



WORKING RELATIONSHIPS

Given that the decision as to which technologies to implement is usually a joint one, taken between hotel technology specialists and the hotel owners, Susan Croston, Associate, Hamilton Hotel Partners, explains how to find the optimum relationship between Owners and Operators starting with how best to structure the decision-making relationship...

OWNERS AND OPERATORS HOW TO MINIMISE RISK AND OPTIMISE SYNERGIES

By **Susan Croston**
Associate,
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Ultimately, the way in which the owner of a hotel property chooses to structure the operation of their hotel depends mainly on their goals and objectives, including their expected ROI, their desired hold period, the level of risk they are willing to accept and the control they would like to have over the operation of the asset. These options include, but are not limited to: a lease – low risk and limited operational control; a management agreement with a branded operator – increased financial responsibility and a greater level of oversight; a third-party operated franchise agreement represents a greater degree of alignment between the management and the owner with a high level of financial risk.

WHERE CAN CONFLICT ARISE?

Solid leadership, motivated staff and quality service all lead to increased profit flows but an Operator requires the correct tools to address the key drivers of profit for this to be achieved. There are numerous decisions regarding the implementation of technology that need to be made in all hotels during the pre-opening period, and also during operation, to ensure that systems are up-to-date, and profits are constantly maximised. However, conflicts can frequently arise between owner and operator regarding which decision is the most financially viable.

The larger international brands have all implemented standard requirements ▶

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Susan Croston

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Susan Croston joined Hamilton Hotel Partners in late 2008 and is actively involved in the management, asset management and development of hotel properties across the UK and Europe.

Prior to joining Hamilton, Susan worked for Christie + Co in London where she held the position of Graduate Surveyor, almost exclusively within the hotels department.

Susan graduated with a BSc (Hons) degree in Business Management from the University of Essex and has completed her Masters (MSc) in Real Estate Development from the University of Westminster, London.



► for technologies, such as property management systems (PMS), websites, booking engines and reservations systems, although that does not necessarily mean that these are the most efficient systems available. In addition, owners are becoming increasingly aware that hotel distribution services are now widely available at a fraction of the cost of those provided by the global hotel companies, and that central reservations offices (CROs) are no longer a key proprietary selling point given the wide

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▲ **Holiday Inn 5-S**, an example of a hotel with a successful "own" website. www.holiday-stuttgart.co.uk

use of the internet and wide availability of "white label" solutions. Furthermore, careful internet advertising and marketing, supported by extensive PR activity, can enable even independently operated hotels to compete effectively with the global brands.

EXAMPLE – A PROPRIETARY HOTEL WEBSITE

Revenue maximisation is strongly linked to the sales and marketing strategies of both the brand - if appropriate - and the hotel management team, as well as e-business activities, which are becoming an increasingly important tool in the success of hotels worldwide. Consequently, it is vital that every hotel has a well-designed and effective website, which should become one of the top revenue generating distribution channels. The larger hotel brands have all developed their own websites, with the main brand website acting as a platform for the individual pages related to the hotels within the portfolio. In this situation, the creation of a hotel's relevant web pages will be carried out by the operator under the terms within the management/franchise agreement, using the brand's chosen booking engine. However, this option is not always of optimum benefit to the owner in terms

of ensuring that maximum revenues are derived from the lucrative "own web" channel.

WHAT ARE THE CONCRETE ADVANTAGES OF PROPRIETARY WEBSITES?

A fully optimised, proprietary website not only allows individual hotels to increase their ranking on search engines, but also to target pay-per-click (PPC) activity to specific hotel offers and promotions, rather than purely on brand related marketing promotions. In addition, the creation of an "own" website allows the hotel to ensure that the layout of the website is appealing to the target market, showcasing the unique selling points of the hotel itself, rather than those of the brand. In this scenario, the website links back to the corporate reservation engine at the point of booking, creating a simple and continuous process for the the customer.

The development of a distinctive proprietary website is fundamental to properties that operate independently of a brand, or via a marketing consortium such as Preferred Hotels and Resorts, or Leading Hotels of the World. However, branded operators can be reluctant to agree to the development of such a website initially,

owing to the cost implications, and often that is because they believe that they are able to find an adequate solution at no extra cost. However, for many properties such a website can be self-funding and revenue positive, and is therefore in the best interests of both the operator and the owner to proceed. In our experience, the returns available exceed the costs of developing a content-rich, well optimised site by a factor of 10:1.

CONCLUSION

The optimum relationship between owner and operator is fundamentally based on a structured alignment of interests, with both parties understanding and respecting the aims and objectives of the other. It is vital that both the management company – be it a branded operator or a third party operator managing under a franchise – and the general manager are committed to presenting the hotel in its most profitable form, even if that means working proactively with the brand to evolve solutions that optimise profitability.