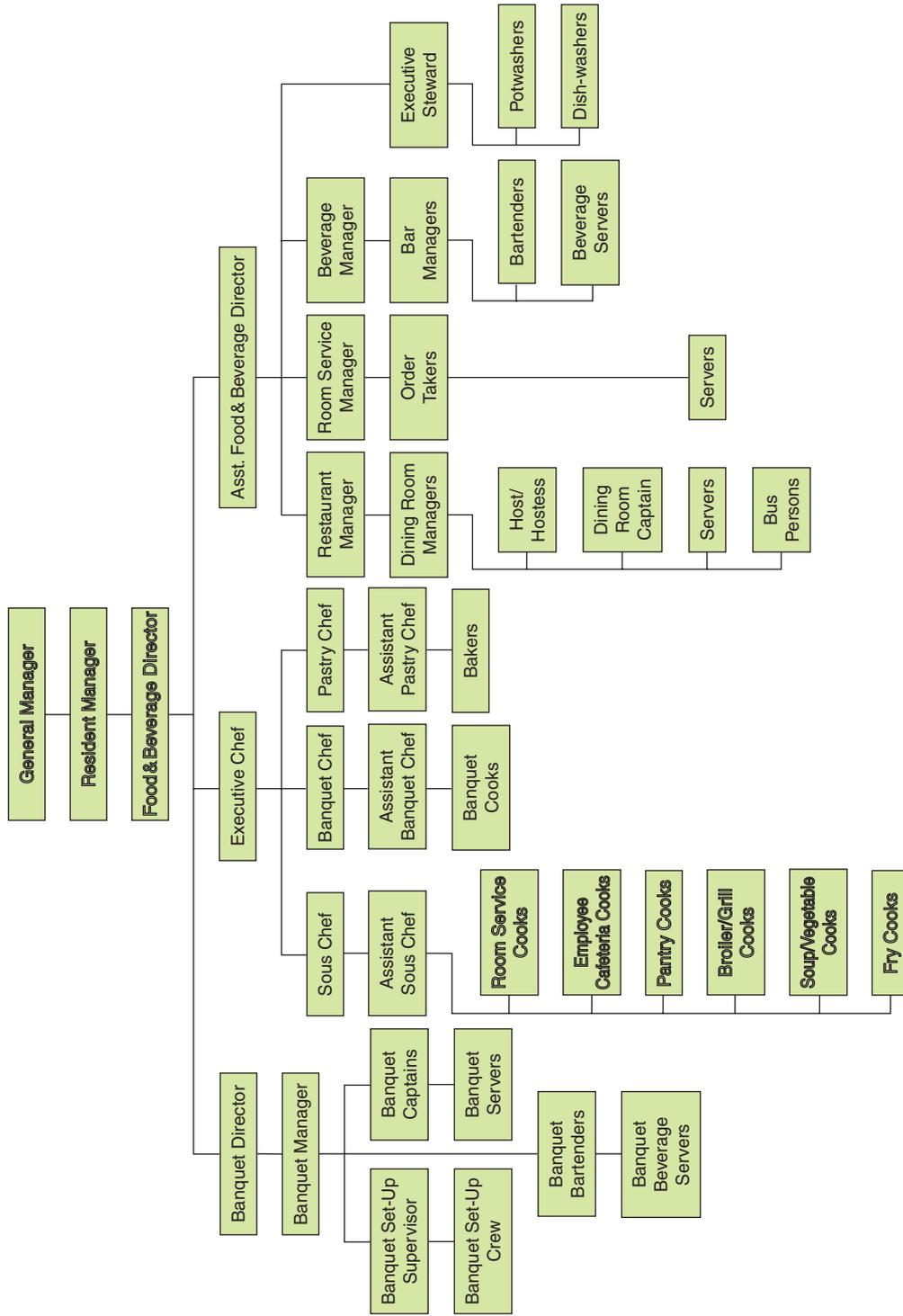


FIGURE 1.5 (Continued)

Hotel Departments

Later chapters address major hotel departments in detail with an emphasis on how a GM can best manage (interact) with each of them. However, knowledge about differences between line and staff departments and revenue and cost centers provide a helpful foundation for those discussions.

Line and Staff Departments

Hotel departments can be classified according to line and staff functions. **Line departments** are those directly involved in the “chain of command.” Managers in these departments are responsible for making the direct operating decisions that impact the success of the property. Examples of line departments are the front office, food and beverage, housekeeping, and property operation and maintenance.

HOTEL TERMINOLOGY

Line Departments: Hotel divisions in the “chain of command” that are directly responsible for revenues (such as front office and food and beverage) or for property operations (such as housekeeping and the property operation and maintenance departments).

Managers in line departments need the specialized and technical assistance of employees in **staff departments** who provide information to support the line decision makers. Typical staff departments in a hotel include purchasing, human relations, and accounting. For example, the food purchasing staff only buys items on the menu designated by line department menu planners.

Similarly, human relations personnel do not “hire and fire employees”; their role is to provide personnel needed by line departments and to provide technical advice about labor laws, training, and related specialized activities. Accounting personnel are responsible for developing accounting systems, collecting financial information, recording data in financial statements, and making recommendations to (but not making decisions for) the GM and decision makers in line departments.

HOTEL TERMINOLOGY

Staff Departments: Hotel divisions that provide technical, supportive assistance to line departments. Examples include the purchasing, human resources, and accounting departments.

Revenue and Cost Centers

Hotel departments can also be classified by whether they generate revenue or, alternatively, they incur costs to support revenue-generating departments. The two most obvious examples of hotel **revenue centers** are the front-office department, which generates revenue from the sale of guest rooms, and the food and beverage department, which sells products in dining rooms, lounges, room service, and banquet areas.

HOTEL TERMINOLOGY

Revenue Center: A hotel department that generates revenue. Two examples are the front-office and the food and beverage departments.

A hotel may also generate revenues from retail space rentals such as leasing a gift shop or other space, spa and resort fees, auto parking fees, and other sources based on the hotel's complete product and service offerings.

A **cost center** exists to help revenue centers generate sales. Examples include the sales and marketing, property operation and maintenance, accounting, human resources, and security departments. Today and in the future, cost center managers will be increasingly required to quantify exactly how they provide value to their organizations. GMs and other top-level managers will properly challenge the cost-effectiveness of all money spent for staff salaries and wages as well as the funds spent to purchase other resources shared by all departments within the hotel.

HOTEL TERMINOLOGY

Cost Center: A hotel department that incurs costs in support of a revenue center. Two examples are the housekeeping and the property operation and maintenance departments.



Current Industry Challenges

Learning Objective 4

Identify current lodging industry challenges.

There are many issues and challenges confronting hoteliers in today's competitive lodging environment. This section contains a special focus on operating, marketing and sales, technology, and economic issues.

Management and Operating Challenges

Many concerns confront hoteliers as they consider the day-to-day operation of their properties. Some of the most important of these are labor shortages, cost containment, increased competition, and legal aspects of the labor force.

Labor Shortages

Labor shortages were of significant concern to hoteliers until the economic recession that affected lodging properties for several years beginning in 2007. Since the industry is heavily dependent on the economy, travel decreased, hotel occupancy levels were reduced, and a smaller labor force resulted. Fortunately, the economy has now improved, leading to higher occupancy levels, and some hoteliers are once again confronted with the challenge of recruiting employees. This is especially true for some hourly paid and even management-level positions.

GMs can best address this concern by implementing procedures to (a) reduce employee turnover levels to minimize the number of new staff members that must be recruited, (b) increase productivity levels so fewer employees are needed to effectively operate the hotel, and (c) recruit from nontraditional employee labor markets, including younger, inexperienced workers, older workers, and physically challenged individuals. Note that employee retention will be addressed in Chapter 4 (*General Managers are Leaders*) where a process is described that helps to develop a corporate culture of employee respect that encourages qualified workers to remain with the organization. Chapter 5 (*Human Resources*) also reviews successful employee retention tactics.



Guests require products and services delivered by employees with different responsibilities who must work together. Tyler Olson/Fotolia

Cost Containment

Professional hoteliers are continually examining all possible ways to reduce costs without impacting quality standards. Interestingly, **downsizing**, which involves reducing the number of staff members employed, has been met with only limited, if any, success in many hotels.

HOTEL TERMINOLOGY

Downsizing: Reducing the number of employees and/or labor hours for cost-containment purposes.

This may speak to the effectiveness of past hotel management practices. Despite the observation that “all hotel rooms look alike when the guest is sleeping,” however, “all hotel rooms do not feel alike when the guest is sleeping.” The traveling public pays for both a product (the room) and the services provided with the room. An excessive emphasis on reducing product and/or service quality to reduce costs will ultimately result in reduced hotel revenue.

Hoteliers are successfully utilizing one cost containment strategy with great success when they remove **defects** that do not contribute value to their guests’

experience. One excellent example is the emphasis on energy conservation that reduces energy usage using energy management and facility-design tactics. Note: this topic is addressed in detail in Chapter 12 (*Property Operation and Maintenance*).

HOTEL TERMINOLOGY

Defect: Used in quality management to describe a cost that is incurred which does not yield value (benefit) for the guest.

Increased Competition

Hoteliers in many geographic areas in the United States indicate their community is **overbuilt**. That is, there are too many hotel rooms for the number of guests wanting to rent them. This has led to competition between properties in an effort to provide greater value to their guests, but it can also result in lower profit levels for the hotel's owners.

HOTEL TERMINOLOGY

Overbuilt: The condition that exists when the number of hotel guest rooms available exceeds the rooms demand of travelers.

Nontraditional lodging alternatives create direct competition to traditional hotels in an increasing number of locations. These alternatives are of several general types. For example, some individuals manage the sale, reservation, rental, and guest-payment systems for short- or longer-term rentals of personally owned homes or condos. Organizations such as Vacation Rental by Owners (VRBO) may provide these services to owners for specified fees. Relatively new businesses, such as Airbnb, manage rentals for guest rooms within private homes and other sleeping facilities. Some of these online marketplaces are more like connection sites that facilitate the leasing of spaces in private homes and apartments by owners who in many cases are not even in the same city, state, or country.

Potential concerns for some alternatives relate to those of regulatory agencies who may not collect occupancy and sales taxes and who have concerns about safety and other problems when nonprofessionally managed facilities are rented. Lodging operators are concerned about reduced revenues.

Legal Aspects of the Labor Force

Laws and regulations applicable to employees provide on-going challenges that are sometimes beyond the understanding of managers without specialized knowledge. One recent example is the Patient Protection and Affordable Care Act (PPACA); commonly referred to as Obama Care or the Affordable Care Act (ACA). Its intent is to expand affordable healthcare coverage and reduce healthcare costs. Aspects relating to employers including those in the hospitality industry are sometimes troublesome. For example, one provision of the law levies fines on affected employers who do not provide adequate health coverage to their full-time employees: those who work over 30 hours per week or 130 hours per month.

Immigration issues are a second example of legal concerns important to many hoteliers including those who hire a large number of staff members for seasonal employment such as in resorts and clubs. Employers must verify that the workers they plan to employ or continue to employ in the United States are authorized to accept employment in the United States. If a potential employee is a permanent resident (green card holder), he or she may be hired, but employment verification requirements apply. If the person is not a permanent resident, a petition must be filed so the potential employee may obtain the appropriate immigrant or nonimmigrant classification.

AN INTERESTING DETAIL

All hotel GMs must be aware of and consistently comply with all applicable laws including those related to employment. Unfortunately, these laws change and can be very complex and difficult to understand and apply. GMs in small independent properties may learn basic information from hospitality and community business associations. Also, they will likely benefit from obtaining the services of a qualified attorney as necessary.

By contrast, GMs in larger properties and those affiliated with multiunit organizations will likely have access to human resources specialists who can provide guidance including required policies and procedures. These specialists will know how the laws affect the specific property and the required responses to comply with them.

Marketing and Sales Challenges

Properly managed hotels capture their fair share of the market. This becomes increasingly difficult to do, however, as competition increases. Effective GMs must be aware of the marketing and sales issues that affect their properties and respond properly.

The increased use of social media by hotels to communicate with guests and potential guests and its use by those in the market to inform others about their lodging experiences have been dramatic. Hoteliers must know about social media alternatives, when each should be used, and the “dos” and “don’ts” of properly using them. This topic is addressed at length in Chapter 8 (*Sales and Marketing*).

Current issues include an increase in **market segmentation**. Lodging chains often attempt to focus on a specific niche of travelers (e.g., businesswomen, older travelers, and those traveling with children). In addition, some “select-service” properties have expanded their breakfast menus in efforts to attract more guests and increase their market share.

HOTEL TERMINOLOGY

Market Segmentation: Efforts to focus on a highly defined (smaller) group of travelers. For example: “executives desiring long-term stays” rather than “business travelers” (only some of whom might need long-term stay accommodations).

There are additional examples of niches within the lodging marketplace that are of interest to some hoteliers. For example, many travelers enjoy traveling with their pets and look for pet-friendly properties. Amenities offered by such properties might range from a simple acknowledgment that pets are welcome to

an array of services including pet sitting, special meals, protected dog-walking areas, and listings of nearby veterinary services.

Hoteliers are increasingly recognizing that many travelers are concerned about the environment and offer environmentally friendly facilities to accommodate them. Also known as “eco-friendly” facilities, those lodging properties that attract eco-tourists tend to:

- Be built using environmentally sound methods
- Be operated with a significant proportion of alternative energy sources
- Minimize human impact on natural habitats
- Promote resource conservation
- Sustain the well-being of local people and/or indigenous communities
- Help raise visitors’ environmental and cultural awareness.

Some eco-friendly lodging properties are affiliated with “Green Globe 21,” an international system of certification for hotels. Hotels that comply with specific environmental standards receive a certificate that affirms their positive and proactive environmental actions.

INTERNET INFORMATION

Want to learn more about market niches of increasing interest to some lodging organizations? If so, search for the following:

- Pet-friendly hotels
 - Eco-friendly hotels
 - Hot breakfast hotels
 - Family-friendly hotels
 - Businesswomen hotels
 - Lifestyle hotels
-

Other marketing and sales challenges that confront today’s hoteliers include:

- **Overlapping Brands.** Some experienced industry observers believe that some franchisors are over-expanding the number of brands they offer. These observers point out that in some cases different franchisees purchasing franchises from the same franchisor are in direct competition with each other. In addition, as the number of brands increase, it becomes harder for consumers to differentiate between them.
- **Increased Sophistication of Guests.** Because the Internet is now commonly used to reserve hotel rooms, many potential guests “shop around” before making their lodging purchase decisions. This has resulted in a better-informed consumer but a more competitive selling environment for hoteliers.

AN INTERESTING DETAIL

- 57% of all travel bookings are made on the Internet.
- 67% of same day hotel reservations are made from a smartphone⁵

www.statisticbrain.com. Retrieved 24 January 2014.

- **Increased Amenities.** Hotels desiring to increase their **occupancy rates** are offering new types of amenities including choice of newspapers, access to concierge lounges, welcome reception access, and increased breakfast alternatives (in select-service properties). These **amenities** increase costs for hotel owners, and sometimes appeal to only a small segment of the hotel's market.

HOTEL TERMINOLOGY

Occupancy Rate: The ratio of guest rooms sold (including complementary no-charge rooms) to guest rooms available for sale in a given time period. Expressed as a percentage, the formula for occupancy rate is:

$$\text{Total Rooms Sold} \div \text{Total Rooms Available} = \text{Occupancy Percent (\%)}$$

Amenities: Complementary hotel products and services designed to attract guests.

- **Increased Guests' Demands for Value.** Hotel guests are increasingly spending their lodging dollars in properties offering them the greatest value. They subconsciously question, "How much do I receive at this property for what I spend relative to how much I spend and what I receive at an alternative property?" The concept of value considers the guests' perception of price relative to quality. Therefore, hoteliers are challenged to find ways to increase the quality of products and services provided to guests without raising selling prices or, at least, to provide more than what is represented by the increased selling price.

Technology Challenges

Rapid advancements in technology have affected all industries, and the lodging industry is no exception. In nearly every department within a hotel, GMs and their department managers must evaluate how these advancements directly affect the way their hotels are operated. Note: the impact of evolving technology will be addressed throughout this text.

Perhaps the most significant impact of changing technology, however, can be seen in the fundamental ways in which hotel rooms are purchased. In the past, a tourist visiting an area for the first time would book a hotel room by calling a travel agent or by calling the hotel directly. Today, the ways hotel guests seek hotels and the way hotels seek to attract potential guests are changing rapidly.

Recent technology innovations relating to guests and the purchase of hotel rooms include:

- Increased bookings of hotel reservations via online travel websites continue to change how hotels market their products. The rise in smart devices now allows many travelers to become their own travel agent. They can review potential hotels, quickly compare prices with just a click of a button, and even review previous guests' comments about the properties these guests have visited.
- **Data mining** technology now allows hotel sales and marketing personnel to utilize guest-related data in ever-increasing, new, and creative ways. This allows hoteliers to learn more about guests' needs and then use this information for marketing and advertising purposes as well as to better serve current guests.

HOTEL TERMINOLOGY

Data Mining: Using technology to analyze guest (and other) related data to make better marketing decisions.



- Room-rate management practices that enable hoteliers to better match guest demand with room rates have improved dramatically. When demand for rooms is high, discounts for room purchases can be reduced or eliminated. When demand is low, discounts can be implemented. Advances in technology make room-rate management practices easier to implement than ever before.
- The use of social media technology for marketing and sales activities has been noted above. Savvy hoteliers can use social media to inform guests and potential guests in near-by locations about special food and beverage prices. As well, hoteliers are now using social media sites to better connect with their guests and generate increased numbers of hotel reservations. As well, current guest comments about hotel experiences can be monitored so tactics to resolve problems can be implemented before the guests even checkout.
- Technology increasingly reduces the time needed to make operating decisions. How many labor hours are needed to clean guest rooms based upon expected occupancy rates, and how many cooks' hours are needed to prepare meals based on forecasted meal counts? These questions are examples of those that can be addressed with specific operating software.
- The use of **cloud computing** data management systems for hoteliers has increased significantly and will continue to do so. Cloud-based services include easy-to-use and highly sophisticated hotel guest management systems, sales and marketing tools including loyalty and reward program management, and others. Additional benefits of cloud-based information systems include reduced capital expenditures and greater data security. (See Chapter 10: *The Front Office*). These systems can reduce the demands placed on a hotel's in-house technology staff and allow hoteliers to do what they do best; focus on their guests and providing them with the best lodging experience possible.

HOTEL TERMINOLOGY

Cloud Computing: The process of storing and accessing data and programs over the Internet instead of a computer's hard drive.



Economic Challenges

“As goes the economy, so goes the lodging industry” is an observation that is increasingly true. During “good” times when the economy is doing well, business travel increases, and business travelers tend to utilize higher-priced guest rooms. The reverse is also true: weakened economies mean reduced levels of business travel with a resulting negative impact on hotel revenues.

Today, with the impact of **globalization**, the economies of the United States and all other nations are increasingly interrelated to the economic status of every other country throughout the world. As stated at the beginning of this chapter, the lodging industry is an integral part of the tourism industry. As such, it is affected by the extent to which guests travel both within a country and around the world. Although this is obvious, it is also important to recognize the significant influence that the economies of the world, the country, the state, and the local community have on the overall financial success of an individual hotel or lodging organization and the individual properties that comprise it.

HOTEL TERMINOLOGY

Globalization: The condition in which countries throughout the world, and the local communities within the countries, are becoming increasingly interrelated.

Hoteliers know that travel and, therefore, their business can be affected by pandemics or the fear of them. Examples include swine flu, bird flu, severe acute respiratory syndrome (SARS) and, most recently, Ebola. In our global economy, no place is so far away from another that the locations are independent of each other.

Professional Lodging Career Opportunities

Learning Objective 5

Review typical lodging industry career opportunities and effective career planning principles.

If you are serious about employment in the hospitality industry, this book will confirm your interest because it demonstrates that hotel management is exciting and rewarding. What's next? How can you plan for and implement a professional development program leading to a rewarding career in the lodging industry?

Management Positions

The lodging industry is vast, and so are the alternative management positions available within it. Figure 1.6 illustrates some of these positions. Those listed under multiunit exist when a hotel company owns or manages multiple properties. Regardless of your vocational/professional preferences, there are likely to be rewarding positions available for you in the fast-paced and exciting lodging industry. As you read this book, you will become familiar with many of them. It is important to realize, however, that this book examines hotel management from the unique perspective of one professional: the hotel's GM.

Get Started with Career Planning

How does one start planning a career in the lodging industry? Here are a few suggestions:

- Many secondary and postsecondary schools offer hospitality-related educational and training programs. Enrollment in and graduation from these types of programs are not absolutely critical to a successful career in the lodging

Typical Single Property Positions

- General manager
- Rooms division manager
- Front-office manager
- Controller
- Executive housekeeper
- Catering manager
- Executive steward
- Food and beverage manager
- Banquet manager
- Chef
- Executive chef
- Food production manager
- Pastry chef
- Sous chef
- Room service manager
- Food and beverage controller
- Restaurant manager
- Beverage manager
- Purchasing director
- Human resources manager
- Credit manager
- Executive assistant manager
- Convention manager
- Marketing/sales manager
- Social media manager
- Revenue manager
- Auditor
- Director of security
- Convention services director
- Resident manager
- Chief engineer

Typical Multiunit Positions

- Area general manager
- Regional general manager
- Director of training
- Vice president, finance
- Vice president, real estate
- Director of franchising

FIGURE 1.6

Alternative Management Positions in the Lodging Industry

industry. However, formal education programs can help greatly by providing job-related knowledge and by allowing you to express your early interest in the lodging/hospitality industry. These formal professional development programs can also help you to begin building your professional network of contacts as, for example, you participate in internship programs and field trips, and meet guest speakers at your school.

- Working in a variety of lodging positions including educational internships provides additional job-related knowledge. This will help you to develop important skills and begin to think about those positions in which you are most interested.



Hoteliers working for franchisors and management companies may be frequent travelers as they visit hotels in their regions. Ammentorp/Fotolia

- Developing a **career ladder** for professional development within the lodging industry can also be helpful. This is a graphic “road map” that indicates possible career progression through a lodging organization. Career ladders can help you to rationally plan career advancement strategies. Working with a **mentor**, you can develop a long-range career plan that enables you to advance between desired positions within planned time frames.

HOTEL TERMINOLOGY

Career Ladder: A plan that projects successively more responsible professional positions within an organization or industry. Career ladders also allow one to schedule developmental activities judged necessary to assume these more-responsible positions.

Mentor: A senior employee of a hotel who provides advice and counsel to less-experienced staff members about matters relating to the job, organization, and profession.

■

If you seek a management career within the lodging industry, it will be helpful to talk with GMs at hotels near you as well as with industry leaders and educators to obtain career planning suggestions from those currently employed within the lodging properties.

REAL WORLD HOTEL CHALLENGES (1.2)

Sofianna Pastrana accepted a GM's position offered by a hotel management company at a property with a great staff and a high occupancy rate that consistently met budgeted revenue and profit goals. The previous GM had retired and had left Sofianna with an excellent property with which to develop the skills he learned as the assistant GM at his previous property.

Within a week on the job, Sofianna had an opportunity to make some decisions that would help set the pace for the staff's attitude toward guest service.

"Here's the situation," said the front-office manager. "The couple in our bridal suite was supposed to check out at noon today. Their wedding generated about twenty sold guest rooms for their relatives, and the bride's father spent several thousand dollars on their wedding reception in our ballroom yesterday."

"Well," said Sofianna, "Sounds like the event was a big success. I hope they feel the same way."

"Yes, they do," replied the front-office manager. "The problem isn't them—it's the weather. All outbound flights are delayed—they'll probably be canceled—because of the snowstorm we're having. I don't think the wedding couple really cares; they're enjoying our hotel. In fact, the groom just called to let me know they wanted to stay an additional night (tonight) because they can't get out of town. He's looking for a good deal on the room rate."

"No problem. Let's give him a good rate," said Sofianna.

"That's the problem!" said the front-office manager. "Another couple living here in town will have their reception at our property tonight and booked the bridal suite for this evening. It's our only bridal suite, and it looks like we're

going to have tonight's arriving couple very mad at us. I hope they don't have lots of friends in the community ... so they can't tell them we didn't give them the room they reserved on their wedding night!"

"Well," said Sofianna, "Let's think about this. I wonder if there's a way to please both couples rather than to disappoint one of them. Let's put our heads together and see if we can think of something."

1. What might the hotel offer to the couple currently occupying the bridal suite to encourage them to move to another room?
2. What might the hotel offer the arriving couple as an incentive to select another room?
3. What would you recommend Sofianna to do to solve this dilemma?

INTERNET INFORMATION

Want to learn more about positions and careers in the lodging industry? Check out the websites of organizations that recruit specifically for the hospitality industry. (Enter "job recruiters hospitality industry" in your favorite search engine.) Also, basic job search suggestions can be found on the websites of monster.com and careerbuilder.com.

For other basic employment search information, look for topics such as:

- How to write a resume
- Job search skills
- Employment interviewing
- Career planning

Hotel Terminology

The following terms were defined within this chapter. Knowledge of their meaning and proper use will help you in your lodging industry career.

Hoteliers	à la carte	Hostel
Tourism industry	Room service	Suites
Full-service hotel	Select-service hotel	Guest

Revenue	Line departments	Occupancy rate
Brand	Staff departments	Amenities
Franchisor	Revenue center	Data mining
Franchisee	Cost center	Cloud computing
Market share	Downsizing	Globalization
Management company	Defect	Career ladder
Front desk	Overbuilt	Mentor
Resident manager	Market segmentation	

Your Opinion Counts

- How can persons decide the type of hotel they would like to work in? This question can be answered by thinking about numerous factors. These include:
 - Unique characteristics applicable to the management of a large urban property versus an isolated resort facility
 - Preferences of guests renting rooms for \$75 per night versus \$550 per night
 - Special management concerns in a property with 100 rooms and one with 5,000 rooms

What are other management concerns that would impact your decision about the type of lodging property in which you might like to work?
- If you were a GM, what kind of guest relations training would you provide to your employees? What are some principles you would incorporate into the training?
- Hotels exist in every city. Where would you like to work in your management career? Why? Name three advantages to becoming a GM in the area you have selected. What are potential disadvantages?
- What would you do to address a labor shortage problem in your hotel? First, think about tactics you might use to retain current employees. (If they did not leave, there would be less need to recruit new staff members.) Then, think about tactics you could use to recruit new employees.
- The chapter briefly discusses career opportunities in the lodging industry. What progressively responsible positions would you like to attain? What would you need to do, beginning now, to prepare yourself for these positions?

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