

Market uncertainty hinders third-party managers

While 2011 was a year of recovery for hotels, third-party managers still aren't taking anything for granted. Although industry metrics are improving, there still exists an aura of uncertainty that is forcing hotels to remain as vigilant as ever. While corporate travel has inched back up, group business still lags amid an economy that seems to still not know which way to go. Third-party management companies are trying out new techniques. The two years leading up to 2011 were marked by a prevalence of deals in hope of pumping up occupancies. Not anymore. With the tide turning, third-party management companies are focusing on raising average daily rates. More than ever, managers are paying close attention to their day-to-day online presence, particularly in regard to social networking sites. In order to achieve ADR growth, companies are increasing web-based marketing campaigns with an emphasis on promoting the hotel's services, amenities and packages. Management companies also are making sure their hotels have the latest technology in order to help recapture corporate travel.

—David Eisen

Ken Garvin, president, Ledgestone Hospitality

Recent management contracts:

- La Bellasera Hotel & Suites, Paso Robles, Calif.
- Wingate by Wyndham, Cedar Falls, Iowa
- Baymont Inn & Suites, Gaylord, Mich.

HM: What was the most challenging operational issue in 2011?

KG: The uncertainty regarding the state of economic recovery proved the most challenging. While we felt that travel was improving, we recognized that the economy was far from being out of the woods. Our conservative approach to expenses proved invaluable in protecting profits. Our properties experienced a very successful 2011 despite the primary challenges we faced in maximizing revenues and controlling costs while increasing guest satisfaction during the uncertainty of a lasting economic recovery. In addition,

the tightening of the hotel debt markets complicated property-improvement demands of franchises. It's not enough for a management company to meet a brand's [property improvement plan] requirements, it's a necessity to have an aggressive sales and marketing plan in place to ensure net operating incomes are high enough to meet more stringent loan requirements.

HM: In 2011, did your company favor a strategy that pushed rate or occupancy?

KG: We never solely favor a strategy that pushes rate over occupancy or vice versa. We believe that the key to revenue management is identifying price resistance. That is to say, develop a science for each property by determining the change in demand as a result of the change in price. Once you have determined price sensitivity, you can employ intelligent rate strategies that maximize revenue at each hotel. There are times when changes in demand

both increase and decrease resulting in price sensitivity swings that cause us to change back and forth from rate to occupancy emphasis.

HM: What will be the biggest challenge in 2012?

KG: Our biggest challenge will be to stay focused, keeping our eye right on our operational strengths and efficiencies and to make sure we focus on the professional marketing, selling and pricing of the assets we manage. We also believe that providing the highest levels of guest satisfaction in each market will drive results to the bottom line.

Jody Harwood, president and managing director, Grace Hospitality

Recent management contracts:

- The Inn at Eagle Mountain, Scottsdale, Ariz.
- The Junipine Resort, Sedona, Ariz.
- Rancho Caymus, Napa Valley, Calif.

HM: What was the most challenging operational issue in 2011?

JH: The most challenging issue for us was maintaining our rate integrity in markets where there was either a downturn in demand or a very little year-over-year growth in demand.

HM: In 2011, did your company favor a strategy that pushed rate or occupancy?

JH: After two years of promoting an occupancy-first strategy, in 2011 we focused on more of a rate strategy. To achieve growth in ADR, we increased our web-based marketing campaigns and email marketing programs with an emphasis on promoting our hotel's services and value-added packages. We also committed more time and resources to the day-to-day management of our online reputation with the major social networking travel sites.

HM: What will be the biggest challenge in 2012?

JH: A continuation of consumer uncertainty in the recovery of our economy. Although we have seen some



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Jody Harwood, president and managing director, Grace Hospitality

positive increases in ADR and [revenue per available room], our industry's recovery remains somewhat fragile. A lack of consumer confidence that we are headed in the right direction with the economy will translate to a downturn in demand in both leisure and business travel and we will risk losing some hard-earned momentum. The economic uncertainty also dramatically affects the booking window, which in turn challenges us to maintain our rate integrity and not opt out for an occupancy-only strategy. **HM**



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Ken Garvin, president, Ledgestone Hospitality

➔ trends

- Similar to other industries, there has been a palpable maturation of the Internet, social networking, mobile technology and third-party intermediaries within the hotel sector.
- The guestroom is evolving into an extension of the business traveler's office.
- Business continues to operate in a short-term nature.
- Some hotels are slacking on customer focus and letting business-only decisions run the business.