

PEARSON



Hotel Organization

Hotel and Rooms Division

Operation

Functions of a Hotel

- Functions...
 - Lodging accommodations
 - Revenue centers
 - Cost centers
 - Serve and enrich society
 - Profit for the owners

General Manager

- General Manager...
 - Chief Operating Officer (COO)
 - Relating to guests and employees

General Manager

- Manager (cont.)...
 - Overseeing and coordinating operations
 - Increasing profitability

Qualities of Successful Managers

- Qualities of Success...
 - Leadership
 - Attention to detail
 - Follow through
 - People skills
 - Patience
 - Ability to delegate effectively

The Executive Committee

- Executive Committee...
 - General Manager
 - Director of Human Resources
 - Director of Food and Beverage
 - Director of Rooms Division
 - Director of Marketing and Sales
 - Director of Engineering
 - Director of Accounting

Rooms Division

- Rooms Division...

- Front Office
- Reservations
- Housekeeping
- Concierge
- Guest services
- Security
- Communications

Front Office Manager (FOM)

- FOM...
 - Enhance guest services
 - Sample of duties performed by FOM daily
 - Review previous night's occupancy/ADR
 - Review arrivals/departures/VIP rooms
 - Staffing adjustments/scheduling
 - Look over Market Mix
 - Meet with lead GSA's

Basic Functions of the Front Office

- Front Office...
 - Sell rooms
 - Maintain balanced guest accounts
 - Offer services such as faxes, mail, messages, etc.

Room Status Codes

- Codes...

- VR - Vacant and Ready
- VC - Vacant and Clean
- VD - Vacant and Dirty
- OR - Occupied and Ready
- OC - Occupied and Clean

Room Status Codes

- Codes (cont.)...
 - OD - Occupied and Dirty
 - CO - Check-Out
 - OO - Out of Order
 - DND - Do Not Disturb
 - V/O or O/V - Status Unclear

Duties of a Guest Service Agent

- Guest Service Agent...
 - 7:00 am - 3:00 pm shift
 - Check-outs
 - Guest inquiries
 - Room changes
 - Work with housekeeping
 - 3:00 pm - 11:00 pm shift
 - Check-ins
 - Reservations

Night Auditor

- Night Auditor...
 - Closes the books on a daily basis
 - Posts charges
 - Balances guest accounts
 - Completes daily report

Night Audit Process in Simple Terms

- Terms...

- ADD

- Yesterday's closing balance of accounts owed by guests

- LESS

- Payments received today against accounts

Night Audit Process in Simple Terms

- Terms (cont.)...

- PLUS

- All charges made today to guests' account

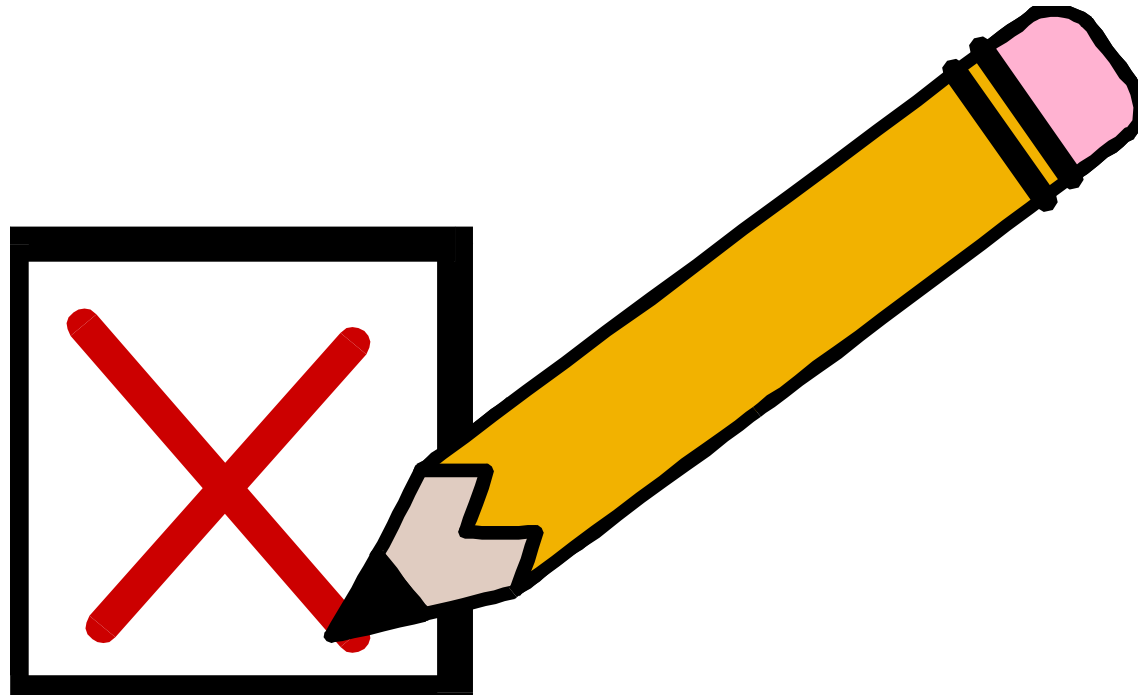
- EQUALS

- Day's closing balance of accounts owed by guest

Different Room Rates

- Room Rates...
 - Rack rate
 - Corporate
 - Government
 - Entertainment cards
 - AAA
 - Group rates
 - AARP

Key Operating Ratios for Daily Report



Hotel Occupancy Statistics

- Occupancy Statistics...
 - Percentage of occupancy =

Rooms Occupied
Total Rooms Available

Hotel Occupancy Statistics

- Occupancy Statistics (cont.)...
 - Double/Multiple Occupancy Percentage =

$$\frac{\text{Total \# of Guests} - \text{\# of Rooms Occupied}}{\text{\# of Double Occupied Rooms}}$$

Hotel Revenue Statistics

- Revenue Statistics...
 - Average Daily Room Rate (ADR) =

$$\frac{\text{Total Rooms Revenue}}{\text{Total Number of Rooms Sold}}$$

Property Management Systems (PMS)

- PMS...
 - Computer-based applications
 - Reservations management
 - Rooms management
 - Guest account management
 - General management

Yield Management

- Yield Management ...
 - Increases room revenue by using demand-forecasting technique
 - Based on the economics of supply and demand
 - Pricing is based on
 - Trends of demand
 - Type of room to be occupied

Reservations

- Reservations...
 - First area of guest contact
 - A sales position
 - Telephone skills
 - Central Reservations System (CRS)

Reservation Definitions

- Definitions...
 - Confirmed reservation
 - Guaranteed reservation
 - Advance deposit/advance payment
 - No show
 - 6 pm reservation

Communications or PBX

- PBX...
 - Public Branch Exchange
 - Profit center
 - Includes many types of communication
 - Faxes
 - Messages
 - Pagers and radios
 - Emergency center

Guest Services

Uniformed Service

- Uniformed Service...
 - Bell Captain or Guest Services Manager
 - Door attendants
 - Hotel's unofficial greeters
 - Luggage
 - Bell persons
 - Escort guests to their rooms

Concierge

- Concierge...
 - Part of guest/uniformed services
 - Elevate properties marketable value
 - Typically in a luxury hotel

Concierge

- Concierge (cont.)...
 - Unique requests
 - Knowledge of city
 - Several languages preferred

Housekeeping

- Housekeeping...
 - Largest department in terms of people
 - Executive Housekeeper
 - Cleanliness is the key to success

Duties of the Executive Housekeeper

- Executive Housekeeper Duties...
 - Leadership of people, equipment, and supplies
 - Cleanliness and servicing the guest rooms and public areas
 - Operating the department according to financial guidelines
 - Keeping records

Breaking the House Down

- Breaking Down...
 - Assignment of sections for cleaning
 - SC - Checks out that day
 - SS – Stay-over
 - XX - Out of order
 - Based on standard of rooms cleaned per day by each housekeeper

Other Duties of Housekeeping

- Duties...
 - Turndown service
 - Hotel laundry
 - Laundry and dry cleaning for guests
 - General hotel cleaning
 - Linen room

In-House Laundry

- In-House Laundry ...
 - Advantages
 - 24 hour anytime laundry service for guests
 - Smaller par-stock of linen
 - Full control over quality of laundered linen

Contract Laundry Service

- Contract Laundry...

- Advantages

- No maintenance costs for equipment
 - No labor costs for training/staffing
 - Lower overhead costs of energy/water
 - Fixed projected expense

Security and Loss Prevention

- Providing guest safety and loss prevention...
 - Security officers
 - Equipment
 - Keys
 - Safety procedures
 - Identification procedures
 - ADA compliance

Trends in Hotel/Rooms Division

■ Trends...

- Diversity of both guests/workforce
- Increase in business travel
- Increased need for technology
- Continued quest for increase in productivity
- Increasing use of yield management
- Greening of hotels and guest rooms

Chapter 1

Introduction to the Lodging Industry

Learning Objectives

1. To describe how the lodging industry has developed over its long history
2. To explain how individual hotel properties in the lodging industry are classified
3. To explain how the lodging industry measures its success

Learning Objectives

4. To describe how the lodging industry is related to the larger hospitality and travel and tourism industries
5. To identify and explain the importance of industry trade associations.

The Early Lodging Industry

- **Lodging Industry:** All businesses that provide overnight accommodations for guests.
- **Hotel:** An establishment that provides sleeping rooms as well as various services to the traveling public.

The Early Lodging Industry

Hotelier: The owner/manager of one or more hotels.

Tourist: A person who travels for pleasure.

United States Lodging Industry: 1900 – 2010

- American lodging facilities have evolved to include a tradition of innovation and orientation to guest service worth noting.

Lodging Industry Segments

- Different types of lodging are available are based on different guests needs, below are some definitions of different types of hotels and types of amenities:
 - **Value (Lodging Accommodations):** The price paid to rent a room relative to the quality of the room and services that are received.
 - **Full-Service Hotel:** A lodging facility that offers complete food and beverage services.

Lodging Industry Segments

- **Room Service:** The delivery of food and beverages to a hotel guest's sleeping room.
- **Limited-Service Hotel:** A lodging facility that offers no, or very restricted, food and beverage services.
 - Also known as a "select service hotel".
- **Bed and Breakfast Inns:** Very small properties (one to several guest rooms) owned or managed by persons living on-site; these businesses typically offer one meal a day; also called B&B.

Lodging Industry Segments

- **Camps/Park Lodges:** Sleeping facilities in national, state, or other parks and recreational areas that accommodate visitors to these areas.
- **Extended-stay hotels:** A moderately priced, limited-service hotel marketing to guests desiring accommodation for extended time periods (generally one week or longer).

Lodging Industry Segments

- **Convention hotel:** A lodging property with extensive and flexible meeting and exhibition spaces that markets to associations, corporations, and other groups bringing people together for meetings.
- **Conference center:** A specialized hospitality operation specifically designed for and dedicated to the needs of small- and medium-sized meetings of 20 to 100 people.

Lodging Industry Segments

- **Resort:** A full-service hotel with additional attractions that make it a primary destination for travelers.
- **Timeshare:** A lodging property that sells its rooms to guests for use during a specific time period each year; also called vacation ownership property.

Lodging Industry Segments

- **Private clubs:** Membership organizations not open to the public that exist for people enjoying common interests. Examples include country (golf) clubs, city clubs, university clubs, yacht clubs, and military clubs. Some private clubs offer sleeping rooms for members and guests.
- **Cruise lines:** Passenger vessels designed to provide leisure experiences for people on vacation.

Lodging Industry Segments

- **Casino:** A business operation that offers table and card games along with (usually) slot operations and other games of skill or chance and amenities that are marketed to customers seeking gaming activities and entertainment. Many casinos offer lodging accommodations for their visitors.

Measuring Hotel Performance

- Owners and managers of all sizes are interested in how best to evaluate their effectiveness in meeting the needs of their guests.
- Various measurements used by hoteliers are:
 - ADR
 - Occupancy
 - RevPAR
 - GOPPAR

Measuring Hotel Performance

- **ADR**

- **Average Daily Rate (ADR):** The average (mean) selling price of all guest rooms in a hotel, city, or country for a specific period of time.

$$\frac{\text{Total Revenue from Room Sales}}{\text{Total Number of Room Sold}} = \text{ADR}$$

Measuring Hotel Performance

- **Occupancy**

- **Occupancy rate:** The ratio of guest rooms sold (or given away) to the number of guest rooms available for sale in a given time period and expressed as a percentage.

$$\frac{\text{Total Rooms Sold}}{\text{Total Rooms Available}} = \text{Occupancy Rate}$$

Measuring Hotel Performance

- **RevPAR**

- **RevPAR:** The average revenue generated by each guest room available during a specific time period. RevPAR combines the information from ADR and occupancy rate into a single measure.

$$\text{ADR (x) Occupancy Rate} = \text{RevPAR}$$

Measuring Hotel Performance

- **GOPPAR**

- **GOPPAR:** The amount of profit made from room sales divided by the number of rooms available to sell.

$$\frac{\text{Gross Operating Profit}}{\text{Rooms Available to Sell}} = \text{GOPPAR}$$

Lodging and the Hospitality Industry

Hospitality industry: Organizations that provide lodging accommodations and food services for people when they are away from home.

Lodging and the Travel and Tourism Industry

Hospitality: The food and beverage and lodging operations (including hotels) that house and feed travelers.

Retail (Shopping) Stores: Stores and shops that appeal to travelers.

Lodging and the Travel and Tourism Industry

Transportation Services: Businesses that help move travelers from place to place.

Examples include bus lines, airlines, and rental car companies.

Destination (Activity) Sites: Locations offering activities and attractions enjoyed by travelers.

Examples include amusement parks and ski resorts as well as other indoor and outdoor activities.

Lodging and the Travel and Tourism Industry

- **Leisure Travelers**

- The term “leisure traveler” refers to persons who travel because of pleasure.

- **Business Travelers**

- Business travelers comprise of more than half of travelers and will seek different amenities than leisure travelers.

Lodging and the Travel and Tourism Industry

- **Business Travelers**

- **Amenities:** Hotel products and services designed to attract guests.
 - Examples include Internet access and copying services, in-room hair dryers, irons, ironing boards, and microwave ovens, as well as indoor pools, exercise rooms, and in-room movies.

Partners In The Lodging Industry

- Partners in the Lodging Industry include:
 - Transportation Services
 - Travel Agents
 - Tour Operators
 - On-line Travel Agencies

Partners In The Lodging Industry

- **Transportation Services include**
 - Airlines
 - Bus lines
 - Trains
 - Rental cars

Partners In The Lodging Industry

- **Transportation Services**

- **Airlines**

- **Hotel Shuttle:** A vehicle used by a hotel to transport guests to and from such destinations as airports, restaurants, and shopping
 - **Hub:** Typically, a big-city airport within a short driving distance of a very large population center. These mega-airports are used to economically connect travelers with flights to their desired departure and arrival cities.

Partners In The Lodging Industry

- **Transportation Services**

- **Bus Lines**

- **Charter:** A form of transportation rented exclusively for a specific group of travelers. Planes and buses are often chartered for group travel.

Partners In The Lodging Industry

- **Transportation Services**

- **Bus Lines**

- Types of bus lines include:
 - Economy
 - Deluxe Motor Coach
 - Executive Motor Coach

Partners In The Lodging Industry

- **Transportation Services**

- **Trains**

- Passenger trains are not economically profitable, with the exception of Amtrak (American Tracks), or its official name the *National Railroad Passenger Corporation*, which depends on Federal and State governmental grants.

www.Amtrak.com

Partners In The Lodging Industry

- **Transportation Services**

- **Rental cars**

- Hoteliers that enjoy a close association with their local car rental businesses often find that travelers renting cars ask for advice about where to stay when they pick up their cars.

Partners In The Lodging Industry

- **Transportation Services**

- **Travel Agents**

- **Travel agent:** A professional who assists clients in planning and purchasing travel.
 - American Society of Travel Agents (ASTA), please visit:

www.astanet.com

Partners In The Lodging Industry

- **Transportation Services**

- **Travel Agents**

- **Package:** A group of travel services, such as hotel rooms, meals, and airfare, sold for one price. For example, a Valentine's Day Getaway package to Las Vegas suggested by a travel agent might include airfare, lodging, meals, and show tickets for two people at an all-inclusive price

Partners In The Lodging Industry

- **Transportation Services**

- **Travel Agents**

- **Global Distribution System (GDS):** Commonly referred to as the GDS, this computer system connects travel professionals worldwide for the purpose of reserving hotel rooms for their clients.

Partners In The Lodging Industry

- **Transportation Services**

- **Tour Operators**

- **Tour Operator:** A company or individual that plans and markets travel packages.

Partners In The Lodging Industry

- **Transportation Services**

- **Tour Operators**

- Hoteliers interact with tour operators in several ways:

- Negotiating hotel rates offered to tour operators

- Hosting tour-package buyers within their hotels

Partners In The Lodging Industry

- **Transportation Services**

- **Tour Operators**

- Hoteliers interact with tour operators in several ways:
 - Assisting travelers who experience difficulties with one or more features of the tour related to the hotel's services

Partners In The Lodging Industry

- **Transportation Services**

- **Tour Operators**

- Hoteliers interact with tour operators in several ways:
 - Working with travel agents to market tours that include the hotelier's hotel(s)
 - Providing hotel service at levels high enough to ensure a continued positive relationship between the tour operator and the hotel

Partners In The Lodging Industry

- **Transportation Services**
 - **On-line Travel Agencies**
 - **On-line Travel Agent (OTA):** An organization that provides travel booking services on the Internet.
 - Hotel must manage:
 - Their own website
 - Intermediary website
 - Examples include Expedia and Travelocity

Partners In The Lodging Industry

- **Transportation Services**

- **On-line Travel Agencies**

- Many intermediary sites charge a fee based on the following models:

- **Opaque Rate Model:** The room rates are not seen by guests until after they have successfully “bid” for a room and guest decide the rate they will pay. Priceline.com is a popular example.

Partners In The Lodging Industry

- **Transportation Services**

- **On-line Travel Agencies**

- Many intermediary sites charge a fee based on the following models:

- **Merchant Model:** Room rates (often heavily discounted) viewed by potential guests are booked through the OTA and the OTA then charges the hotel a fee for each reservation made. Examples include Hotels.com, Travelocity.com, and Expedia.com.

Industry Trade Associations

Trade associations typically hold monthly and annual gatherings that often offer educational seminars/workshops to improve the knowledge and skills of their members.

Industry Trade Associations

Trade shows: An industry-specific event that allows suppliers to an industry to interact with, educate, and sell to individuals who are part of the industry; also called an exhibition.

Vendors: Those who sell products and services to hoteliers.

Industry Trade Associations

- Below are the most common trade associations websites
 - www.ahla.com
 - www.aahoa.com
 - www.ih-ra.com
 - www.ei-ahla.org

Lodging Goes Green!

- *The Green Hotel Association:* One of the newest trade associations in the lodging industry, is comprised of environmentally-friendly properties whose managers are eager to institute programs that save water, save energy and reduce solid waste—while saving money—to help protect the earth and the environment.

www.greenhotels.com

Chapter 2

The Structure of the Lodging Industry

Learning Objectives

1. To inform you about the different types of investors who own hotels.
2. To tell how hotel management companies help hotel owners operate their hotels.
3. To describe the importance of management contracts in the operation of hotels.

Learning Objectives

- 4. To teach you about the impact of franchisors in the lodging industry.
- 5. To explain how franchisors and franchisees work within a franchise agreement to assist each other in promoting a hotel brand.

Hotel Owners

- Hotels are operated for two reasons
 - To meet the needs of the traveling public
 - To meet the hotel owner's desired return on investment (ROI)

Hotel Owners

Return on investment (ROI): the percentage rate of return achieved on the money invested in a hotel property.

$$\frac{\text{Hotel income after taxes}}{\text{Total hotel investment}} = \text{ROI \%}$$

Hotel Owners

- Those who own hotels own two distinct assets:
 - Real Estate
 - The Operating Business

Hotel Owners

Investors

- Many invest in hotels for numerous reasons including:
 - Favorable tax status resulting from the hotel's **depreciation.**

Hotel Owners

Investors

- The long-term effects of real estate **appreciation**.
- The profits that can be made from the hotel's monthly operation. Investors are not typically active in the management of a hotel.

Hotel Owners

Owner/Operator

- A hotel investor who also manages (operates) the hotel.
 - Can be an individual and their family members or a large multi-national hotel company

Management Companies

- Investors with only one hotel will often hire a single **General Manager (GM)**.
 - **General Manager:** the traditional title of the individual at a hotel property who is responsible for final decision-making regarding property-specific operating policies and procedures. Also a GM is the leader of the hotel's management team.

Management Companies

- Investors with more than one hotel, however, are likely to use a **management company**.
- **Management company:** an organization that operates a hotel for a fee. Sometimes referred to as a contract company.

Management Companies

The Role and Structure of Management Companies

- Special circumstances owners face in the operation of their hotels:
 - Managing/directing a major (complete) renovation of a hotel
 - Operating a hotel in a severely **depressed market.**

Management Companies

The Role and Structure of Management Companies

Depressed market: A hotel market area where occupancy rates and/or ADRs are significantly below their historical levels.

Management Companies

The Role and Structure of Management Companies

- Bankruptcy/repossession define of the hotel
- Managing a hotel slated for permanent closing

Management Companies

The Role and Structure of Management Companies

- Managing a hotel because of the unexpected resignation of its general manager
- Managing a hotel for an extended period of time for owners who elect not to become directly involved in the day-to-day operation of the property

Management Companies

The Role and Structure of Management Companies

- Management companies that specialize in helping lenders maintain repossessed properties until they can be resold will generally:
 - Secure and, if it has closed, reopen the hotel

Management Companies

The Role and Structure of Management Companies

- Implement sales and marketing plans to maximize the hotel's short- and long-term profitability
- Generate reliable financial data about the hotel
- Establish suitable staffing to maximize guest and employee satisfaction

Management Companies

The Role and Structure of Management Companies

- Show the hotel to prospective buyers
- Report regularly to the owners about the hotel's physical and financial condition

Management Companies

The Role and Structure of Management Companies

First tier (management company):

Management companies that operate hotels for owners using the management company's trade name as the hotel brand.

Management Companies

The Role and Structure of Management Companies

Second tier (management company):

Management companies that operate hotels for owners and do not use the management company name as part of the hotel name.

Management Companies

The Role and Structure of Management Companies

- Hotel management companies can be segmented based upon the manner in which they participate, or do not participate, in the actual risk and ownership of the hotels they manage.

Management Companies

The Role and Structure of Management Companies

- The management company is neither a partner in nor an owner of the hotels it manages
- The management company is a partner, with others, in the ownership of the hotels it manages.

Management Companies

The Role and Structure of Management Companies

- The management company only manages hotels it owns.
- The management company owns some of the hotels it manages and none or only a part of others it manages.

Management Contracts

- Major elements of management agreements include:
 - The length of the agreement
 - Procedures for early termination by either party
 - Procedures for extending the contract

Management Contracts

- Contract terms in the event of the hotel's sale
- Basic management fees to be charged
- Incentive fees earned or penalties assessed related to operating performance

Management Contracts

- Management company investment required or ownership attained
- Exclusivity: Can the management contract company operate competing hotels in the area?

Management Contracts

- Reporting relationships and requirements: how much detail is required, and how frequently will reports be produced?
- Insurance requirements of the management company: who must carry insurance and how much?

Management Contracts

Management Company Pros and Cons

- Advantages of selecting a qualified management company to operate a hotel:
 - Improved management quality
 - Documented managerial effectiveness is available
 - Payment for services can be tied to performance

Management Contracts

Management Company Pros and Cons

- Disadvantages in the selection of a management company:
 - The owner cannot generally control selection of the on-site GM and other high-level managers

Management Contracts

Management Company Pros and Cons

- Talented managers leave frequently
- The interests of the hotel owners and the management companies they employ sometimes conflict
- The costs of management company errors are borne by the owner

Management Contracts

Management Company Pros and Cons

- Transfer of ownership may be complicated
- **Buy-out:** An arrangement in which both parties to a contract agree to end the contract early as a result of one party paying the other the agreed-upon financial compensation.

Management Contracts

Management Company Pros and Cons

Please visit: www.investorshm.com

Franchising and the Lodging Industry

Franchise: An arrangement whereby one party (the franchisor) allows another party to use its logo, brand name, systems, and resources in exchange for a fee.

Franchising and the Lodging Industry

Franchisor: An organization that manages a brand and sells the right to use the brand name.

Franchisee: An individual or company that buys, under specific terms and conditions, the right to use a brand name for a fixed period of time and at an agreed-upon price.

Franchising and the Lodging Industry

Brand: The name of a specific hotel group. For example, Holiday Inn and Comfort Inn are two different brands.

Additional examples of brands include Hyatt, Hampton Inn, Super 8, and Radisson.

Franchising and the Lodging Industry

Hotel Franchisors

- The first significant hotel franchising arrangement began in the 1950s with Kemmons Wilson and his Holiday Inn **chain**.
- **Chain:** the term used to describe a group of hotels, all of whom share the same franchise brand name. Also called *brand* or *flag*.

Franchising and the Lodging Industry

Hotel Franchisors

Please go to: www.ichotels.com

Franchising and the Lodging Industry

Hotel Franchisors

- It is important to understand that, in most cases, franchise companies do not actually own the hotels operating under their brand names, they own the right to sell the brand name and set the standards that are followed by affiliated hotels.

Franchising and the Lodging Industry

Hotel Franchisors

Conversion: The changing of a hotel from one brand to another.

Also known as *reflagging*.

Franchising and the Lodging Industry

Hotel Franchisees

- When a hotel investor buys a franchise, the hotel can connect to the Global Distribution System (GDS).
- Independent hotels can purchase a connection to the GDS, but it is costly.

Franchising and the Lodging Industry

Hotel Franchisees

- The fees paid by the hotel owner, typically 3-15 % of generated room revenue, to the brand managers will vary based on the strength of the brand name.

Franchising and the Lodging Industry

Hotel Franchisees

- Hoteliers can detect clues to the future success of the brand by examining:
 - The number of hotels currently operating under the brand name.
 - The % of hotels that have elected to leave the brand in each of the past five years.

Franchising and the Lodging Industry

Hotel Franchisees

- The number of new properties currently being built under the brand's name.
- The number of existing hotels converting to the brand (if conversions are allowed).
- The ADR trend for the last five years in comparison to the ADR trend for other hotels with which the brand competes.

Franchising and the Lodging Industry

Hotel Franchisees

- The occupancy rate trend for the last five years in comparison to the occupancy rate trend for hotels with which the brand competes.
- The % of total hotel room revenue contributed by the brand's reservation system and the % of hotels within the brand that achieve that average rate of contribution.

Franchising and the Lodging Industry

Franchise Agreements

Franchise agreement: A legal contract between a hotel's owners (the franchisee) and the brand managers (the franchisor) that describes the duties and responsibilities of each in the franchise relationship.

Franchising and the Lodging Industry

Franchise Agreements

Federal Trade Commission: The FTC enforces federal antitrust and consumer protection laws. It also seeks to ensure that the nation's business markets function competitively and are free of undue restrictions caused by acts or practices that are unfair or deceptive.

Franchising and the Lodging Industry

Franchise Agreements

- The Franchise Rule requires that franchisors:
 - Supply potential franchisees with a disclosure document at the first face-to-face meeting or 10 business days before any money is paid by the franchisee to the franchisor, whichever is earlier

Franchising and the Lodging Industry

Franchise Agreements

- Provide evidence, in writing, of any profit forecasts made by the franchisor
- Disclose the number and percentage of franchisees achieving the profit levels advertised in any promotional ads that include profit claims

Franchising and the Lodging Industry

Franchise Agreements

- Provide potential franchisees with copies of the basic franchise agreement used by the franchisor
- Refund promptly any deposit monies legally due to potential franchisees that elect not to sign a franchise agreement with the franchisor

Franchising and the Lodging Industry

Franchise Agreements

- Not make claims orally or in writing that conflict with the written disclosure documents provided to the franchisee

Franchising and the Lodging Industry

Franchise Agreements

Franchise Offering Circular (FOC):

Franchise disclosure document prepared by a franchisor and registered and filed with the state governmental agency responsible for administering franchise relationships.

Franchising and the Lodging Industry

Franchise Agreements

Brand Standard: A hotel service or feature that must be offered by any property entering or remaining in a specific hotel brand.

Ownership and Management Alternatives

- There are a variety of ways that hotels can be owned and managed, including:
 - Single-unit property not affiliated with any brand
 - Single unit properties affiliated with a brand

Ownership and Management Alternatives

- Multi-unit properties affiliated with the same brand
- Multi-unit properties affiliated with different brands
- Multi-unit properties operated by a management company or the brand
- Single or multi-unit properties owned by the brand

Ownership and Management Alternatives

Ownership and Operational Challenges

Franchise Service Director (FSD): The representative of a franchise brand who interacts directly with a hotel franchisee. Different brands may title this important position somewhat differently, but each will have a comparable position.

Ownership and Management Alternatives

Ownership and Operational Challenges

- The FSD will monitor the franchisee's compliance with the franchise agreement. They may:
 - perform inspections
 - assist the hotel sales effort

Ownership and Management Alternatives

Ownership and Operational Challenges

- monitor and advise about the hotel's use of the franchise-provided sales tools
- advise the franchisee on the availability and use of other franchisor resources

Chapter 5

Staffing the Lodging Operation

Learning Objectives

1. To show how lodging supervisors and entry-level staff work together in successful hotels
2. To present to you some of the processes managers use to screen and select high quality lodging employees
3. To examine some of the important issues related to training and retaining staff

Learning Objectives

4. To explain the role of supervisors in maintaining workplace safety and employee health
5. To describe some of the advantages to a hotel of embracing a diverse workforce

The Importance of Teamwork in the Lodging Industry

Team: A group of individuals who work together and set the goals of the group above their own.

The Importance of Teamwork in the Lodging Industry

- Informal groups may develop based upon:
 - Common interests of group members
 - The desire to be close to other employees in a similar situation
 - Economic concerns
 - A desire to satisfy personal needs that are common to others

The Importance of Teamwork in the Lodging Industry

- Informal group that works against the hotel's goals must attempt to:
 - Modify the attitudes of group members
 - Redirect the group toward more useful goals
 - Confront factors that are causing the group members' negative attitudes

The Importance of Teamwork in the Lodging Industry

Participative management: A leadership style that emphasizes seeking out and considering group input before making decisions that affect the group.

The Role of Supervisors

Entry-level employees: Staff members working in positions that require little previous experience and who do not direct the work of other staff members. Sometimes called “hourly” employees.

The Role of Supervisors

Responsibilities

- Supervisors have responsibilities to their:
 - Boss
 - Management peers
 - Employees

The Role of Supervisors

Leadership Styles

Leadership: Accomplishing goals by working with others while, at the same time, gaining their respect, loyalty, competence, and enthusiastic cooperation.

The Role of Supervisors

Leadership Styles

- The four leadership styles are:
 - Autocratic
 - Bureaucratic
 - Democratic
 - Laissez-faire

The Role of Supervisors

Communication

- Ineffective communication:
 - Use of unfamiliar words or symbols
 - Poor timing
 - Background disturbance

The Role of Supervisors

Communication

- Personal considerations
- Personal differences
- Unintended communication

The Role of Supervisors

Communication

Body Language: The concept that one communicates by the way one's arms, hands, and/or legs are positioned during a conversation or presentation

The Role of Supervisors

Motivation

Motivation: An internal force that drives employees to do something to reach a goal.

The Role of Supervisors

Motivation

Basic Human Needs Can Be Met on the Job

Human Needs	How They Can Be Met On The Job
1. Physical Needs	Rest breaks, increased compensation, work bonuses

The Role of Supervisors

Motivation

Basic Human Needs Can Be Met on the Job

Human Needs	How They Can Be Met On The Job
2. Safety And Security Needs	Consistent application of work rules and policies, non-threatening work environment, availability of properly working equipment

The Role of Supervisors

Motivation

Basic Human Needs Can Be Met on the Job

Human Needs	How They Can Be Met On The Job
3. Social Needs	Committee assignments , friendships with other employees, participation in social activities sponsored by the hotel, availability of an employee newspaper

The Role of Supervisors

Motivation

Basic Human Needs Can Be Met on the Job

Human Needs	How They Can Be Met On The Job
4. Ego (self-esteem)	Awards such as employee of the month or year, service pins, paid attendance at external property training sessions, recognition, personal letters from one's boss

The Role of Supervisors

Motivation

Basic Human Needs Can Be Met on the Job

Human Needs	How They Can Be Met On The Job
5. Self-fulfillment (knowing one is doing the very best one can do)	Involvement in planning goals, objectives, and budgets and by participating in special projects

The Role of Entry-Level Employees

- Professional entry-level employees:
 - “go the extra mile”
 - are part of the hotel’s team
 - try to put forth the best possible efforts to meet the guests’ needs and the hotel’s goals
 - are genuinely interested in helping other employees

The Role of Entry-Level Employees

Responsibilities

- Supervisors should have reasonable expectations, such as:
 - belief in and compliance with the hotel's policies and regulations
 - their best efforts in providing quality products and services to guests
 - suggestions about better ways to do assigned work

The Role of Entry-Level Employees

Responsibilities

- maturity—keeping promises, meeting work obligations, and a serious attitude about the job to be done
- speaking positively (or not all) about the hotel and its managers
- a recognition that purposeful change is inevitable and cooperating with it rather than resisting it

The Role of Entry-Level Employees

Responsibilities

- taking responsibility for their own on-the-job behavior
- consistently working to the best of their abilities
- serving as a contributing member of the hotel's guest service team

The Role of Entry-Level Employees

Responsibilities

- What Should Employees Expect from Their Supervisor?
 - Fair compensation for the jobs they perform
 - Safe working conditions
 - The training needed to perform their current job well

The Role of Entry-Level Employees

Responsibilities

- Additional training for advancement if that is possible
- Help to ensure that all employees work well together
- A full explanation of policies, rules, and regulations that affect them

The Role of Entry-Level Employees

Responsibilities

- A fair evaluation of their work
- Recognition for a job well done
- The use of a leadership style appropriate for each employee
- Effective role-modeling; the supervisor sets a good example of professional behavior

The Role of Entry-Level Employees

Career tracks

Career ladder: A plan that projects successively more responsible positions within an organization or an industry. Career ladders allow one to plan and schedule developmental activities necessary to assume more responsible positions.

Choosing and Keeping the Right Staff Members

Human Resources (department): The functional area in a hotel with the responsibility to assist managers in other departments with human resources concerns including recruitment, selection, orientation, training, compensation, legal, safety and health, and a wide range of other specialized tasks. Also known as “HR”

Choosing and Keeping the Right Staff Members

Recruitment

Recruitment: Activities designed to attract qualified applicants for the hotel's vacant management and non-management positions.

Choosing and Keeping the Right Staff Members

Recruitment

Internal recruiting: Tactics to identify and attract staff members who are currently employed at the hotel for vacancies that represent promotions or transfers to other positions.

Choosing and Keeping the Right Staff Members

Recruitment

External recruiting: Tactics designed to attract persons who are not current hotel employees for vacant positions at a property.

Job description: A list of tasks that an employee working in a specific position must be able to effectively perform.

Choosing and Keeping the Right Staff Members

Selection

Selection: The process of evaluating job applicants to determine who is most qualified for and likely to be successful in a vacant position.

Job specification: A list of personal qualities or characteristic necessary for successful job performance.

Choosing and Keeping the Right Staff Members

Selection

- Preliminary screening
- Employment interview(s)
- Employment tests
- Reference checks and recommendations
- Physical exams and drug testing

Choosing and Keeping the Right Staff Members

Orientation

Orientation: The process of providing basic information about the hotel which must be known by all of its employees.

Choosing and Keeping the Right Staff Members

Orientation

Orientation goals include:

- Reducing anxiety
- Improving morale and reducing turnover
- Providing consistency
- Developing realistic expectations

Choosing and Keeping the Right Staff Members

Training

Training is necessary for all staff members regardless of how much experience they have in a position.

Choosing and Keeping the Right Staff Members

Training

Benefits of Training

- Experienced hoteliers know that training can make a positive influence on a number of important areas in a lodging property. These include:
 - productivity
 - quality
 - guests' perceptions about the hotel

Choosing and Keeping the Right Staff Members

Training

Benefits of Training

- attainment of financial goals
- improved job skills
- employee job satisfaction
- help with employee recruitment efforts

Choosing and Keeping the Right Staff Members

Training

Benefits of Training

- improvement in employee attitudes
- reduction in turnover
- improved teamwork

Choosing and Keeping the Right Staff Members

Training

Benefits of Training

- Step One: Preparation
- Step Two: Presentation
- Step Three: Practice
- Step Four: Follow-Up

Workplace Fairness

Employee Discipline

- **Discipline:** Corrective actions designed to encourage employees to follow established policies, rules, and regulations.
- **Progressive Disciplinary Program:** A carefully planned series of corrective actions, each increasing in its severity and designed to encourage employees to follow established policies, rules, and regulations.

Workplace Fairness

Performance Appraisal

Performance appraisal: A periodic formal evaluation of an employee's job performance, including a discussion of professional development goals; also called "performance evaluation."

Workplace Fairness

Retention

Turnover (employee): The replacement of employees needed in an organization or a position as other staff members leave.

Worker Safety and Health

Safety hazard: Conditions in the workplace that can cause immediate harm.

Health hazard: Aspects of the workplace that can lead to a decline in an employee's health.

Legal Aspects of Supervision

Employee Selection and the Law

Bonafide occupational qualifications

(BOQs): The skills and knowledge to perform a job that are necessary to safely and adequately perform all the tasks required by the job

Legal Aspects of Supervision

The Employer-Employee Relationship

At-will employment: The employment relationship that exists when employers can hire any employee they choose and dismiss an employee with or without cause at any time. Employees can also elect to work for the employer or to terminate the relationship anytime they desire to do so.

Legal Aspects of Supervision

Additional Legal Issues in the Workplace

This includes:

Sexual Harassment

Family Medical Leave Act (FMLA)

Minimum Wage and Overtime Pay

Minimum Wage

Overtime

DIVERSITY IN STAFFING

- Proponents of diversity initiatives frequently cite the following benefits:
 - The organization's corporate culture is more open to change.
 - A larger base of potential employees and more success in recruiting qualified applicants.
 - Better relationships with guests and more opportunities for increased business

DIVERSITY IN STAFFING

- Higher retention rates for employees.
- Decreased guest complaints.
- Improved decision
- Improved hotel reputation and image within the community

Measuring Hotel Performance

- **ADR**

- **Average Daily Rate (ADR):** The average (mean) selling price of all guest rooms in a hotel, city, or country for a specific period of time.

$$\frac{\text{Total Revenue from Room Sales}}{\text{Total Number of Room Sold}} = \text{ADR}$$

Chapter 3

Managing Lodging Operations

Learning Objectives

1. To explain to you the four major functions of management.
2. To show the organizational structure of different-size hotels.
3. To describe in detail the five major parts of a hotel general manager's job.

Learning Objectives

- 4. To describe how managers function when they are employed by a management company.
- 5. To describe how managers interact with their hotel's owners.

The Role of Lodging Managers

Management: The coordination of individual efforts to achieve established goals.

The Role of Lodging Managers

- Roles lodging managers' encounter might include:
 - opening or remodeling a hotel
 - increasing an existing hotel's revenue

The Role of Lodging Managers

- maintaining a swimming pool
- cleaning rooms
- improving the overall quality of a guest's experience.

The Role of Lodging Managers

Management Functions

- Four basic functions of management:
 - Planning
 - Organizing
 - Directing
 - Controlling

The Role of Lodging Managers

Management Functions

Planning

Planning: The process of considering the future and establishing goals for an organization.

Short-term goals: Goals that are to be achieved in the very near future (usually less than one year).

Sometimes called *short-term goals*.

The Role of Lodging Managers

Management Functions

Planning

Long-range goals: Goals that are to be achieved over an extended period (usually longer than one year).

Sometimes called *long-term goals*.

The Role of Lodging Managers

Management Functions

Organizing

Organizing: Actions designed to bring together and arrange the resources of a group to help it achieve its goals.

The Role of Lodging Managers

Management Functions

Organizing

- When managers organize resources, they answer questions such as:
 - Who will be responsible for making organizing decisions?
 - Which managers will be in charge of meeting specific goals?

The Role of Lodging Managers

Management Functions

Organizing

- Who will determine the number of additional workers needed to achieve our goals?
- Who will identify other additional resources needed to achieve our goals?
- What organizational business structure will best help us meet our goals?

The Role of Lodging Managers

Management Functions

Directing

Directing: The process of supervising staff members in the workplace.

The Role of Lodging Managers

Management Functions

Directing

- This involves:
 - leading and inspiring others
 - teaching new skills and attitudes
 - helping workers develop through their own efforts
 - creating systems that compensate workers fairly

The Role of Lodging Managers

Management Functions

Controlling

Controlling: The process of comparing actual results to planned results and taking corrective action as needed.

The Role of Lodging Managers

Management Functions

Controlling

- This involves:
 - checking-up or following-up on assigned tasks
 - comparing actual results with planned results
 - comparing progress with projections
 - eliminating obstacles that hinder goal achievement.

Management Principles

- The most important thing managers can manage is their own time.
- Sample Management Principles:
 1. The good of the organization must be put before the good of the organization's individual members.

Management Principles

2. The responsibility to achieve organizational goals should be accompanied by the authority to do so.
3. Discipline in an organization is necessary but must be impartially applied.
4. A worker should have one (and only one) immediate supervisor.

Management Principles

- 5. Pay rates within an organization should be established fairly.
- 6. There should be clear lines of **authority** for use in achieving organizational goals.

Management Principles

Authority: The power or right to direct the activities of others and to enforce compliance.

Management: Science and Art

- The "art" of management consists of an individual manager's creative power and personal skills.
- While the "science" of management teaches a manager to know, the art of management teaches a manager to do.

Lodging Management Structure

Organizational chart: A visual portrayal of the jobs and positions of authority within an organization.

Lodging Management Structure

Larger Hotels

- As the number of rooms in a hotel increases, so too does the number of staff employed, and the staff members work in increasingly more specialized positions.

Lodging Management Structure

Smaller Hotels

- Most employees at a limited service hotel must be multi-skilled and thus able to perform several tasks well.

The Role of a Hotel General Manager

- Key responsibilities of a Hotel General Manager:
 - Owner relations
 - Staff development
 - Property management
 - Brand affiliation management
 - Community relations

The Role of a Hotel General Manager

Owner Relations

- GMs inform owners of the condition of the operating business and the real estate value of the hotel.

The Role of a Hotel General Manager

Owner Relations

FF&E: The furniture, fixtures, and equipment used by a hotel to service its guests.

- American Hotel Register Company is one of the world's largest suppliers of hotel FF&E products.

www.americanhotel.com

Lodging Goes Green!

www.clearedgepower.com

The Role of a Hotel General Manager

Staff Development

Role model: An individual who displays positive personal and professional characteristics that others find desirable.

Mentor: To serve as a personal teacher.
Also known as a guide or coach.

The Role of a Hotel General Manager

Property Management

- The general manager must know or be able to readily determine:
 - The number of guests that will be arriving
 - The number of guests that will be departing
 - The total number of rooms to be sold
 - That a record of each arriving guest's name has been created and is readily available

The Role of a Hotel General Manager

Property Management

- The room rate to be paid by each guest
- That all room amenities promised by the hotel will be provided
- That all services typically provided by the hotel will be available

The Role of a Hotel General Manager

Property Management

- That each room to be used has been thoroughly cleaned
- That the hotel's physical plant will supply the necessary heating or cooling of air, water (at the proper temperature and in sufficient quantity), and power required by guests

The Role of a Hotel General Manager

Property Management

- That the hotel's guests and their property will be safeguarded during the guest's stay
- That proper procedures are in place to record the daily financial activity of the hotel

The Role of a Hotel General Manager

Property Management

Line-level: Employees whose jobs are non-supervisory. These are typically positions where the employee is paid a per-hour wage (not a salary) and performs a recurring and specific task for the hotel. Sometimes referred to as an “hourly” employee.

The Role of a Hotel General Manager

Property Management

- General Managers identify that:
 - cleaning procedures used in the breakfast area must be improved
 - the maintenance-tool storage area should be reorganized

The Role of a Hotel General Manager

Property Management

- room attendants must be better trained in the proper disposal of hypodermic needles found in guest rooms
- the guest room preferences of the hotel's best clients should be kept in a location easily accessible to the front desk staff
- “**comp**” room reports need to be recorded, with a justification for each comp, on a daily basis

The Role of a Hotel General Manager

Property Management

Comp: Short for “complimentary” or “no-charge” for products or services. Rooms, food, beverages, or other services may be given to guests by management if, the “comp” is in the best interests of the hotel.

The Role of a Hotel General Manager

Brand Affiliation Management

Quality Inspection Scores: Sometimes called Quality Assurance (QA) scores, these scores are the result of annual (or more frequent) inspections conducted by a franchise company to ensure that franchisor-mandated standards are being met by the franchisee.

The Role of a Hotel General Manager

Community Relations

- General manager's relations include:
 - owner relations
 - staff development
 - property management
 - brand affiliation
 - local communities

The Role of a Hotel General Manager's Supervisor

- General Managers will be supervised by one of the following:
 - Management company
 - Property owner

The Role of a Hotel General Manager's Supervisor

Management Company Supervision

- **Regional Manager:** The individual responsible for the operation of multiple hotels in a designated geographic area. In some companies, the person's title may be area or district manager.

The Role of a Hotel General Manager's Supervisor

Management Company Supervision

- **Line of Authority:** A direct superior-subordinate relationship in which one person (the superior) is completely responsible for directing and exercising control over the actions of another (the subordinate).

The Role of a Hotel General Manager's Supervisor

Property Owner Supervision

- When reporting directly to the hotel's owner, the advantages include:
 - Better understanding of ownership goals and objectives
 - Direct access-rapid answers to operational questions
 - Clear Lines of Authority

The Role of a Hotel General Manager's Supervisor

Property Owner Supervision

- When reporting directly to the hotel's owner, the disadvantages include:
 - Lack of owner experience in hotel operating methods
 - Multiple lines of authority-for example, ownership of a hotel is held by two or more partners or by a company with many owners
 - Issues of multiple loyalties

Chapter 6

The Front Office Department

Learning Objectives

1. To explain the main activities that occur in a hotel's front office.
2. To describe the process of forecasting hotel demand and establishing room rates.
3. To review the major sources of hotel reservations.

Learning Objectives

- n To explain the role of the front office before, during, and after a guest arrives at the hotel.
- n To examine how the front office manages guest and hotel data, including performance of the night audit.

Front Office Responsibilities

Front Office: The department within the hotel responsible for guest reservations, registration, service, and payment.

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

FOM: The hotel industry term for a front office manager.

Front Office Responsibilities

- The front office is responsible for managing three very important areas:
 - The **Property Management System (PMS)**
 - Guest Services
 - Guest Accounting and Data Management

Front Office Responsibilities

The Property Management System

Central reservations system (CRS): The industry term for the computerized program used to record guest room reservations.

Back-up system: Redundant hardware and/or software operated in parallel to the system it serves.

Front Office Responsibilities

Guest Services

- Front office should be ready to assist in a variety of guest-related request, such as:
 - Transportation to and from an airport or other transportation terminal
 - Handling luggage

Front Office Responsibilities

Guest Services

- Providing directions to attractions within the local area
- Conveying information about available hotel services
- Taking messages for guests
- Routing mail

Front Office Responsibilities

Guest Services

- Newspaper delivery
- Management of safety deposit boxes
- Arranging for wake-up calls

Front Office Responsibilities

Guest Services

- Providing guest security by the careful dissemination of guest-related information
- Handling guests' concerns and payment disputes

Front Office Responsibilities

Guest Accounting and Data Management

Night audit: The process of reviewing for accuracy and completeness the accounting transactions from one day to conclude, or “close,” that day’s sales information in preparation for recording the transactions of the next day.

Front Office Responsibilities

Guest Accounting and Data Management

Night auditor: The individual who performs the daily review of all the financial transactions with hotel guests recorded by the front office.

Front Office Responsibilities

Guest Accounting and Data Management

- PMS would keep a record of:
 - The name of the guest staying at the hotel
 - The date of the guest's last stay
 - The guest's address, telephone number, and credit or debit card information

Front Office Responsibilities

Guest Accounting and Data Management

- The room rate paid and **room type** occupied by the guest during their last stay
- A history of the guest's prior folio charges
- The form of payment used by the guest to settle his or her account with the hotel

Front Office Responsibilities

Guest Accounting and Data Management

- The guest's membership in groups receiving a discount from the hotel
- The guest's company affiliation
- The guest's room-type preferences

Front Office Responsibilities

Guest Accounting and Data Management

Room type: Specific configurations of guest rooms. For example, king-sized bed vs. double-sized bed, or parlor suite vs. standard sleeping room.

Forecasting Demand

Effective front office staff must be able to answer

How many rooms will the hotel sell tonight?

Forecasting Demand

The Effect of Demand on Room Rates

RevPAR is a simple computation that can be expressed algebraically as:

$$A (\times) B = C$$

Forecasting Demand

The Effect of Demand on Room Rates

Where:

$$A \text{ (Occupancy \%)} \times B \text{ (ADR)} = C \text{ (RevPAR)}$$

Thus:

$$70 \text{ Occupancy \%} \times \$90.00 \text{ ADR} = \$63.00 \text{ RevPAR}$$

Forecasting Demand

Estimating Demand

Sell-out

- ⑩ A situation in which all available rooms are sold. A hotel, area, or entire city may, if demand is strong enough, sell out.
- ⑩ A period of time in which management must attempt to optimize ADR.

Forecasting Demand

Use of the PMS in Forecasting Demand

If a PMS is effective:

1. Information will be easily accessible.
2. Its information is readily compatible with Windows Office products.
3. Internet connectivity will be easy and dependable
1. A strong revenue management component will be included.

Establishing Room Rates

Revenue Management

Rack rate: The price at which a hotel sells its rooms when no discounts of any kind are offered to the guest. Often shortened to “rack.”

Establishing Room Rates

Revenue Management

Editor: insert figure 7.2 (But label it Figure 6.1)
from page 189 of 1st. Edition here.

Establishing Room Rates

Revenue Management

Walk: A situation in which a guest with a reservation is relocated from the reserved hotel to another hotel because no room was available at the reserved hotel.

Establishing Room Rates

Revenue Management

- In most cases, the hotel that has **walked** a guest will incur the following expense:
 - Transport guest to and from an alternative property

Establishing Room Rates

Revenue Management

- Telephone calls made by the guest to inform those who need to know about the alternative lodging accommodations
- The cost of the first night's room charges at the alternative hotel
- The cost related to the loss of good will on the part of the walked guest

Establishing Room Rates

Transient Rates

Corporate rate: The special rate a hotel charges to its typical business traveler.

For example, a rate that is 5–20% below the hotel's rack rate might be designated as the hotel's corporate rate.

Establishing Room Rates

Transient Rates

Transient: Individual guests who are not part of a group or tour booking.

Transient guests can be further subdivided by traveler demographics to obtain more detailed information about the type of guest staying in the hotel (for example, corporate, leisure, and government).

Establishing Room Rates

Transient Rates

Negotiated Rate: An agreed upon rate that is offered by a hotel but is subject to room availability.

Also referred to as a volume rate or volume discount rate.

Establishing Room Rates

Group Rates

Group rate: Special discounted room rates given to customers who agree to buy a large number of room nights for their group.

Establishing Room Rates

Group Rates

Opryland Hotel in Nashville, Tennessee is an example of a property that relies very heavily on group and group meeting business.

To review this impressive property, go to <http://www.gaylordhotels.com/gaylord-opryland>

Lodging Goes Green!

For those involved in the meeting industry, a commitment to sustainability increasingly takes the form of membership in the non-profit organization, Green Meeting Industry Council (GMIC).

To learn more please visit
www.greenmeetings.info

Establishing Room Rates

Contract Rates

Contract rate: A fixed term room rate that is agreed to in advance and for the length of the contract agreement.

Reservations

- Reservations may occur either from:
 - Hotel Direct Inquiry
 - Central Reservation System
 - Internet Booking Site

Reservations

Hotel Direct Inquiries

- Critical areas that should be examined for training needs include:
 - Telephone etiquette
 - Qualifying the guest
 - Describing the property

Reservations

Hotel Direct Inquiries

- Presenting the rate
- Overcoming price resistance
- **Upselling**
- Closing the sale
- Recapping the sale

Reservations

Hotel Direct Inquiries

Walk-in: A guest seeking a room who arrives at the hotel without an advance reservation.

Curb appeal: The initial visual impression the hotel's parking areas, grounds, and external buildings create for an arriving guest.

Reservations

Central Reservation Systems

- When guest call the toll free number to make a reservation they will receive a:
 - Confirmation number
 - Cancellation number

Reservations

Central Reservation Systems

Room night: The number of rooms used times the number of nights they are sold.

For example, a guest who reserves 2 rooms for 5 nights each has made a reservation for 10 room nights

$$2 \text{ rooms} \times 5 \text{ nights} = 10 \text{ room nights}$$

Reservations

Central Reservation Systems

- Room availability
- **Black-out dates**
 - Specific day(s) when the hotel is sold out and/or is not accepting normal reservations.
- Room rates

Reservations

Central Reservation Systems

- Seasonality of rates
- Room types
- Distances to local attractions
- Hotel amenities and services offered
- Directions to the property

Reservations

Internet Booking Sites

To see how easy it is to navigate a hotel brand's internet site please visit either of the following hotel sites:

www.choicehotels.com or www.marriott.com

Reservations

Internet Booking Sites

To view a non-brand-specific Internet booking site (sometimes called third-party booking sites), please visit either of the following sites:

www.travelocity.com or www.hotels.com

Reception and Guest Service

Pre-arrival

Registration (Reg) card: A document that provides details such as guest's name, arrival date, rate to be paid, departure date, and other information related to the guest's stay.

In conversation, most often shortened to "Reg" card, as in: "Where is the signed Reg card for room 417?"

Reception and Guest Service

Pre-arrival

Registration (Reg) card: A document that provides details such as guest's name, arrival date, rate to be paid, departure date, and other information related to the guest's stay.

In conversation, most often shortened to "Reg" card, as in: "Where is the signed Reg card for room 417?"

Reception and Guest Service

Arrival and Stay

- Correctly registering guests is a five-step process that consists of:
 1. *Greeting the guest*
 2. *Confirming the information on the registration record*
 3. *Securing a form of payment*
 4. *Room assignment*
 5. *Issuance of room keys*

Reception and Guest Service

Departure

- The actual settlement of the guest's bill includes:
 - Confirmation of the guest's identity
 - Presentation of a copy of the bill for the guest's inspection
 - Processing the guest's payment
 - Revising the room's status in the PMS to designate the room as vacant and ready to be cleaned

Guest Accounting

- Possible charges that hotel staff must accurately identify and then **post** to the guest's folio:
 - Guest room charges, including appropriate taxes
 - In-room safe charges
 - In-room mini-bar charges
 - Pay-per-view movies/games
 - Internet access charges
 - Restaurant or bar charges

Guest Accounting

- Telephone tolls
- Gift shop purchases
- Laundry charges
- Parking charges
- Meeting room charges
- Audio-visual equipment rental
- Banquet food or beverage charges
- Business center charges

Guest Accounting

Data Management

Interface: The process in which one data-generating system automatically shares all or part of its information with another system.

Call accounting: The system used by a hotel to document and charge guests for the use of their in-room telephones.

Guest Accounting

Data Management

PBX: Short for “Private Branch Exchange.” The system within the hotel used to process incoming, internal, and outgoing telephone calls.

Guest Accounting

Night Audit

- Completing the night audit consists of the following eight key items:
 1. Posting the appropriate room and tax rates to the folios of the guests currently in the hotel.
 2. Verifying the accurate status of all rooms recorded in the PMS.
 3. Posting any necessary adjustments to guest folios.

Guest Accounting

Night Audit

4. Verifying that all legitimate non-room charges have been posted throughout the day to the proper guest folio.
5. Monitoring guest account balances to determine whether any are over the guest's established credit limit.
6. Balancing and reconciling the front office's cash bank.

Guest Accounting

Night Audit

7. Updating and backing-up the electronic data maintained by the front office.
8. Producing, duplicating, and distributing all management-mandated reports, such as those related to room and non-room related revenue, ADR, occupancy percentage, source of business, and in-house guest lists.

PEARSON



Chapter 7

The Sales and Marketing Department

Learning Objectives

1. To define the terms “sales” and “marketing” and to explain the relationship between a hotel’s sales and marketing effort and its financial success.
2. To describe to you a hotel’s internal and external sales and marketing activities.
3. To identify the two major hotel markets and describe how each can be solicited to help optimize revenues.

Learning Objectives

4. To teach you about the major sales and marketing tools used by sales and marketing professionals.
5. To explain how professional hoteliers evaluate a hotel's sales and marketing efforts.

The Importance of Sales and Marketing

The goal of a hotel's sales and marketing effort is to identify and communicate with guests whose needs match the services and facilities offered by the hotel.

The Importance of Sales and Marketing

Director of Sales and Marketing (DOSM):

The person responsible for leading a hotel's marketing efforts. Job title variations include DOS (director of sales) and DOM (director of marketing).

The Importance of Sales and Marketing

Sales: Activities directly related to a client's purchase (booking) of hotel rooms or services.

Booking: A confirmed sale, such as a reservation (individual or group) or an event.

The Importance of Sales and Marketing

Marketing: Activities directly related to increasing a potential guest's awareness of a hotel.

Marketing seeks to increase consumer awareness, which leads to increased bookings.

Sales and Marketing Activities

- The 3-part sales cycle:
 - Pre-sales phase
 - Sales Phase
 - Post Sales Phase

Sales and Marketing Activities

Pre-sales Phase

- The Pre-sale phase typically includes:
 - Site tours and bids
 - Any of a number of other activities designed to move the process to the Sales phase.

Sales and Marketing Activities

Sales Phase

Group contract: A legal document used to summarize the agreement between a hotel and its group client.

Sales and Marketing Activities

Sales Phase

Attrition: The difference between the original request of group rooms and the actual pickup of a group.

Block: Rooms reserved exclusively for members of a specific group.

Sales and Marketing Activities

Post-sales Phase

- Activities in the Post-sales phase:
 - Formally thank clients for their business
 - Add client to the hotel's list of customers
 - Plan future sales efforts with the client
 - Compile and file all records related to the current sale

On Property Sales and Marketing Activities

- On Property sales and marketing activities involve three major areas:
 - Sales and Marketing Team
 - Sales and Marketing Budgets
 - Sales and Marketing Plan

On Property Sales and Marketing Activities

The Sales and Marketing Plan

- The actual marketing plan may vary in format but will typically include:
 - An overview of hotel performance in the area
 - A Competitive analysis
 - A Comprehensive self-assessment of the property
 - Forecast of future market conditions

On Property Sales and Marketing Activities

The Sales and Marketing Plan

- Plans relating to specific marketing strategies and activities including those related to:
 - Advertising
 - Promotions
 - Publicity

On Property Sales and Marketing Activities

The Sales and Marketing Plan

- Development of a detailed marketing budget to support the identified strategies and activities
- Selection of measurement and evaluation tools to help assess the marketing plan's effectiveness

Off Property Sales and Marketing Activities

- Off Property sales and marketing activities involve:
 - Franchisor Efforts
 - CVB Efforts
 - Other Efforts

Off Property Sales and Marketing Activities

Franchising Efforts

- Franchisor initiated marketing efforts typically include:
 - National call centers
 - Brand-specific websites
 - Other web-sites (OTA sites)
 - National advertising

Off Property Sales and Marketing Activities

Franchising Efforts

- Brand-specific promotions including management of a frequent guest program
- PMS training and support program
- Sales training programs

Off Property Sales and Marketing Activities

CVB Efforts

- CVBs can also be known as a Tourism Board or Tourism Bureau
- CVBs do marketing for specific geographic areas

Off Property Sales and Marketing Activities

Other Efforts

- Others interested in selling hotel rooms and services include:
 - Travel agents
 - OTA websites
 - Travel advisory groups (for example, AAA and AARP)

Hotel Markets

- The traditional terms used to describe two distinct hotel guest types are:
 - Transient travelers
 - Group travelers

Hotel Markets

Transient Travelers

- Transient travelers can be further classified as
 - Corporate (Business)
 - Leisure
 - Government (on per diem)
 - Long-term stay

Hotel Markets

Group Travelers

- The number of rooms needed to classify as a “group” can vary by hotel.
- Group travelers often include those classified as **SMERF**
 - **SMERF:** Short for “Social, Military, Educational, Religious, or Fraternal groups” and organizations

Hotel Markets

Group Travelers

- Groups are often represented by professional **meeting planners**.
 - **Meeting planner:** A professional employed by a group to negotiate a group's contract with a hotel.

Sales and Marketing Tools

- Sales and marketing tools often used in the hotel industry include:
 - In-person sales calls
 - Print and direct mail
 - Telephone
 - E-mail
 - Traditional internet sites
 - User generated content (UGC) internet sites
 - Client appreciation activities

Sales and Marketing Tools

In-person sales calls

Sales Call: A pre-arranged meeting held for the purpose of explaining and selling the hotel's products and services

Cold Call: Making telephone contact with or an in person sales visit to, a potential client without having previously set an appointment to do so.

Sales and Marketing Tools

Print and Direct Mail

Direct mail: The process of sending an advertisement to clients by U.S. mail service.

The total cost of a direct mail piece includes the expenditures for the advertisement's design, printing, and mailing.

Sales and Marketing Tools

Print and Direct Mail

- The best direct mail pieces:
 - Are eye-catching
 - Reflect positively on the hotel's image
 - Are easy to read, brief and to-the-point
 - Introduce relevant hotel features and benefits
 - Support the offered benefits with proof statements
 - Are cost-effective
 - Ask for the sale (order) or a site visit

Sales and Marketing Tools

Telephone

- When trained properly, the sales and marketing team can use the telephone to:
 - Take transient reservations
 - Answer questions about group reservations and bids
 - Find prospects who may be interested in a site tour

Sales and Marketing Tools

Telephone

- Identify prospects and arrange dates and times for in-person sales calls
- Increase the speed and accuracy of information transmitted to the caller

Sales and Marketing Tools

Telephone

- Overcome resistance to sales barriers (for example, room rate too high or the hotel's lack of specific amenities)
- Improve total hotel revenue generated by telephone

Sales and Marketing Tools

E-mail

- An effective sales and marketing team will:
 - Maintain an up-to-date list of e-mail addresses
 - Create e-mail sales messages that are short but effective
 - Send e-mails at the proper frequency
 - Provide a convenient way for recipients to be removed from your e-mail list

Sales and Marketing Tools

Traditional Internet Sites

Demand generator: An organization, entity, or location that creates a significant need for hotel services.

Examples in a community include large businesses, tourist sites, sports teams, educational facilities, and manufacturing plants.

Sales and Marketing Tools

User Generated Content (UGC) Internet Sites

User Generated Content (UGC) site: A website designed to host forums, blogs, or other reviewer submitted information allowing those seeking information to read the comments of other consumers prior to making their buying decisions. UGC sites are sometimes referred to as Web 2.0.

Sales and Marketing Tools

Client Appreciation Activities

- Client-appreciation activities allow the hotel to express its gratitude to clients for their current business. Typical activities include:
 - Golf outings
 - Sporting events tickets
 - Concert tickets
 - Theater tickets
 - Small gifts

Evaluation of Sales and Marketing Efforts

- There are two major approaches used to evaluate the effectiveness of a sales and marketing team.
 1. Performance to Sales and Marketing Plan
 2. STAR Reports

Evaluation of Sales and Marketing Efforts

Performance to Sales and Marketing Plan

- In evaluating the sales and marketing team's over-all performance in implementing the sales and marketing plan, there are four important areas to consider:
 - *What:* Comparing what was planned to be done with what was actually done. "Plan your work, then work your plan" is an often-repeated phrase in the hotel business.

Evaluation of Sales and Marketing Efforts

Performance to Sales and Marketing Plan

- *How Much:* Given a large enough marketing budget, virtually any hotel sales and marketing team could achieve improvements in hotel revenues.

Evaluation of Sales and Marketing Efforts

Performance to Sales and Marketing Plan

- *How Effective.* The most important evaluation of a sales and marketing plan is based on its ultimate effectiveness.

STAR Reports

- **Smith Travel Accommodations Report (STAR report):** Short for the “Smith Travel Accommodations Report.” Produced by the Smith Travel Research (STR) company, this report is used to compare a hotel’s sales results to those of its selected competitive set.

STAR Reports

- **Competitive set:** The group of competing hotels to which an individual hotel's operating performance is compared. Sometimes referred to as a "Comp Set"

STAR Reports

- Operating comparisons produced by STR can be customized, but popular comparison categories include those related to:
 - Occupancy
 - ADR
 - RevPAR
 - Market share
 - Historical trends
 - Monthly and year-to-date performance
 - City, region or state performance

STAR Reports

- The STAR report assesses hotel performance and then assigns a score (index) that directly reflects a specific hotel's performance relative to its competitive set.

STAR Reports

- An index of 100 means that, on a selected operating characteristic such as ADR or occupancy percentage, a hotel has performed exactly equal to its competitive set.

STAR Reports

- An index score above 100 means the hotel has outperformed its competitive set, and an index below 100 means the competitive set has outperformed, on that characteristic, the specific hotel being scored.

STAR Reports

- An index below 100 means the competitive set has outperformed, on that characteristic, the specific hotel being scored.

STAR Reports

- When STAR performance does not reach the goals set by the hotel's owners or managers, there can be a variety of problems, not all of which can be easily solved by the general manager or the sales and marketing team. Some of these include:

STAR Reports

- Poor public perception of the franchise (brand) name
- Poor signage
- Poor property access by car
- Poor room mix for the market

STAR Reports

- Substandard furnishings or décor
- Marketing/ advertising budget too small
- Marketing staff too small
- Marketing staff ineffective

Chapter 8

The Housekeeping Department

Learning Objectives

1. To identify the areas of responsibility assigned to the housekeeping department of a lodging facility.
2. To explain how hoteliers should manage property left by guests.
3. To show the importance of safety training for employees working in housekeeping.

Learning Objectives

- n To teach, in detail, how housekeepers should clean guest rooms and public space areas in a lodging facility.
- n To explain the processes required to clean the laundry generated by a lodging facility.

The Role of Housekeeping

When a housekeeping department is effective:

- Guest satisfaction is high
- Employee morale is good
- The hotel is profitable

The Role of Housekeeping

When a housekeeping department is not effective:

- Their work quality is below industry standards
- Guest complaints soar
- Staff in other departments question the commitment of management
- Profits suffer

The Role of Housekeeping

Areas of Responsibility

- Public Spaces
 - Lobby areas
 - Public restrooms
 - Front desk areas
 - Management offices
 - Game rooms
 - Exercise areas
 - Pool and spa areas
 - Selected meeting and food service areas

The Role of Housekeeping

Areas of Responsibility

- Employee break rooms and locker rooms

- Guest Areas
 - Elevators
 - Corridors
 - Stairwells

The Role of Housekeeping

Areas of Responsibility

■ Guest Areas (continued)

- Guest rooms
 - Sleeping areas
 - Bath areas
 - Kitchen areas

■ Laundry Areas

- Laundry preparation areas
- Laundry supply closets
- Guest linen and supplies storage areas

The Role of Housekeeping

Areas of Responsibility

Executive Housekeeper: The individual responsible for the management and operation of a hotel's housekeeping department.

The Role of Housekeeping

Interactions

Room status: The up-to-date (actual) condition of each of the hotel's guest rooms (for example; occupied, vacant, or dirty.)

The Role of Housekeeping

Interactions

Clean and Vacant: The room is vacant, has been cleaned, and can be assigned to a guest.

In some hotels the designation used is “Clean and Ready”

Occupied: The room is registered to a current guest

The Role of Housekeeping

Interactions

On-Change: The room is vacant but not yet cleaned. In some hotels the designation used is "Vacant and Dirty"

Do Not Disturb (DND): The room is occupied but has not been cleaned due to the guest's request not to be disturbed

The Role of Housekeeping

Interactions

Sleep-out (sleeper): The room is reported as occupied but was not used (bed not used; no personal belongings in room), and the guest is not present

Stay-over: The guest will be staying in the room at least one more night

The Role of Housekeeping

Interactions

Due-out: The guest(s) have indicated this is the last day they will use the room

Check-out: The guest(s) have departed

Out of Order: The room is unrentable and thus is unassignable at this time

The Role of Housekeeping

Interactions

- The housekeeping department also interacts with:
 - Maintenance
 - Food and Beverage

The Role of Housekeeping

Interactions

On-premise Laundry (OPL): The area within the hotel where the cleaning of fabrics takes place.

Managing Housekeeping

- The unique issues faced by the department may pertain to:
 - Staffing
 - Inventory control
 - Management of lost and founds items

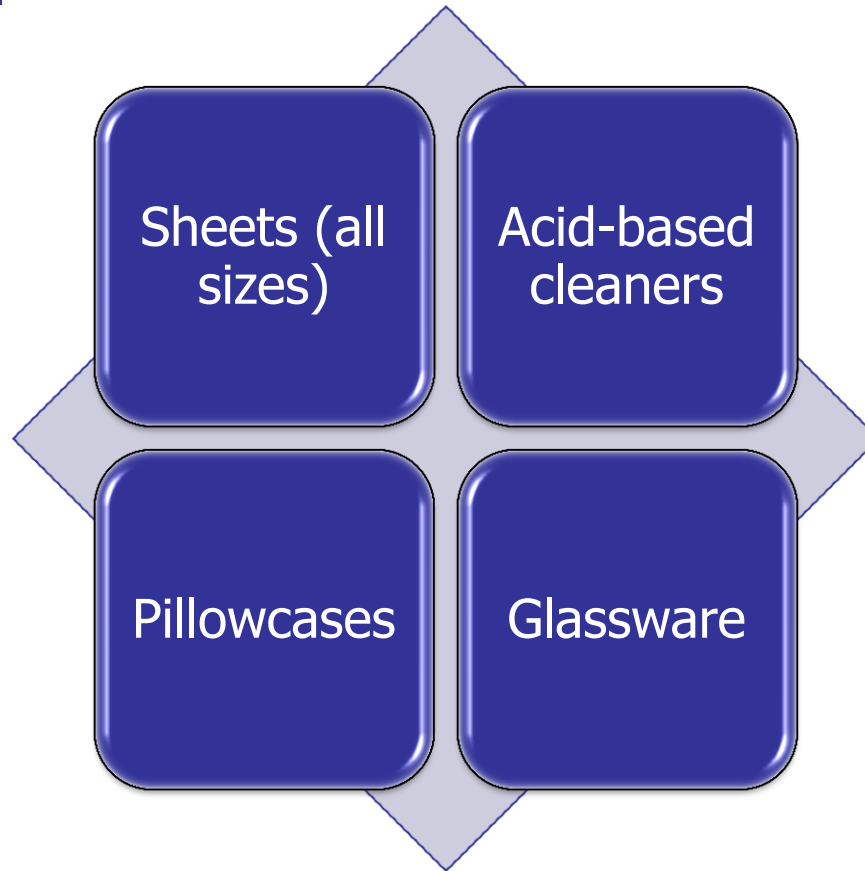
Managing Housekeeping

Staffing

- The Staff members in the Housekeeping department include:
 - Inspectors
 - Room attendants
 - House persons
 - OPL Workers

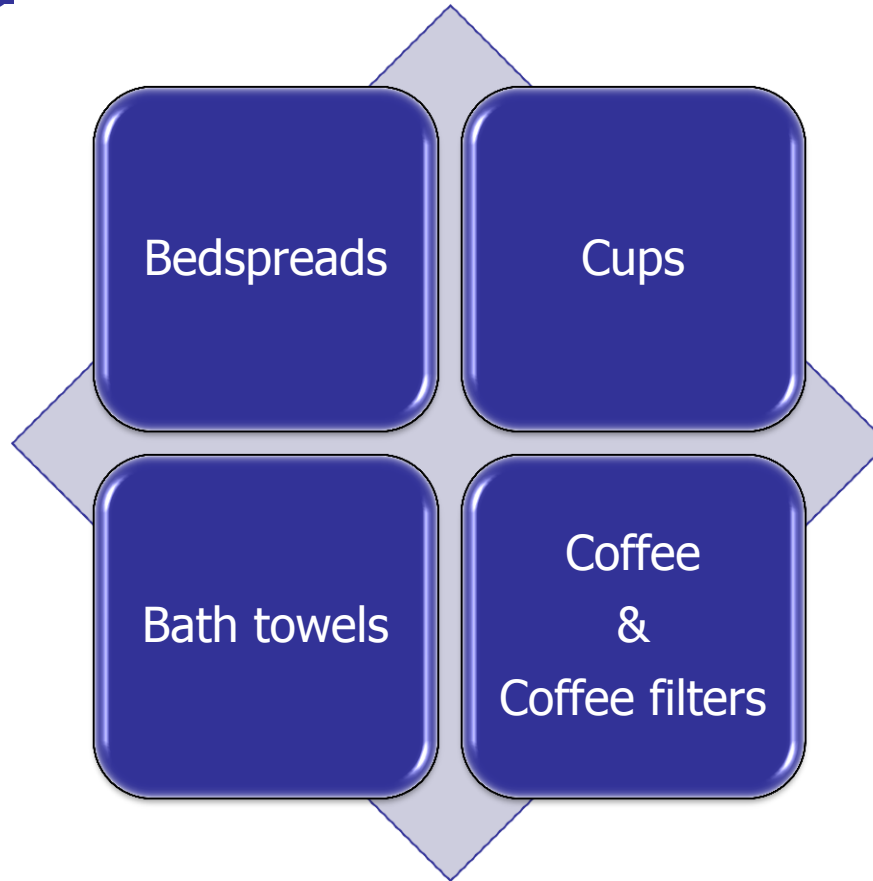
Managing Housekeeping

Staffing



Managing Housekeeping

Staffing



Managing Housekeeping

Staffing



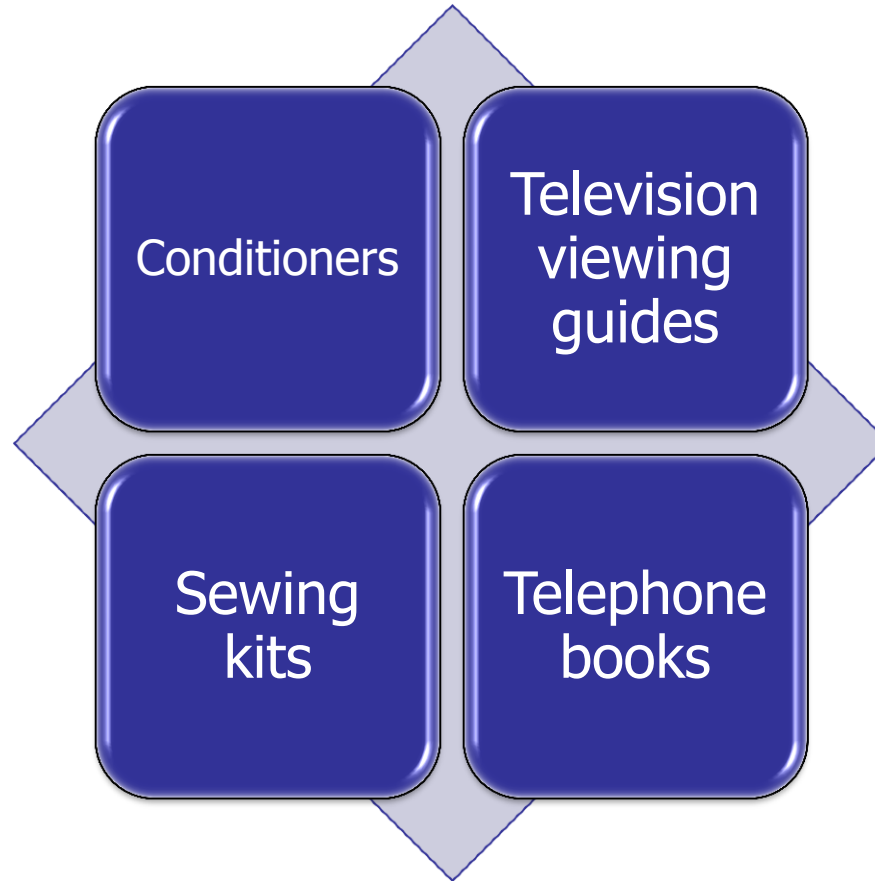
Managing Housekeeping

Staffing



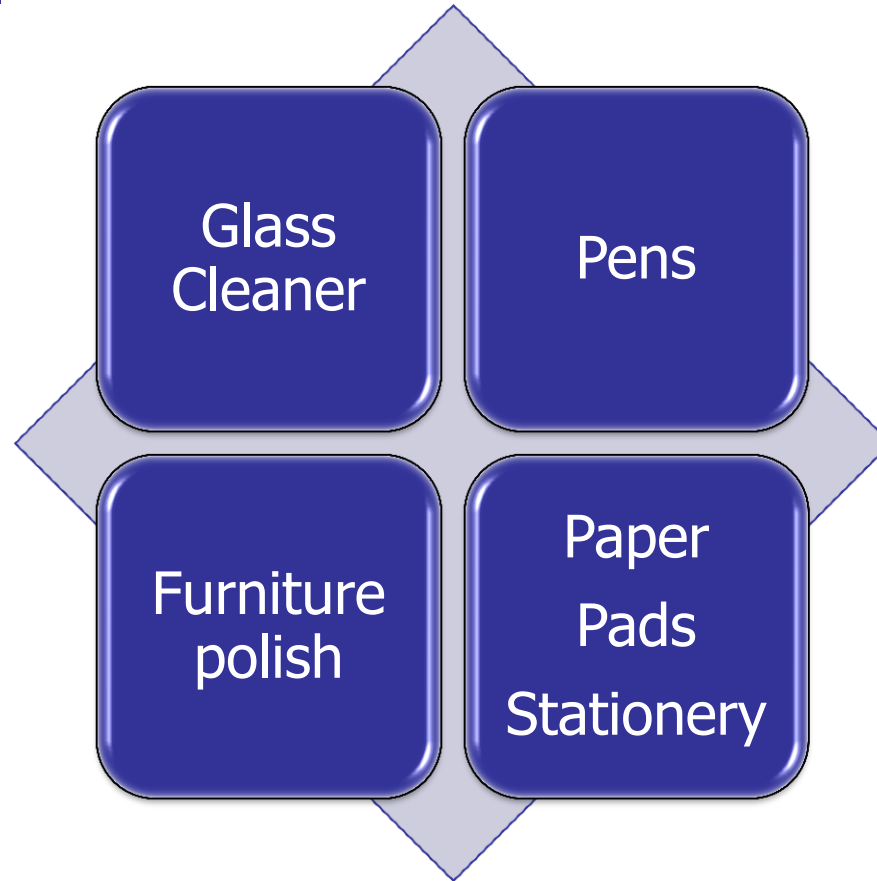
Managing Housekeeping

Staffing



Managing Housekeeping

Staffing



Managing Housekeeping

Staffing

Mislaid property: Items the owner has unintentionally left behind. Common examples include laptop computers, jewelry and clothing.

Lost property: Items the owner has unintentionally left behind and then forgotten. Common examples include robes, slippers, hairdryers, and cosmetics.

Managing Housekeeping

Staffing

Abandoned property: Items the owner has intentionally left behind. Common examples include newspapers, magazines, foods and beverages.

Safety Training

Staffing

- Handling chemicals
- Cleaning procedures
- Proper lifting techniques
- Properly entering guest rooms

Safety Training

Staffing

- Contending with guest rooms containing:
 - Firearms
 - Uncaged pets/animals
 - Guests perceived to be threatening
 - Guests who are ill/unconscious
 - Drugs and drug paraphernalia
 - Blood and blood-borne pathogens
 - Unsafe (damaged) furniture or fixtures

Safety Training

Staffing

- Guest service
- Guest room security
- Lost and found procedures

Safety Training

Staffing

Blood-borne pathogen: Any microorganism or virus that is carried by blood and that can cause a disease

Cleaning Responsibilities

$$\frac{\text{Total number of minutes needed to clean guest rooms}}{\text{Total number of guest rooms cleaned}} = \text{Minutes per room}$$

Cleaning Responsibilities

$$\frac{\text{Total number of minutes used to clean guest rooms}}{\text{Total number of guest rooms cleaned}} = \text{Minutes per room}$$

$$\frac{2,500 \text{ minutes used}}{100 \text{ rooms cleaned}} = 25 \text{ minutes per room}$$

Cleaning Responsibilities

Guest Room Cleaning

CPOR: Total costs incurred for an item or area, divided by the number of rooms occupied in the hotel for the time period examined

$$\frac{\$7,000 \text{ room attendant cost}}{1000 \text{ rooms sold}} = \$7.00 \text{ room attendant cost per occupied room}$$

Cleaning Responsibilities

Public Space Cleaning

The public space in a hotel is one of the first areas seen by the guests.

Laundry Operations

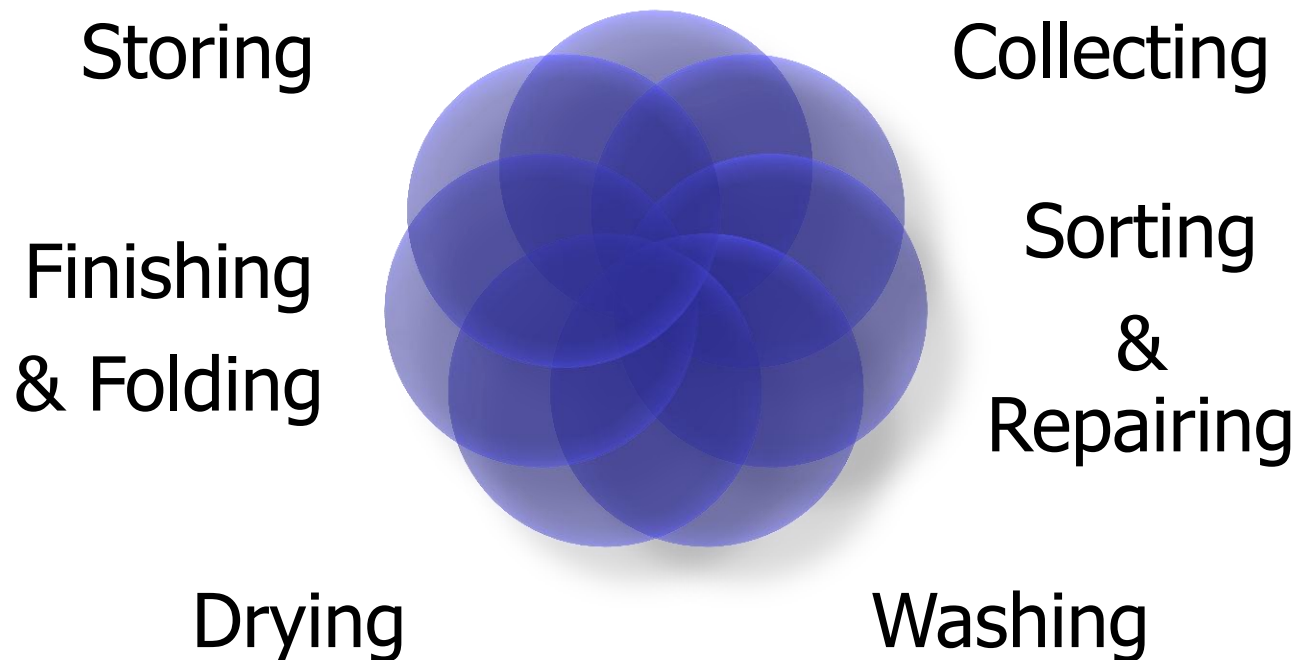
Laundry Processing

Linens: Generic term for the guest room sheets and pillowcases (and food and beverage department tablecloths and napkins) washed and dried in the laundry area.

Terry: Generic term for the bath towels, bath mats, hand towels, and wash cloths washed and dried in the laundry area.

Laundry Operations

Laundry Processing



Laundry Operations

Collecting

Biohazard Waste Bag: A specially marked plastic bag used in hotels. Laundry items that are stained with blood or bodily fluids and thus need special handling are put into these bags for transport to the OPL

Laundry Operations

Sorting and Repairing

- Different fibers and colors require different cleaning chemicals in the wash and, in many cases, different water temperatures or length of washing.
- In some cases, a tear or rip in a cloth item may mean it must be discarded, but in other cases it can be repaired.

Laundry Operations

Washing

Ozone system (laundry): A method of processing laundry that utilizes ozonized cold water rather than hot water to clean and sanitize laundry items

Laundry Operations

Drying

- Drying is the process of moving hot air (140–145 degrees F.) through the fabrics to vaporize and remove moisture.

Laundry Operations

Finishing and Folding

- In larger hotels, the folding of linens and terry may be done by machine, while in smaller properties it is generally done by hand.

Laundry Operations

Storing

- Many fabrics must “rest” after washing and drying if the damage to them is to be minimized.
 - Most laundry experts suggest a rest time of 24 hours for cleaned laundry.
 - Maintain laundry par levels of three times the hotel’s normal usage.

Laundry Operations

Storing

- For example, in a 150-room hotel, there should be enough linen and terry to have:
 - One set in the rooms
 - One set in the laundry (being washed and dried)
 - One set in storage

Laundry Operations

Delivering

- In smaller hotels, room attendants may go to laundry storage areas in the OPL to pick up linen and terry items.
- In larger properties, these items may be delivered to housekeeping storage areas located in various parts of the hotel.

Laundry Operations

Guest Operated Laundry

- Ample space is typically provided for the sorting, folding, and ironing of laundry.
- Most guest-operated laundries also contain vending machines where detergents, bleach, and fabric softeners may be purchased.

Chapter 9

The Maintenance Department

Learning Objectives

1. To identify the areas of responsibility assigned to the maintenance department of a lodging facility.
2. To explain the importance of routine maintenance in a professionally managed hotel.
3. To explain the importance of preventive maintenance in a professionally managed hotel.

Learning Objectives

4. To explain the importance of emergency maintenance in a professionally managed hotel.
5. To describe the processes required to properly manage and control utility consumption in a lodging facility.

The Role of Maintenance

Asset: The resources owned by an organization. These include cash, accounts receivable, inventories, goodwill, furniture, fixtures, equipment, buildings and real estate.

The Role of Maintenance

- The hotel's grounds, buildings, and equipment comprise the hotel's most visible and usually the most expensive asset.
- They directly affect the value of the hotel's other assets.

The Role of Maintenance

- An effective maintenance department will achieve many important goals, including:
 - Protecting and enhancing the financial value of the building and grounds
 - Supporting the efforts of other hotel departments
 - Ensuring maintenance-related adherence to brand standards

The Role of Maintenance

- Controlling maintenance and repair costs
- Controlling energy usage
- Minimizing guests' facility-related complaints
- Increasing the pride and morale of the hotel's staff

The Role of Maintenance

Preventive maintenance: Maintenance activities designed to minimize maintenance costs and prolong the life of equipment

Routine maintenance: Maintenance activities that must be performed on a continual (ongoing) basis.

The Role of Maintenance

Emergency maintenance: Maintenance activities performed in response to an urgent situation

The Role of Maintenance

Areas of Responsibility

Engineering: Designing and operating a building to ensure a safe and comfortable atmosphere

The Role of Maintenance

Areas of Responsibility

Engineering

- The engineering of a building refers to the application of physics, chemistry, and mathematics to design and operate a building that provides a comfortable atmosphere for guests and employees.

The Role of Maintenance

Areas of Responsibility

Engineering

HVAC: Industry shorthand term for “heating, ventilating, and air-conditioning”

The Role of Maintenance

Areas of Responsibility

Maintenance

- Hotel maintenance activities must be:
 - Planned
 - Implemented
 - Recorded

The Role of Maintenance

Areas of Responsibility

Maintenance

Planned: An effective maintenance manager is a careful administrator who reviews every piece of equipment and required activity in the hotel and then plans what should be done, when it should be done, and who should do it.

The Role of Maintenance

Areas of Responsibility

Maintenance

Implemented: Some maintenance managers know what should be done in their properties and have good intentions of completing all the required tasks, yet do not do them.

The Role of Maintenance

Areas of Responsibility

Maintenance

Recorded: Routine, scheduled maintenance tasks cannot be properly planned unless maintenance personnel know when these tasks were last performed.

The Role of Maintenance

Areas of Responsibility

Renovation

Building Age	Building Characteristics and Requirements
1–3 years	Low maintenance costs incurred
3–6 years	Maintenance costs increase
6–8 years	Refurbishment required; average maintenance costs incurred
8–15 years	Minor renovation and refurbishment required
15–22 years	Major renovation and refurbishment required
22+ years	Restoration required; high maintenance costs incurred

The Role of Maintenance

Interactions

- In Front Office interactions the Maintenance department:
 - Provides room-status updates
 - Responds to guest service requests
 - Communicates information about specific hotel conditions (i.e. pool closed, water shut off, etc.)

The Role of Maintenance

Interactions

- In Housekeeping interactions the Maintenance department:
 - Makes and reports on room repairs

- In Food and Beverage interactions the Maintenance department:
 - Maintains and may service equipment

Managing Maintenance

- One helpful way is to consider maintenance as either:
 - Routine
 - Preventive
 - Emergency

Managing Maintenance

Staffing

- **Chief engineer:** The employee responsible for the management of a hotel's maintenance department. Sometimes referred to as "maintenance chief"
- **Maintenance chief:** The employee responsible for the management of a hotel's maintenance department. Sometimes referred to as "chief engineer"

Managing Maintenance

Staffing

Engineering

Mechanics

Plumbing

Electricity

Carpentry

Water treatment (for pools and spas)

Landscaping

Grounds maintenance

Managing Maintenance

Routine Maintenance

- Work orders are used to identify work to be done.
- **Work order:** A form used to initiate and document a request for maintenance. Also referred to as a "maintenance request."

Managing Maintenance

Preventative Maintenance

PM (preventive maintenance) program: A specific inspection and activities schedule designed to minimize maintenance-related costs and to prolong the life of equipment by preventing small problems before they become larger ones

Managing Maintenance

Preventative Maintenance

- An effective PM program saves money for a hotel by reducing:
 - Long-term repair costs (because equipment life is prolonged)
 - Replacement parts costs (because purchases of parts can be planned)

Managing Maintenance

Preventative Maintenance

- Labor costs (because PM can be performed during otherwise slow periods)
- The dollar amount of adjustments and allowances due to guest dissatisfaction (because guest inconvenience is reduced)
- The costs of emergency repairs (because they will occur less frequently)

Managing Maintenance

Preventative Maintenance

- In addition to saving money, a good PM program:
 - Reduces guest complaints
 - Eases the job of the sales staff
 - Enhances the eye appeal and functionality of the hotel
 - Improves employee morale.

Managing Maintenance

Preventative Maintenance

- **PM Checklist:** A tool developed to identify all the critical areas that should be inspected during a PM review of a room, area, or piece of equipment

Managing Maintenance

Emergency Maintenance

- Emergency maintenance occurrences are generally defined as those that:
 - Are unexpected
 - Threaten to negatively impact hotel revenue
 - Require immediate attention to minimize danger or damage
 - Require labor and parts that must be purchased at a premium price

Managing Maintenance

Emergency Maintenance

- While it is not possible to avoid all emergency maintenance, effective routine and preventive maintenance programs reduce the number of times emergency maintenance is required and the total cost of property maintenance.

Managing Utilities

- Utility costs in hotels include expenses for water and sewage, gas, electricity, or other fossil fuel for heating and cooling the building, fuel for heating water, and, in some cases, the purchase of steam or chilled water.

Managing Utilities

Energy management: Specific engineering, maintenance, and facility-design policies and activities intended to control and reduce energy usage.

Managing Utilities

Electricity

- Some hotels have a back-up generator for use in an emergency outage situation; most will rely on one or more local power providers to deliver electricity.
- **Back-up generator:** Equipment used to make limited amounts of electricity on-site; utilized in times of power failure or when the hotel experiences low supply from the usual provider of electricity

Managing Utilities

Electricity

- Electricity is primarily used for:
 - Lighting
 - HVAC systems (including air handlers)
 - **Air handler:** The fans and mechanical systems required to move air through ducts and to vents.

Managing Utilities

Electricity

- The efficiency with which a hotel's HVAC system operates, and thus the comfort of the building, is affected by a variety of factors, including:
 - The original temperature of the air in the room
 - The temperature of the air delivered to the room
 - The relative humidity of the air when delivered
 - The air movement in the room
 - The temperature-absorbing surfaces in the room

Managing Utilities

Electricity

HVAC heating components

- Can be powered by natural gas or other fuels, but air is always moved via electricity

Managing Utilities

Electricity

HVAC cooling components

- The effectiveness of a cooling system is dependent on several factors, including:
 - The original air temperature and humidity of the space to be cooled

Managing Utilities

Electricity

HVAC cooling components

- The temperature and humidity of the chilled air entering the room from the HVAC system
- The quantity of chilled air entering the room
- The operational efficiency of the air-conditioning equipment

Managing Utilities

Natural Gas

- In some geographic areas where natural gas is plentiful and cost-effective, hotels use it to heat water for guest rooms and to power laundry area clothes dryers.
- The overwhelming majority of chefs and cooks prefer natural gas when cooking

Managing Utilities

Water

■ Conserving water:

- Reduces the number of gallons of water purchased
- Reduces the amount the hotel will pay in sewage (water removal) costs
- Reduces water-heating costs because less hot water must be produced

Managing Utilities

Managing Waste

- Sources of waste include:
 - Packaging materials, such as cardboard boxes, crates, and bags used in shipping hotel supplies
 - Kitchen garbage
 - Guest room trash
 - Yard waste

Managing Utilities

Managing Waste

Source reduction: Efforts by product manufacturers to design and ship products in a way that minimizes packaging waste resulting from the product's shipment to a hotel

Chapter 10

Food Service and Meeting Management in Limited Service

Learning Objectives

1. To explore the range of breakfast options offered by limited-service hotels.
2. To examine additional (non-breakfast) food and beverage services offered by limited-service hotels.
3. To discuss management concerns important when implementing a high-quality and cost-effective hotel lobby-based food service

Learning Objectives

4. To explain the importance of informing guests about the availability of lobby food services and providing attractive serving and dining areas for their enjoyment.
5. To review alternatives to manage small group meetings, including the provision of food and beverage services for session attendees.

Range of Food Services

- Unlike their full-service hotel counterparts, hotel guests in limited-service properties do not have access to **à la carte** dining or room service delivered by property employees.
- **A la carte (menu)**: A menu that lists its dishes separately and individually priced

Range of Food Services

Lobby food services: Food services offered in a limited-service hotel's atrium or lobby area

Range of Food Services

Breakfast Alternatives

Continental Breakfast: A simple breakfast consisting of fruit juice or fruit, coffee, and toast or a pastry.

Range of Food Services

Breakfast Alternatives

- These might, for example, include:
 - An expanded selection of juices
 - Several types of breads, rolls, and pastries
 - Coffee and milk
 - Other items (i.e. yogurts, fresh fruits, and assorted breakfast cereals)

Range of Food Services

Breakfast Alternatives

- Some limited-service properties offer a deluxe hot breakfast with numerous food offerings including:
 - Eggs
 - Breakfast meats
 - Potatoes
 - Regional specialty items

Range of Food Services

Breakfast Alternatives

Deluxe Hot Breakfast: A breakfast with hot food choices offered by a limited-service hotel

Range of Food Services

Other Food Services

■ ***All-day hot beverage service:***

- Brewed coffee and hot water for tea along with required supplies may be available at a “help-yourself” beverage station in the lobby 24 hours per day.

■ ***Alcoholic beverages and snacks:***

- During a defined time period, (for example, from 5:00 p.m. to 6:30 p.m.) a hotel may invite its guests to a special manager’s reception.

Range of Food Services

Other Food Services

Manager's reception: A time, usually during the late afternoon/early evening, when complimentary foods and beverages are offered to guests of limited-service properties.

Range of Food Services

Other Food Services

- ***Meetings-related food services***
 - Some limited-service properties have meeting spaces available for small groups. These properties may offer food and beverage services ranging from simple coffee breaks to entire meals.

Range of Food Services

Other Food Services

- ***Special-event food services***
 - Some limited-service properties with adequate food preparation and service space market their facilities for small private parties, such as wedding receptions and anniversaries, and for public events, such as New Year's Eve or Mardi gras parties.

Management of Lobby Food Services

Menu Planning

Purchasing

Receiving and Storage

Setting Up

Maintaining Breakfast Service

Cleaning Up

Management of Lobby Food Services

Menu Planning

Signature item: Food or beverage products produced by a hospitality operation that are unique to the property and that the general public associates with it

Management of Lobby Food Services

Menu Planning

Food Cost Per Guest (limited service hotels): The average amount expended for breakfast for each guest served.



Management of Lobby Food Services

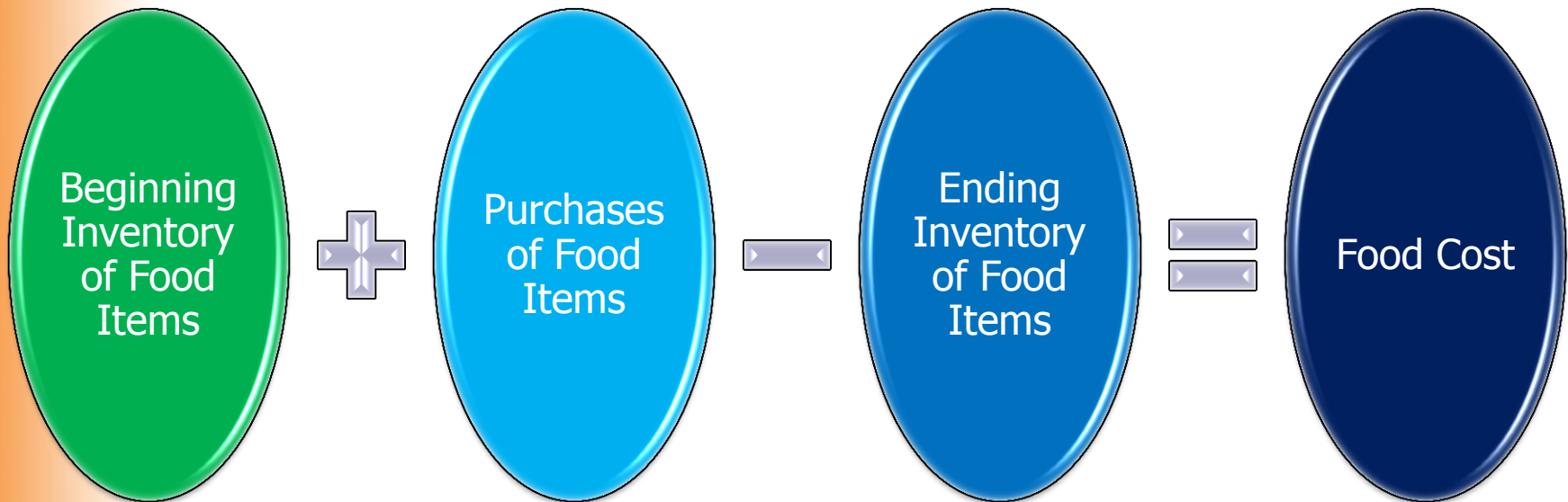
Menu Planning

Food Cost Per Guest (limited service hotels): The average amount expended for breakfast for each guest served.



Management of Lobby Food Services

Menu Planning



Management of Lobby Food Services

Menu Planning

- Recommended temperatures for storing food products are:
 - Refrigerated food storage: 41°F (50°C) or below
 - Frozen food storage: 0°F (-18°C) or below
 - Dry storage foods: 50°F – 70°F (10°– 21°C)

Management of Lobby Food Services

Purchasing

Centralized purchasing: A purchasing system in which participating properties develop common purchase requirements and combine purchase quantities.

Management of Lobby Food Services

Purchasing

Par inventory system: A system of managing purchasing and inventory levels based upon the requirement that a specified quantity of product be available in inventory.

Management of Lobby Food Services

Purchasing

Par inventory system: A system of managing purchasing and inventory levels based upon the requirement that a specified quantity of product be available in inventory.

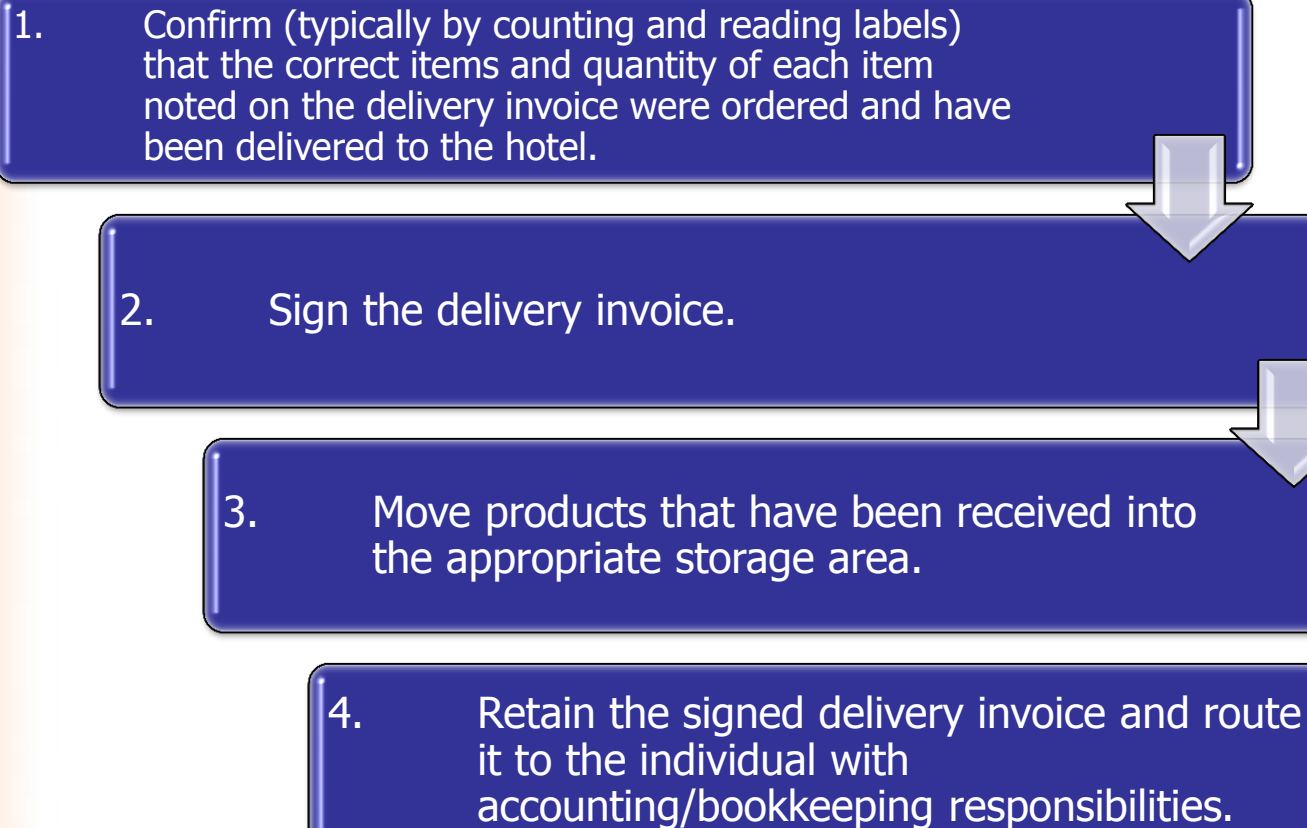
Management of Lobby Food Services

Receiving and Storage

Receiving (food service): The point at which ownership of products being purchased transfers from the seller (supplier) to the hospitality operation

Management of Lobby Food Services

Receiving and Storage

1. Confirm (typically by counting and reading labels) that the correct items and quantity of each item noted on the delivery invoice were ordered and have been delivered to the hotel.
 2. Sign the delivery invoice.
 3. Move products that have been received into the appropriate storage area.
 4. Retain the signed delivery invoice and route it to the individual with accounting/bookkeeping responsibilities.
- 

Management of Lobby Food Services

Setting Up Breakfast Service

- The performance of a food service attendant is affected by at least three factors under the hotel manager's control:
 - *Proper Training*
 - *Development of a Work Task Checklist*
 - *Serving Diagram*

Management of Lobby Food Services

Maintaining Breakfast Service

- An efficiently designed storage area and serving kitchen are an important first step in the process of speeding the flow of work in the area and reducing the attendant's travel time between the area and the serving line.

Management of Lobby Food Services

Cleaning Up

- In well-managed properties the job descriptions for these employees will specify what other duties, if any, are among their responsibilities; such as cleaning floors and removing food service trash.

Management of Additional Food Services

- In most cases, these additional services can be classified as one of the following.
 - Manager's Reception
 - Complimentary Dinner
 - Meetings and Special Events

Management of Additional Food Services

Manager's Reception

- Many limited-service hotels, and some full-service hotels, offer their guests alcoholic beverages at a hosted manager's reception.
- Due to third-party liability (dram shop) legislation, hotels can be held responsible for the amount of alcohol served to guests even in a 'serve yourself' arrangement.

Management of Additional Food Services

Complimentary Dinners

- Those hotels offering complimentary dinner face the same challenges as those hotels that serve breakfast.
- In nearly all cases, those hotels offering complimentary dinners do so utilizing a serve-yourself food buffet arrangement similar to that offered at breakfast.

Management of Additional Food Services

Meetings and Special Events

Small Meetings

- The small meetings market is vast.
- Many limited-service hotels develop a meeting room charge policy that relates to the revenues being generated.

Management of Additional Food Services

Meetings and Special Events

Small Meetings

- As with guest room rental charges, rates are often negotiable based in large measure upon the demand for the meeting room at the time for which it is requested.

Management of Additional Food Services

Meetings and Special Events

Small Meetings Food Service

- Some limited-service hotels have no role in the provision of food services but permit groups to bring in and provide their own refreshment breaks or meals.
- In this case, a meeting planner may make their own contacts with potential caterers, or the hotel may provide its groups with a list of caterers in the area.

Chapter 12

Hotel Accounting

Learning Objectives

- n To explain the difference between centralized and decentralized on-property hotel accounting systems.
- n To show how hotels utilize long-range, annual, and monthly budgets to manage their income and expenses.
- n To describe the controls used to manage hotel revenues.

Learning Objectives

4. To describe the controls used to manage hotel expenses.
5. To explain how income statements, balance sheets, and statements of cash flows are used to report the financial status of a hotel.

On-Property Accounting

Controller: The individual responsible for recording, classifying, and summarizing a hotel's business transactions. In some hotels, this position is referred to as the comptroller.

On-Property Accounting

- The purpose of bookkeeping is primarily to record and summarize financial data.
- Accounting includes the development of the systems to collect and report financial information, analyzing this same information, and making finance-related recommendations to assist in managerial decision-making.

On-Property Accounting

Centralized Accounting Systems

- In a centralized accounting system, the financial data from a hotel is transmitted to a central location where it can be recorded and then analyzed by management, or combined with data from other hotel properties for analysis.

On-Property Accounting

Decentralized Accounting Systems

- In a decentralized accounting system, the general manager (smaller property) or the controller (larger property) takes a greater role in the preparation of the hotel's financial documents.

Audit: An independent verification of financial records.

Budgeting

- Allow management to anticipate and prepare for future business conditions.
- Provide a communication channel that allows the hotel's objectives to be passed along to all of its operating units.
- Encourage department managers who have participated in the preparation of the budget to establish their own operating objectives and evaluation techniques and tools.

Budgeting

- Provide the hotel's managers with reasonable estimates of future expense levels and serving as a tool for determining future room rates and other pricing structures.
- Help the controller and the general manager to carry out periodically a self-evaluation of the hotel and its progress toward its financial objectives.
- Estimate the probable financial returns on their investments for the hotel's owners.

Budgeting

In the hotel industry, operating budgets generally are one of three types:

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graph LR; A[In the hotel industry, operating budgets generally are one of three types:] --- B[Long-range budgets]; A --- C[Annual budgets]; A --- D[Monthly budgets];
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Long-range budgets

Annual budgets

Monthly budgets

Budgeting

Long-Range Budgets

- Two to five years
- These budgets are subject to changes due to unforeseen circumstances and market forces, but they are useful for long-term planning as well as for considering the wisdom of debt financing and refinancing, and for scheduling **capital expenditures**.

Budgeting

Annual Budgets

- One year
- In large, multi-unit hotel companies, annual budgets must be produced by the individual hotels, submitted to a central office for review, and then in some cases revised to ensure they are in keeping with the overall financial objectives and goals of the hotel company.

Budgeting

Monthly Budgets

- Many hotel managers produce their annual budgets by first producing 12 monthly budgets.
- **Seasonal hotel:** A hotel whose revenue and expenditures vary greatly depending on the time (season) of the year.

Income Control

- An effective hotel accounting system includes the operational controls necessary to ensure that guests (and the hotel) are not defrauded by hotel employees.
- These same controls also help ensure that guests do not defraud the hotel.

Income Control

Operational Controls

Manager's daily (sales report): A re-cap of the previous day's rooms, food and beverage, and other sales. The manager's daily may include additional hotel operating statistics as requested by the hotel's general manager.

Income Control

Operational Controls

- **For rooms:**
 - Number of rooms available for sale
 - Number of rooms sold
 - Total rooms revenue
 - Occupancy rate
 - ADR
 - RevPAR
 - Other rooms revenue information desired by the general manager

Income Control

Operational Controls

- **For food and beverage:**
 - Restaurant sales
 - Bar/lounge sales
 - Meeting room rentals
 - Banquet sales
 - Other F&B revenue information desired by the general manager

Income Control

Operational Controls

- **For other income:**
 - Telephone revenue
 - In-room movie revenue
 - No-show billings
 - Other income categories unique to the property (e.g. spa or golf fees)

Income Control

Cash Controls

- Some common credit-card-related techniques used to defraud guests include:
 - Charging a guest's credit card for items not purchased, then removing an amount of money from the cash register equal to the erroneous charge.
 - Changing the totals on credit card charges after the guest has left or imprinting additional credit card charges and removing cash from the cash drawer equal to the amount of the fraudulent overcharge

Income Control

Cash Controls

- Mis-adding legitimate charges to create a higher-than-appropriate total, with the intent of keeping the overcharge.
- Charging higher-than-authorized prices for cash sales of products or services, recording the proper price, and keeping the overcharge.
- Giving, or selling, the credit card numbers of guests to unauthorized individuals outside the hotel.

Income Control

Allowances and Adjustments

- An allowance or adjustment is a reduction in a guest's bill resulting from a billing error or from a significant shortcoming in the product or services sold by the hotel.
 - Tracking allowances and adjustments can also help managers identify shortcomings in hotel services, processes, and procedures that must be addressed, corrected and/ or improved.

Income Control

Accounts Receivable Control

- When a hotel elects to extend credit to a client, it creates a direct bill account and then, as guests incur charges, the hotel periodically prepares an invoice and sends it to the client.

Income Control

Accounts Receivable Control

Accounts receivable (AR): Money owed to the hotel because of sales made on credit. Sometimes referred to as "AR."

Accounts receivable aging: A process for determining the average length of time money is owed to a hotel because of a credit sale.

Expense Control

Accounts payable (AP): The sum total of all invoices owed by the hotel to its vendors for credit purchases made by the hotel. Also called "AP."

Expense Control

Purchasing and Receiving

- When a hotel purchases services, it must have a payment system in place to confirm that a member(s) of the property management team has:
 - Pre-authorized the work to be done
 - Confirmed the cost of the work to be done
 - Verified that the work has been satisfactorily completed before payment is made.

Expense Control

Accounts Payable

- There are four major areas of concern to controllers establishing an effective accounts payable management system.
 - Payment of Proper Amounts
 - Payments Made in a Timely Manner
 - Payment Records Properly Maintained
 - Payment Totals Assigned (coded) to Proper Department or Area

Expense Control

Accounts Payable

- Controllers use a system of **coding** to assign actual costs to predetermined areas within the hotel.
- **Coding:** The process of assigning incurred costs to predetermined cost centers or categories.

Financial Reporting

Financial statements: Financial summaries of a hotel's accounting information. Also called the hotel's "financials."

Generally Accepted Accounting Principles (GAAP): Techniques, methods, and procedures utilized by all accountants in the preparation of financial statements.

Financial Reporting

Most hotels prepare three important financial statements:



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graph LR; A[The Income Statement] --- B[The Balance Sheet] --- C[The Statement of Cash Flows (SCF)]
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The Income Statement

The Balance Sheet

The Statement of Cash
Flows (SCF)

Financial Reporting

The Income Statement

Profit and Loss statement (P&L): The P&L records total hotel revenues and expenses for a specific time period. Same as the statement of income and expense.

Financial Reporting

The Income Statement

- How well did the hotel perform during the time period?
- How well did the hotel perform compared to its performance estimate (budget)?
- Where did the estimates vary significantly from actual performance?
- How well did the hotel perform compared to the same period last year?
- Where did any significant financial changes from the previous time period occur?

Financial Reporting

The Balance Sheet

- The balance sheet that provides a point-in-time statement about the overall financial position of the hotel. That's just as helpful.
- The balance sheet captures the financial condition of the hotel on the day the document is produced.
- It does not tell how profitable the hotel was in a prior accounting period, or how profitable the hotel may be in the future.

Financial Reporting

The Balance Sheet

- There are three parts to a balance sheet.
 - Part 1 lists the hotel's assets
 - what the hotel owns
 - Part 2 lists the hotel's liabilities
 - what the hotel owes
 - Part 3 lists the difference between what is owned and what is owed
 - owner's equity

Financial Reporting

The Statement of Cash Flows

- How much cash was provided by the hotel's operation during the accounting period?
- What was the hotel's level of spending for building improvements for the period?
- How much long-term debt did the hotel add (or reduce) during the period?
- Will cash be sufficient in the near future or will short-term borrowing be required?

Financial Reporting

The Statement of Cash Flows

- Since 1988 the Financial Accounting Standards Board (FASB), the organization responsible for making accounting rules, has required that the statement of cash flows be included with other financial statements when issued to external users.