

Introduction to Hotel Management

OPENING DILEMMA

A hospitality career fair is scheduled at the end of the week at your college or university. Your recent review of this chapter has enticed you to explore the career opportunities in limited-service and full-service hotels. Your instructor has asked you to prepare a list of possible questions to ask the recruiter. What would you include in that list?

The mere mention of the word *hotel* conjures up exciting images: a busy lobby filled with international dignitaries, celebrities, community leaders, attendees of conventions and large receptions, businesspersons, and family vacationers. The excitement you feel in a hotel lobby is something you will have forever in your career. Savor it and enjoy it. It is the beginning of understanding the concept of providing hospitality to guests. As you begin to grasp the principles of a well-operated hotel, you will discover the important role the front office plays in keeping this excitement intact.

The **front office** is the nerve center of a hotel property. Communications and accounting are two of the most important functions of a front desk operation. Effective communications—with guests, employees, and other departments of the hotel—are paramount in projecting a hospitable image. Answering guest inquiries about hotel services and other guests, marketing and sales department requests for information on guest room availability, and housekeeping department inquiries concerning guest reservations are but a few of the routine tasks

CHAPTER FOCUS POINTS

- Historical overview of the hotel industry
- Hotel classification system
- Trends that foster growth and employment in the hotel industry
- Career development

performed almost constantly by a hotel front desk in its role as communications hub. Accounting procedures involving charges to registered and nonregistered hotel guest accounts are also important in the hospitality field. Itemized charges are necessary to show a breakdown of charges if a guest questions a bill.

Services for which fees are charged are available 24 hours a day in a hotel property. Moreover, because guests may want to settle their accounts at any time of the day, accounts must be current and accurate at all times. Keeping this data organized is a top priority of good front office management.

Founders of the Hotel Industry

A history of the founders of the hotel industry provides an opportunity to reflect on our heritage. Learning about the founding giants such as Statler, Hilton, Marriott, Wilson, and Schultz, to name a few, allows a student of the industry to discover the interesting lineage of hoteliers. Studying the efforts of the innovators who carved out the modern hotel industry may help future professionals with their own career planning.

E. M. Statler

To begin to understand the history of the modern hotel industry, let's look at its early entrepreneurs, who were motivated by wealth and fame on a grand scale.¹ Ellsworth M. Statler (1863–1928) developed the chain of hotels that were known as Statlers, beginning with a hotel in Buffalo, New York, built for the 1901 Pan-American Exposition. Eventually there were Statler hotels in Boston, Cleveland, Detroit, New York City, St. Louis, and other locations. In 1954, he sold the Statler chain to Conrad Hilton.²

Statler devised a scheme to open an incredible two-story, rectangular wood structure that would contain 2,084 rooms and accommodate 5,000 guests. It was to be a temporary structure, covered with a thin layer of plaster to make it appear substantial, although simple to tear down after the fair closed.³

Conrad Hilton

Conrad Hilton (1887–1979) became a successful hotelier after World War I, when he purchased several properties in Texas during its oil boom. In 1919, he bought the Mobley Hotel in Cisco, Texas. In 1925, he built the Hilton Hotel in Dallas, Texas.⁴ His acquisitions during and after World War II included the 3,000-room Stevens Hotel (now the Chicago Hilton) and the Palmer House in Chicago and the Plaza and Waldorf=Astoria in New York City. In 1946, he formed the Hilton Hotels Corporation, and in 1948, he formed the Hilton International Company, which came to number more than 125 hotels.⁵ With the purchase of the Statler chain in 1954, Hilton created the first major chain of modern American hotels—that is, a group of hotels that follow standard oper-

ating procedures in marketing, reservations, quality of service, food and beverage operations, housekeeping, and accounting. Hilton Hotels now includes Hilton Garden Inns, Doubletree, Embassy Suites, Hampton Inns, Harrison Conference Centers, Homewood Suites by Hilton, Red Lion Hotels and Inns, and Conrad International.

Cesar Ritz

Cesar Ritz was a hotelier at the Grand National Hotel in Lucerne, Switzerland. Because of his management abilities, “the hotel became one of the most popular in Europe and Cesar Ritz became one of the most respected hoteliers in Europe.”⁶

William Waldorf Astor and John Jacob Astor IV

In 1893, William Waldorf Astor launched the 13-story Waldorf Hotel at Fifth Avenue near Thirty-fourth Street in New York City. The Waldorf was the embodiment of Astor’s vision of a New York hostelry that would appeal to his wealthy friends by combining the opulence of a European mansion with the warmth and homey qualities of a private residence.

Four years later, the Waldorf was joined by the 17-story Astoria Hotel, erected on an adjacent site by William Waldorf Astor’s cousin, John Jacob Astor IV. The cousins built a corridor that connected the two hotels, which became known by a single hyphenated name, the Waldorf-Astoria.

In 1929, after decades of hosting distinguished visitors from around the world, the Waldorf-Astoria closed its doors to make room for the Empire State Building.

The 2,200-room, 42-floor Waldorf-Astoria Hotel was rebuilt on its current site at Park and Lexington avenues between Forty-ninth and Fiftieth streets. Upon the hotel’s opening, President Herbert Hoover delivered a message of congratulations. President Hoover later became a permanent resident of the Waldorf Towers, the luxurious “hotel within a hotel” that occupies the twenty-eighth through the forty-second floors. Conrad N. Hilton purchased the hotel in 1949 and then the land it stands on in 1977. In 1988, the hotel underwent a \$150 million restoration. It was designated a New York City landmark in January 1993.⁷

Kemmons Wilson

Kemmons Wilson started the Holiday Inn chain in the early 1950s, opening the first in Memphis, Tennessee. He wanted to build a chain of hotels for the traveling family and later expanded his marketing plan to include business travelers. His accomplishments in real estate development coupled with his hotel management skills proved a highly successful combination.

Wilson blazed a formidable path, innovating with amenities and high-rise architecture, including a successful round building concept featuring surprisingly functional pie-shaped rooms. Wilson also introduced the in-house Holidex central reservation system, which set

the industry standard for both the volume of business it produced and the important byproduct data it generated (allowing it, for example, to determine feasibility for new locations with cunning accuracy).⁸

Wilson died in February 2003 at the age of 90. His legacy to the lodging industry will be serving the traveling public with comfortable, safe accommodations while making a profit for investors.

J. W. Marriott and J. W. Marriott Jr.

J. W. Marriott (1900–1985) founded his hotel empire in 1957 with the Twin Bridges Marriott Motor Hotel in Virginia, near Washington, D.C. Marriott Hotels and Resorts had grown to include Courtyard by Marriott and American Resorts Group at the time of J. W. Marriott's death in 1985, at which time J. W. Marriott Jr. acquired the Howard Johnson Company; he sold the hotels to Prime Motor Inns but retained 350 restaurants and 68 turnpike units. In 1987, Marriott completed expansion of its Worldwide Reservation Center in Omaha, Nebraska, making it the largest single-site reservations operation in U.S. hotel history. Also in 1987, Marriott acquired the Residence Inn Company, an all-suite hotel chain targeted at extended-stay travelers. With the introduction of limited-service hotels—hotels built with guest room accommodations and limited food service and meeting space—Marriott entered the economy lodging segment, opening the first Fairfield Inn in Atlanta, Georgia, in 1987.⁹

Ernest Henderson and Robert Moore

Ernest Henderson and Robert Moore started the Sheraton chain in 1937, when they acquired their first hotel, the Stonehaven, in Springfield, Massachusetts. Within two years, they purchased three hotels in Boston and soon expanded their holdings to include properties from Maine to Florida. At the end of its first decade, Sheraton was the first hotel chain to be listed on the New York Stock Exchange. In 1968, Sheraton was acquired by ITT Corporation as a wholly owned subsidiary, and ambitious development plans were put into place to create a truly global network of properties. In the 1980s, under the leadership of John Kapioltas, Sheraton's chairman, president, and chief executive officer, the company received international recognition as an industry innovator in offering modern hotel accommodations.¹⁰ The Sheraton chain is currently owned by Starwood Hotels & Resorts Worldwide.

Ray Schultz

In the early 1980s, Ray Schultz founded the Hampton Inn hotels, a company in the Holiday Inn Corporation. These hotels were tagged as limited-service, meeting the needs of cost-conscious business travelers and pleasure travelers alike. Schultz's pioneering efforts in developing a product and service for these market segments have proved a substantial contribution to the history of the hotel industry.

At a 1998 celebration of the expansion of the Hampton Inn hotel corporation to more than 800 properties, Schultz said:

We started the Hampton Inn chain in 1884 to provide guests with a quality room and special amenities like a free continental breakfast and free local phone calls, all at an exceptional value. The opening of this hotel today tells us that we understood our guests' needs and that price/value is still a viable concept nearly 15 years later. Hampton Inn has been, and is committed to remaining, the standard against which all mid-priced, limited-service hotel brands are measured.¹¹

Historical Developments

The history of the hotel industry is filled with concepts that shaped the products and services offered.

The atrium concept design, limited-service hotels, and technology were notable innovations. Management concepts such as marketing and total quality management (TQM) offered managers a new way to do business in hotels. The major U.S. economic reorganization in the late 1980s shaped the way hotels could be profitable. Also, in the 1990s, a new financial approach—real estate investment trusts (REITs)—changed the financial structuring and operation of hotels.

The terrorist events of September 11, 2001, continue to affect how hotels market their products and services and deliver hospitality.

Atrium Concept

The hotel industry has seen many notable developments over the past years. The **atrium concept**, an architectural design in which guest rooms overlook the lobby from the first floor to the roof, was first used in the 1960s by Hyatt Hotels.

The dramatic approach to hotel style [was] exemplified by the Hyatt Regency in Atlanta. Designed by architect John Portman, with a striking and impressive atrium soaring up its 21 stories, the hotel literally changed the course of upscale hotel design. As a result hotels became more than a place to rest one's head. They became hubs for excitement, fun, relaxation and entertainment.¹²

This 1,260-room hotel "is now one of the nation's premier convention and trade show facilities with 180,000 square feet of ballroom, exhibit, meeting and hospitality space."¹³

Limited-Service Hotels

The movement of hotel construction from the downtown, center-city area to the suburbs in the 1950s coincided with the development of the U.S. highway system. The **limited-service concept**—hotels built with guest room accommodations and limited food service

and meeting space—became prominent in the early 1980s, when many of the major chains adopted this way to serve business travelers and travelers on a limited budget. Hampton Inn revolutionized the hotel industry with the creation of the first national brand targeted to the new limited-service hotel segment. The hotels featured spacious, comfortable rooms but eliminated or reduced other elements common to hotels at that time, such as restaurants, lounges, and meeting and lobby space, passing the resulting cost savings on to guests in the form of lower rates.

The company pioneered a number of ideas, including the mounting of the first site by a hotel brand on the Internet. In 1989, Hampton Inn became the first national brand to offer guests an unconditional 100 percent satisfaction guarantee, which today is the cornerstone of all Promus brands and a testament to the company's commitment to quality.¹⁴

Technological Advances

Technology has played a major role in developing the products and services offered to guests. Reservations systems, property management systems, and in-room guest checkout are only the most obvious advances in technology. Impressive firsts in the adaptation of technology to the hotel industry are shown in Figure 1-1. Note how many of the developments we call technology are recent adaptations.

Recent additions to the list include applications of wireless technology that allow front office staff to alert others on VIP check-ins, housekeeping staff to report guest room cleaning and release, marketing staff to maintain guest profiles, and bell staff to process baggage handling. Guests have also found technology in the 2000s to increase their ability to work and play at the same time; they can check email and print documents as needed from so-called hot spots, or designated wireless transmission and reception areas in the hotel.

Marketing Emphasis

An emphasis on niche marketing to guests was the theme in the 1970s. This technique surveyed potential guest markets and built systems around the needs of identified segments.

The larger hotel-management and franchise companies also were discovering the advantages of forging strong reservations and marketing systems. For a guest, this meant that by calling a single phone number, he or she could be assured of a reservation and feel confident of the quality of accommodations expected.¹⁵

The marketing emphasis continues in the 2000s through the routine use of the Internet to place guest reservations. A research study of PhoCusWright data indicated “Internet reservations consisted of about 13 percent of all U.S. hotel reservations in 2003.”¹⁶

FIGURE 1-1. Introduction of technological advances to the hotel industry.

1846	Central heating
1859	Elevator
1881	Electric lights
1907	In-room telephone
1927	In-room radio
1940	Air-conditioning
1950	Electric elevator
1958	Free television
1964	Holiday Inn reservation system with centralized computer
1965	Message lights on telephone
	Initial front office computer systems introduced followed by room status capability
1970s	Electric cash register
	POS (point of sale) systems and keyless locks
	Color television standard
1973	Free in-room movies (Sheraton)
1980s	Property management systems
	In-room guest checkout
1983	In-room personal computers
	Call accounting
1990s	On Command Video (on-demand movies)
	LodgeNet Entertainment (interactive video games)
	Interactive guest room shopping, interactive visitor's guide, fax delivery on TV, interactive guide to hotel's facilities and activities, reservations from the guest room for other hotels within the same organization, and interactive weather reports
	Internet reservations
	Introduction of legislation that monitored hotel ownership through real estate investment trusts (REITs)
2000s	Wireless Technology—Wireless Technology VIP Check-In, Housekeeping Guestroom Clean and Release Status, Marketing Guest Profile, Bell Staff Baggage Handling; Guest “hot spot” centers in hotels for wireless transmission and reception of emails and documents.

Sources: American Hotel & Motel Association; Madelin Schneider, “20th Anniversary,” *Hotels & Restaurants International* 20, no. 8 (August 1986): 40 (copyright *Hotels* magazine, a division of Reed USA); Larry Chervenak, “Top 10 Tech Trends: 1975–1995,” *Hotel & Motel Management* 210, no. 14 (August 14, 1995): 45.

Total Quality Management

Total quality management (TQM), a technique that helps managers look at processes used to create products and services with a critical eye on improving those processes, is practiced in hotels today. This emphasis on analyzing the delivery of services and products, with decision making at the front lines, in the 1990s and continues today under terms such as *quality assurance* and *service quality*. These concepts are discussed in more detail in chapter 11.

Major Reorganization, 1987–1988

The economic period of 1987–1988 saw a major reorganization of the hotel industry. 1986 Congress unraveled what it had stitched together in 1981. The revised Tax Act made it clear that passive losses on real estate were no longer deductible. Hotels that were previously economically viable suddenly were not. At this time, there were plenty of Japanese who seemed intent on buying up, at astronomical prices, any piece of U.S. property with a hotel or golf course on it. As a result, the value of American hotel properties continued to increase. Between 1990 and 1995, the recession began and ended, and the full impact of the 1986 law and overbuilding were experienced. Some investors who had built properties in the early 1980s found their properties sales or replacement value had fallen to 50 percent or less of original cost. Some owners simply abandoned their properties to their mortgage holders—which in many cases turned out to be Uncle Sam, because of the simultaneous S&L debacle.¹⁷

Hotel Investment

Real estate investment trusts (REITs) provide an investment opportunity for hoteliers. In the Spring 2000 *Virginia Hospitality and Leisure Executive Report*, P. Anthony Brown of Arthur Andersen wrote the following about the U.S. Tax Relief Extension Act of 1999. This information will be useful as you plan your career.

The most significant provision, however, is creation of a new type of corporation—a “Taxable REIT Subsidiary” (effective January 1, 2001)—which will allow REITs to create new incremental income streams. With new growth opportunities, shareholders should be rewarded with higher stock prices since companies with increased growth rates typically trade in the market at higher earnings multiples.

Under the terms of the 1999 legislation, Taxable REIT Subsidiaries can provide non-customary services to tenants through their subsidiaries. This legislation should enable REITs to provide better customer service, create stronger customer loyalty and sell new, non-customary services to tenants. In addition these new subsidiaries can lease lodging facilities from REITs. However, the lodging facilities must be managed by an independent contractor that is actively engaged in the trade or business of operating lodging facilities for any person other than the REIT.

With these changes, hotel REITs will be able to reorganize their structure in order to retain more of the income generated by their hotels. For example, FelCor Lodging Trust Inc., a hotel REIT based in Irving, Texas, currently leases its hotels to two tenants: 1) a company owned by its executives and directors; and 2) Bristol Hotels and Resorts, a publicly traded company. With the new legislation, FelCor will be able to form a new Taxable REIT Subsidiary and transfer the leases of its hotels to this new subsidiary. Accordingly, the net income of the existing lessee would be transferred to the new Taxable REIT Subsidiary. However, a management company (not owned by FelCor) must manage the hotels and must be actively engaged in the trade or business of operating lodging facilities for any person other than the REIT.¹⁸

September 11, 2001

The terrorist events of September 11, 2001, will have a lasting effect on how a hotel markets its products and services and delivers hospitality. The immediate impact of the terrorist attacks was a decrease in the number of people willing to fly and, thus, a decrease in demand for hotel rooms. Hotels (as well as restaurateurs, tourist attractions, government agencies, and the like) and the federal, regional, and state tourism associations continue to cooperate to address the issue of fear as it relates to travel and tourism.

Hoteliers reviewed their marketing plans and determined how to attract the post-9/11 corporate traveler. The huge corporate guest market can no longer be taken for granted. Corporate executives, travel planners, and traffic managers now must be greeted personally by hotel staff and asked when business might be expected. New methods of attracting markets such as local and regional residents are being developed. These efforts include special packages emphasizing local history and culture, businesses, sporting events, and natural attractions and are combined with the products and services of an individual hotel. Is this an easy challenge? Indeed no, yet it is one that hoteliers had to grasp with eagerness and enthusiasm in order to succeed.

R. Mark Woodworth reports that this effort is indeed a formidable task in light of the data revealed in *Trends in the Hotel Industry—USA*, published by PKF Consulting and the Hospitality Research Group (HRG). The 2003 edition reported that “the operating profit for the average U.S. hotel dropped 9.6 percent in 2002, this after a 19.4 percent decline in profits in 2001.”¹⁹

Rick Swig of RSBA & Associates notes that although hotel revenues increased by 2 percent from 2003 to 2004, “other issues such as supply of hotel rooms of 4.4% since June 2001 versus average number of rooms sold increasing only by 3.3%.” He urges, “Hotel operators should focus on pricing power for the next 24 months until occupancy returns to pre-2001 levels and compression begins to build. . . . National consortium and high volume travel contracts are being finalized for 2005. Hotels will have to be successful in achieving significant rate hikes through these conduits, since the past two years of negotiations have yielded little or no rate increase as operating expense inflated.”²⁰

Further insight into the challenge facing hoteliers is expressed by Tom Belden of The *Philadelphia Inquirer*, who relates that 94 percent of the 112 corporations surveyed by

the Business Travel Coalition of Radnor, Pennsylvania, cut their travel spending over a three-year period. He reports that one participant increased its use of web-based meeting software by 50 percent in one particular year.²¹

The delivery of hospitality in hotels has also come under review. For example, hoteliers are reviewing security plans to include the front-line employee who must take immediate action based on observations at the front desk, in the dining room and recreational areas, and on guest and public floors. The front-line employee who sees uncommon activities has to know the importance of reporting concerns to supervisors. Special training in what to look for in guest interactions in public areas and on guest floors assists the front-line person in becoming proactive.

Hoteliers must also be concerned with how to support hospitality as part of responsible community citizenship. Hotel general managers should develop emergency plans that allow immediately offering public space to medical personnel and disaster victims. Short-term concerns such as feeding disaster victims and emergency personnel and long-term commitments such as housing displaced members of the community are among the many issues faced by the hotel industry.

Liability implications for the owner, management contractor, or lessee with respect to repair of facilities have arisen in addition to concerns for the safety of guests resulting from terrorism. Andrew MacGeoch, reporting in *Hotel*, notes:

The obligation of an owner to repair the hotel under a management agreement usually depends on the extent of the damage. In general, if the costs of repair do not exceed a certain threshold specified in the management agreement [which is usually a certain percentage of the replacement costs of the hotel], the owner will be obliged to repair the hotel to its condition prior to the destruction. However, if the costs of repair exceed the specified threshold, the owner will have the right to choose not to undertake the repair and to terminate the management agreement.

MacGeoch continues with a note on liability toward guests by acts of terrorism.

Generally, neither the operator nor the owner would be held liable for any injury or death caused by terrorist activities, unless the owner or operator has failed to exercise reasonable care for the safety and security of their guests. Therefore, to make sure that the reasonable-care standard is met, it is necessary and advisable for owners and operators to take reasonable and necessary steps to protect the safety of guests, including implementing appropriate security policies and measures and providing crisis-management training to all employees.²²

These issues of marketing, delivering hospitality, and the ramifications of possible terrorism are ongoing concerns that hoteliers must continue to discuss. They must focus on goals and subsequent planning for implementation of a safe environment for guests and employees.

Overview of the Hotel Industry

A working knowledge of the classifications used in the hotel industry is important to understanding its organization. The various types of properties, their market orientation and location, sales indicators, occupancy, and revenues as they relate to levels of service and various types of business affiliations are all means of classifying hotel properties. Figure 1-2 serves as a reference point throughout this discussion.

FIGURE 1-2. Hotel industry overview.

- I. Types of hotel properties
 - a. Hotels
 - b. Motels
 - c. All-suites
 - d. Limited-service hotels
 - e. Extended-stay hotels
- II. Market orientation/location
 - a. Residential
 - i. Center-city
 - 1. Hotels
 - 2. All-suites
 - 3. Limited-service
 - 4. Extended-stay
 - ii. Suburban
 - 1. All-suites
 - 2. Limited-service
 - 3. Extended-stay
 - b. Commercial
 - i. Center-city
 - 1. Hotels
 - 2. All-suites
 - 3. Limited-service
 - 4. Extended-stay
 - ii. Suburban
 - 1. Hotels
 - 2. Motels
 - 3. All-suites
 - 4. Limited-service
 - 5. Extended-stay
- iii. Airport
 - 1. Hotels
 - 2. Motels
 - 3. All-suites
 - 4. Limited-service
- iv. Highway
 - 1. Motels
 - 2. All-suites
 - 3. Limited-service
 - 4. Extended-stay
- III. Sales indicators
 - a. Occupancy
 - b. Average daily rate (ADR)
 - c. Yield percentage
 - d. Revenue per available room (RevPAR)
- IV. Levels of service
 - a. Full-service
 - b. All-suites
 - c. Limited-service
 - d. Extended-stay
- V. Affiliation
 - a. Chain
 - i. Franchise
 - ii. Company-owned
 - iii. Referral
 - iv. Management contract
 - b. Independent

Types of Lodging Facilities

Classification of hotel facilities is not based on rigid criteria. The definitions can change depending on market forces, legal criteria, location, function, and, in some cases, personal preference, but the definitions that follow are generally accepted and are the ones intended for these classifications throughout this text.

Hotels

A hotel usually offers guests a full range of accommodations and services, which may include reservations, suites, public dining and banquet facilities, lounge and entertainment areas, room service, cable television, personal computers, business services, meeting rooms, specialty shops, personal services, valet, laundry, hair care, swimming pool and other recreational activities, gaming/casino operations, ground transportation to and from an airport, and concierge services. The size of the property can range from 20 to more than 2,000 rooms. Hotels are found in center-city, suburban, and airport locations. Guest stays can be overnight or long-term, as much as several weeks in length. Properties sometimes specialize in catering to particular markets, such as conventions or gambling. Casino hotels usually take a secondary role to the casino operation, where the emphasis is on profitable gaming operations. Marriott's hotels operated as JW Marriott Hotels & Resorts and Renaissance Hotels, as well as Hyatt Hotels & Resorts brands operated as Hyatt Regency, Grand Hyatt, and Park Hyatt Hotels, are examples in this category.

Motels

Motels offer guests a limited range of services, which may include reservations, vending machines, swimming pools, and cable television. The size of these properties averages from 10 to 50 units. Motels are usually in suburban highway and airport locations. Guests typically stay overnight or for a few days. Motels may be located near a freestanding restaurant.

All-Suites

The all-suites concept was developed in the 1980s as a separate marketing concept. These hotels offer guests a wide range of services that may include reservations, living room and separate bedroom, kitchenette, optional public dining room and room service, cable television, videocassette players and recorders, specialty shops, personal services, valet and laundry, swimming pool, and ground transportation to and from an airport. The size of the operation can range from 50 to more than 100 units. This type of property is usually found in center-city, suburban, and airport locations. The length of guest stay can be overnight, several days, or long term. Although this type of hotel may seem new, many downtown, center-city hotels have offered accommodations with in-room kitchenette and sitting room since the early 1900s. Now with **mass marketing**—advertising products

HOSPITALITY PROFILE



Joseph Longo is the general manager of The Jefferson Hotel, a 265-room historic property in Richmond, Virginia. One of only 17 hotels in North America to receive both the Mobil Five Star and AAA Five Diamond ratings, The Jefferson Hotel offers guests the highest level of products and services available, with a strong commitment to warm, genuine, and gracious service.

Mr. Longo obtained B.S. degrees in business administration and communication from Saint John's University in New York. While in college, he worked at the front desk at The Saint Regis Hotel in New York City and began his professional career at the Sheraton-Carlton Hotel in Washington, D.C., as the rooms division manager. He then became general manager of The River Inn hotel in Washington, D.C., and then the regional director of operations for the Potomac Hotel

Group. Prior to becoming general manager of The Jefferson Hotel, Mr. Longo was regional director of operations for the Field Hotel Association in Valley Forge, Pennsylvania.

The sales and marketing effort for this independently owned property requires aggressive sales and public relations strategies. Focus is placed not only on the guest rooms but also on the 26,000 square feet of function space and the two restaurants, one an AAA Five Diamond Award winner.

Mr. Longo encourages students who are pursuing a hospitality management career to remember that, as innkeepers, the hotel is like your home, where all of your guests are made to feel welcome. This means providing all guests with the basics of hospitality: a comfortable room, exceptional food, and a friendly staff to serve them. He adds that hospitality is a diverse business, offering a unique work experience each day.

and services through mass communications such as television, radio, and the Internet—this type of hotel is considered “new.” Examples of the all-suite concept include Hilton’s Embassy Suites and InterContinental’s Candlewood Suites.

Limited-Service Hotels

Limited-service hotels appeared in the mid-1980s. Hampton Inn and Marriott were among the first organizations to offer limited-service properties.

The concept of limited service was developed for a specific segment of the market: business and cost-conscious travelers. The range of accommodations and services may include reservations, minimal public dining and meeting facilities, cable television, personal computers, personal services (valet and laundry), and ground transportation to and from an airport. The size of the property can range from 100 to more than 200 rooms. Limited-service hotels are found in center-city, suburban, and airport locations. They are usually located near restaurants for guest convenience. Guest stays can be overnight or long term. These properties sometimes specialize in catering to the business traveler and offer special business technology centers. Limited-service hotel properties include Holiday InnExpress, operated by InterContinental Hotels Group; Comfort Inn, by Choice Hotels International; and Marriott’s Fairfield Inn.

Extended-Stay Hotels

Extended-stay properties were designed to offer guests a home-away-from-home atmosphere over long stays precipitated by business, leisure, or personal necessity. For example, a person may have to attend to a business project for several days or weeks; another may want to visit with relatives whose home does not have adequate accommodations for visitors; a third may be accompanying a relative or friend receiving an extended health treatment at a medical center and require overnight accommodations. The patient himself may appreciate the homelike atmosphere of the extended-stay hotel in which to recover between treatments.

Leon Stafford of *The Atlanta Journal-Constitution* writes, “The big, fancy hotels . . . have struggled to get 60 percent of their rooms filled since 2001. Meanwhile, extended-stays . . . have remained at least 70 percent filled.” He adds an interesting concept for your career development consideration: “About three extended-stay lodges were built for every traditional hotel constructed between 2001 and 2004.”²³

At Hilton’s Homewood Suites, the following room amenities are included: king-size bed or two double beds in the bedroom and foldout sofa in the living room; two remote-controlled color televisions; fully equipped kitchen with a microwave, refrigerator with ice maker, coffeemaker, twin-burner stove, and kitchen utensils; a spacious, well-lit din-

HOSPITALITY PROFILE



Charles Gellad is the general manager of the Homewood Suites in Alexandria, Virginia. He began his career at the Hampton Inn in Alexandria as a front desk clerk and progressed to guest services manager there. Then he took a position as sales manager at the Hampton Inn in Fairfax, Virginia, and then as director of sales at the Hampton Inn in Alexandria. He was on board as director of sales prior to the opening of the Homewood Suites in Alexandria.

Mr. Gellad said his market for guests includes people who are going to be in town for an extended period because of government contracts, special projects, training, or relocation in the military or in the private sector. Relocation is a common characteristic with this market.

Mr. Gellad’s extended-stay hotel offers breakfast in the morning and a manager’s reception

(light foods and beverages); a fitness center and an indoor whirlpool; a coin-operated laundry; an executive center equipped with a fax machine, personal computer, copying machine, and other office amenities; a convenience store called the Suite Shop; free parking; and free local, credit-card, and collect calls.

Mr. Gellad’s entry-level experience provided him with many opportunities to learn how to deal with different personalities. He says that when you become a supervisor, your employees want to be treated as individuals, but you must be fair in interpreting the policies to everyone. He also extends his hope that you will develop a balance between work and a personal life. This business can be very time-consuming, but you must take time to develop a life outside the hotel.

ing area; and ceiling fans and iron and ironing board. Additional hotel services include a business center, an exercise room, and a pool. This hotel concept also structures its room rates to attract the long-term guest.

Market Orientation

Market orientation in the hotel industry is categorized into two segments: (1) **residential hotels**, which provide guest accommodations for the long term; and (2) **commercial hotels**, which provide short-term accommodations for traveling guests.

Residential properties include hotels, all-suites, limited-service, and extended-stay properties. Services may include (but are not limited to) public dining, recreational facilities, social activities, and personal services. These hotels are usually located in center-city and suburban areas where other activities (shopping, arts and entertainment, business services, public transportation) are available to round out the living experience.

HOSPITALITY PROFILE



Barry Griffith, general manager of the Holiday Inn Express Hotel & Suites in Reading, Pennsylvania, feels that guest service is the center of the hospitality business and that this is achieved by finding employees to deliver that service. He states, “We as managers have to be motivators and coaches to ensure that front line employees deliver that service. We must also lead by example.”

The customer mix at the Holiday Inn Express Hotel & Suites changes depending on the time of the week. On weekdays, the mix is 80 percent business and 20 percent leisure; on the weekend it is 80 percent leisure and 20 percent business. Mr. Griffith noted that an old, established hospital in the area is relocating near his hotel. He expects this to reconfigure his customer mix: During the week it will be 70 percent business and 30 percent leisure, while on the weekend it will be 90 percent leisure and 10 percent business.

What do all these customers want? Guests in both segments want a warm welcome and a clean

room. However, the business segment wants quick, efficient service and high-speed Internet service for their computers. The leisure segment wants directions to local attractions and value (free phone calls, breakfast, and manager’s reception on selected days).

The Holiday Inn Express is a franchise of Inter-Continental Hotels Group. This franchise offers reservation service, a priority club for free upgrade on rooms, *USA Today*, points on merchandise and free room-nights or air travel, high-speed Internet service, shuttle service, free continental breakfast, and a manager’s reception on Mondays, Tuesdays, and Wednesdays featuring cocktails and hors d’oeuvres.

Mr. Griffith graduated from Penn State Berks with an associate degree in housing and food service. His professional experience includes serving as assistant general manager at the Sheraton Reading Hotel and Sheraton Lancaster Resort. He was also in management with the Bennigan’s Restaurants chain.

Commercial properties service the short-term transient guest. Services include (but are not limited to) computerized reservation systems, public dining, banquet service, lounge and entertainment areas, personal services, and shuttle transportation to airports. These hotels may be located almost anywhere.

It is essential to note the gray areas where these two categories overlap. A commercial lodging establishment may have a certain percentage of permanent residents. Likewise, a residential hotel may have nightly rentals available. Owners and general managers must exhibit a great deal of flexibility in meeting the needs of the available markets.

Sales Indicators

Sales indicators, including hotel occupancy and average daily rate, are another way of describing hotels. This information is necessary for business investors to estimate the profitability of a hotel.

Four factors measure a hotel's degree of financial success: occupancy percentage, average daily rate, yield percentage, and **revenue per available room (RevPAR)**. **Occupancy percentage** is the number of rooms sold divided by the number of rooms available. **Average daily rate (ADR)** is the total room revenue divided by the number of rooms sold. **Yield percentage**, the effectiveness of a hotel at selling its rooms at the highest rate available to the most profitable guest, reveals a facility's success in selling its room inventory on a daily basis. RevPAR is used to indicate the ability of each guest room to produce a profit. Once the daily sales opportunity has presented itself, it cannot be repeated (excluding the opportunity to sell a room at a half-day rate).

Occupancy

Occupancy percentages measure the effectiveness of the marketing and sales department as well as the external and internal marketing efforts of the front office. Occupancy percentage is also used by investors to determine the **potential gross income**, or the amount of sales a hotel might obtain at a given level of occupancy, average daily rate, and anticipated yield. However, it is important not to assume that occupancy is standard each night. Variations occur daily and seasonally.

Average Daily Rate

The average daily rate (sometimes referred to as *average room rate*) is also used in projecting **room revenues**—the amount of room sales received—for a hotel. However, this figure also affects guests' expectations of their hotel experience. Guests expect higher room rates to correlate with higher levels of service; the hotel with a rate of \$175 per night is expected to offer more services than a hotel in the same geographic area with a rate of \$85 per night. These expectations have been extensively capitalized on by major

hotel chains, which develop different properties to meet the expectations of various segments of the hotel market.

Yield Percentage

Yield percentage measures a hotel manager's efforts in achieving maximum occupancy at the highest room rate possible. This term is discussed more fully in chapter 6. It is sufficient to note here that this concept is relatively new in the hotel industry. Prior to the 1990s, hotel managers relied on occupancy and average daily rate as indicators of meeting financial goals. Yield percentage forces managers to think in more active terms.

RevPAR (Revenue per Available Room)

RevPAR is determined by dividing room revenue received for a specific day by the number of rooms available in the hotel for that day. The formulas for determining RevPAR are as follows:

$$\frac{\text{Room Revenue}}{\text{Number of Available Rooms}}$$

or

$$\text{Hotel Occupancy} \times \text{Average Daily Rate}$$

For example, RevPAR for a hotel that has \$10,000 in room revenue for the night of September 15 with 200 rooms available equals \$50 ($\$10,000 \div 200 = \50).

This same hotel on September 15 with 200 rooms, room revenue of \$10,000, 125 rooms sold at an average daily rate of \$80 ($\$10,000 \div 125 = \80), and with hotel occupancy of 62.5 percent ($125 \text{ rooms sold} \div 200 \text{ rooms available} \times 100 = 62.5 \text{ percent}$), produces the same RevPAR ($0.625 \times \$80 = \50).

RevPAR is used in hotels to determine the amount of dollars each hotel room produces for the overall financial success of the hotel. The profit from the sale of a hotel room is much greater than that from a similar food and beverage sale. However, the food and beverage aspect of the hotel industry is essential in attracting some categories of guests who want conference services. Chapter 6, "Revenue Management," discusses the importance of considering the potential income from room and food and beverage sales.

Consider the following article, "January RevPAR Grows Nearly Ten Percent at Suburban Lodge Company-Owned Hotels," which was published online. It shows how RevPAR is dependent on hotel occupancy. This article also addresses the importance of using RevPAR to present a fuller financial picture based on factors that affect room sales, such as economic conditions, weather patterns, and business travel, and ownership.

NEW YORK, September 16, 2004: PricewaterhouseCoopers forecasts revenue per available room (RevPAR) to increase by 6.3 percent in 2004, the largest increase in 20 years.

The 3.7 forecast increase in average daily rate in 2004 will contribute almost 60 percent of the total forecast RevPAR gain for the year. Many factors support the favorable outlook for ADR:

1. upward revisions to inflation forecasts;
2. acceleration of business travel and the consequent increase in higher-rate lodging demand;
3. consolidation of ownership, and therefore, more properties under pricing discipline;
4. dramatic increase in control being exercised by hotel companies and owners over rate integrity and inventory, leading to less discounting on third-party distribution channels; and
5. aftermath of hurricanes in Florida, generating room demand from people involved in damage assessment, insurance, and reconstruction in otherwise low-occupancy months, with especially positive effects on room rates.

The lodging expansion that is underway will bring lodging demand to 2.71 million daily occupied rooms in 2004, or 2.1 percent above the previous peak level recorded in the 2000. With supply expanding by only 1.3 percent in 2004 amid 3.7 percent demand growth, occupancy will advance to 60.6 percent, an increase of 1.5 occupancy points from 2003.

“We were criticized for being too negative in 2002 and 2003, but our forecasts were almost exactly the actual results, and for 2004 and 2005 we have been criticized for being too positive. But this regularly scheduled quarterly update is for even more positive growth in rate; our demand forecast for 2004 is unchanged,” said Dr. Bjorn Hanson, Global Practice Leader of PricewaterhouseCoopers Hospitality & Leisure Practice.

Real GDP is forecast by Macroeconomic Advisers to grow by 4.4 percent in 2004, followed by 3.9 percent growth in 2005 and 3.6 percent growth in 2006. Consumer prices are expected to advance by 2.7 percent in 2004, followed by 2.2 percent annual increases in both 2005 and 2006. These new forecasts represent slightly slower real GDP growth and an acceleration in inflationary pressures, compared to the macroeconomic forecasts underlying our June 2004 forecasts.

Demand growth is expected to moderate in the next two years to the long-term annual growth rate of approximately 2.8 percent. Occupancies will improve to 62.1 percent by 2006, as supply growth remains moderate at 1.5 percent in 2005 and 1.7 percent in 2006.

After achieving 3.7 percent growth in 2004, ADR will increase by 3.5 percent in 2005 and 3.4 percent in 2006, making ADR increases the primary driver of the robust forecast RevPAR growth of 5.0 percent in 2005 and 4.5 percent in 2006.²⁴

Levels of Service

The four commonly used **market segments**—identifiable groups of customers with similar needs for products and services—are full service, all-suites, limited service, and extended stay. There is a great deal of overlap among these divisions, and much confu-

sion, some of which occurs because leaders in the hotel industry do not agree on terminology. Some industry leaders avoid the “budget” tag because of its connotations of cheapness and poor quality. Others welcome the label because it appeals to travelers looking for basic accommodations at inexpensive rates. Nevertheless, the following definitions provide some idea of what is offered at each level of service.

Full service is a level that provides a wide range of conveniences for the guest. These services include, but are not limited to, reservations, on-premises dining, banquet and meeting facilities, and recreational facilities. Examples of full-service hotels include Marriott Hotels and Resorts, Renaissance Hotels, and Holiday Inns.

As discussed earlier, the **all-suites** category indicates a level of service appropriate for a guest who desires an at-home atmosphere. Services include separate sleeping and living areas or working areas, kitchenette facilities, wet bars, and other amenities at the mid-price level. This concept appeals to the business traveler as well as to families. Marriott’s SpringHill Suites and Embassy Suites Hotels are examples of all-suite hotels. It is interesting to note that this concept is also employed in older center-city commercial hotels, in which rooms adjoining the bedroom and bath have been remodeled as living rooms and kitchenettes to create suites.

Limited service emphasizes basic room accommodations, guest amenities, and minimal public areas. A continental breakfast and/or an evening cocktail is often included in the price of the room. The guest has the opportunity to trade the public meeting room for free in-room movies, the dining room for free local phone calls. Hampton Inns and Holiday Inn Express Limited are examples of limited-service hotels.

Extended stay is a level of service that offers a home-away-from-home atmosphere for business executives, visitors, and families who are planning to visit an area for an

HOSPITALITY PROFILE



Greg Goforth is the general manager of the Best Western Merry Manor in South Portland, Maine. The Merry Manor is a full-service hotel with 151 guest rooms, six meeting rooms, and a restaurant. Guest amenities include a year-round outdoor heated pool, an 18-foot indoor hot tub with a therapeutic waterfall, and a kiddie pool. Mr. Goforth has a degree in hotel and restaurant management from the University of New Hampshire. He says that guests are looking for the basic comforts of home—clean, comfortable, well-equipped rooms with everything in working order. He has noticed a trend toward added amenities in the rooms. Irons, ironing boards, and hair dryers are

now considered necessities, and having breakfast available is a must. Business-friendly rooms with a large desk, in-room fax machine, and easy and fast Internet access are also vital to attracting a corporate clientele.

Mr. Goforth indicates that occupancy in the Portland market has remained fairly consistent. Growth in occupancy has barely kept up with the constant increase in supply. The average daily rate has been rising faster than inflation; however, increased guest demands and increased payroll expenses have added to the challenge of making a profit. According to Mr. Goforth, the greatest challenge for hospitality in the next few years will be attracting and retaining qualified help.

extended period. A fully equipped kitchenette allows international guests to prepare comforting foods in a new environment. The spacious bedrooms and living areas provide work and recreational areas. Light breakfast and evening meals included. Examples of this level of service include Hilton's Homewood Suites hotels, InterContinental's Staybridge Suites, and Choice Hotels International's MainStay Suites.

Business Affiliations

Business affiliations, which indicate either chain or independent ownership of hotels, also categorize the hotel industry. These classifications are the most easily recognizable by consumers with regard to such features as brand name, structural appearance, and ambience. Long-lasting marketing effects develop a brand loyalty and acceptance that are most important to the long-term profitability for a hotel.

Chain Affiliation

When asked to name several **chain** operations (a group of hotels that follow standard operating procedures such as marketing, reservations, quality of service, food and beverage operations, housekeeping, and accounting), most people would probably mention Holiday Inn, Marriott, Sheraton, Days Inn, Hyatt, Hilton, or Econo Lodge. Students should stay up to date regarding developments in the industry, such as acquisitions, restructuring, and other changes in these organizations. This information, important to know when making career decisions, can be obtained from trade journals such as *Hotels* (published by Cahners, Des Plaines, Illinois), whose annual July issue includes a listing of hotel chains, addresses, and number of rooms; the *Wall Street Journal*; and other newspapers, magazines, and websites.

Chain affiliations, which include hotels that purchase operational and marketing services from a corporation, are further divided into franchisee, referral, company-owned properties, and management contract companies. Franchise corporations offer support to the franchisee, who is the owner of the land and building, in the form of reservation systems, advertising, operations management, and management development. In return for these services, the franchisee pays fees for items such as initial startup, rental of signs and other equipment, use of the corporation's reservation referral system, and national advertising.²⁵

Anyone wishing to enter the hotel business by investing personal funds wants to be sure of realizing a profit. Perhaps due to lack of experience in operating a hotel or motel, a lack of business acumen, a poor credit rating, or limited knowledge of real estate development, this type of entrepreneur may need to seek the guidance of others. He or she can receive direction from a corporation, such as Days Inn, Sheraton, or Hilton, concerning land, building, and management development.

Referral Property

Sometimes a hotel organization chooses to become a **referral property**—that is, to operate as an independent in association with a certain chain. Because the property is already physically developed, the entrepreneur may want assistance only with management, marketing and advertising, or reservation referral. Likewise, the fees are based on services required. The chain's quality assurance standards must, however, be met by the referral property.

Company-Owned Property

A **company-owned property**, a hotel that is owned and operated by a chain organization, allows the hotel company developer to act as an independent entrepreneur. The hotel company developer operates the hotel property in competition with all other properties in the area. It uses its own expertise in site selection, property development, marketing and advertising, and operations management. The hotel company developer recruits talented professions into the organization to manage such properties. It uses the chain's reservation system. The hotel company developer may set a limit on the number of franchises so that a majority of the properties remain company-owned.

Management Contract Property

A **management contract property**, a hotel operated by a consulting company that provides operational and marketing expertise and a professional staff, is similar to a referral property. Several management contract organizations develop business relationships with existing hotels and operate the hotels as their own. Their business relationship requires financial accountability and profitability. Management contract companies may choose to operate each hotel as a member of a franchise or as an independent.

Brands

Hotel brands are an important part of the lodging industry, especially in consumer marketing. Branding allows a hotel company to create a concept in the mind of a consumer. This mind-concept helps the consumer classify a hotel's offerings. For example, a fictitious brand such as the Hotel Flower Chain may have three distinct offerings in its portfolio of lodgings: the Tulip Extended Stay, the Rose Limited Inn, and the Violet All-Suites. Another fictitious brand such as the Timber Chain may have seven more brands in their chain with similar facilities, such as the Pine All-Suites, the Maple All-Suites, the Sunset Extended-Stay Suites, the Timber Express, the Timber Grand Hotels, the Timber Falls, and the Pine Limited Service. Each of these brands has distinct product and service offerings such as communication via website, reservation service, reservation reward point program, room accommodations, food service, personal fitness

and business equipment, and meeting and convention facilities. Therefore, when guests have certain needs for business or pleasure traveling, they can match them up to a certain brand.

The following is a list of major hotel brands. Further information can be accessed on each of the hotel companies on the Internet.

MARRIOTT

Marriott Hotels & Resorts
 JW Marriott Hotels & Resorts
 Renaissance Hotels & Resorts
 Courtyard by Marriott
 Residence Inn
 Fairfield Inn
 Conference Centers
 TownePlace Suites
 SpringHill Suites
 Marriott Vacation Club

STARWOOD

Sheraton
 Westin
 Four Points
 St. Regis
 The Luxury Collection
 W Hotels

HYATT

Hyatt Regency
 Grand Hyatt
 Park Hyatt

INTERCONTINENTALS HOTELS GROUP

InterContinental Hotels & Resorts
 Crowne Plaza Hotels & Resorts
 Hotel Indigo
 Holiday Inn Hotels & Resorts
 Holiday Inn Express
 Staybridge Suites
 Candlewood Suites

CARLSON COMPANIES

Park Inn Hotels
 Country Inns & Suites by Carlson
 Park Plaza Hotels & Resorts
 Regent International Hotels

CHOICE HOTELS INTERNATIONAL

Comfort Inn
 Comfort Suites
 Quality

Sleep Inn
 Clarion
 MainStay Suites
 Econo Lodge
 Rodeway Inn

HILTON

Conrad Hotels
 Doubletree
 Embassy Suites Hotels
 Hampton Inn
 Hampton Inn & Suites
 Hilton Garden Inn
 Hilton Hotels
 Homewood Suites by Hilton

WYNDHAM HOTELS & RESORTS

Wyndham Hotels
 Wyndham Resorts
 Viva Wyndham Resorts
 Wyndham Luxury Resorts
 Wyndham Historic Hotels
 Wyndham Garden Hotels
 Summerfield Suites by Wyndham

Independent Properties

An **independent hotel** is one that is not associated with a franchise. It provides a greater sense of warmth and individuality than does a property associated with a chain. Independent hotel characteristics include an owner who functions as a manager, room rates similar to chain properties, rooms decorated in different styles, and inviting dining rooms. These hotels may be residential or commercial, with locations in the center city, suburbia, along the highway, or near an airport. The number of rooms can range from 50 to 1,000. They may offer full services to the guest, including suites, dining room, room service, banquets, gift shop, beauty shop, athletic facilities, swimming pool, theaters, valet services, concierge, and airport shuttle service. Some older independent hotels have refurbished their suites to capture a share of the all-suites market.

With all of these advantages, why aren't all lodging properties independent? The answer lies with the U.S. economy. The development of large chains and of smaller properties often brings tax advantages and improved profits to investors. Millions of dollars in capital are required to develop a 2,000-room full-service property. Business, financial, and managerial expertise is more readily available in a company in which there is a pool of skilled experts. Large corporations can also offset financial losses in certain fiscal years or from certain properties against financial gains of other companies or properties in their diversified portfolios.

The independent entrepreneur operates his or her business without the advantages of consultation and assistance. This person may have worked for a large chain or gained a great deal of operations and development experience in the industry. He or she may also purchase a hotel property to balance an investment portfolio. As for any financial investment, the entrepreneur seeks a professional to manage and operate the establishment. The person chosen for this job must manage all aspects of the business: room, food and beverage, housekeeping, security, maintenance, parking, controller's office, and marketing and sales. All business decisions on expenditures must be coordinated with a profit-and-loss statement and a balance sheet. Every sale of a guest room, every guest purchase of food and beverage, occurs because the management of that property has been able to market and manage the property effectively. The challenge of managing an independent property can be overwhelming. It can, however, also offer enormous satisfaction and financial independence.

Trends that Foster Growth

Future professionals in the hotel industry must be able to analyze who their customers will be and why they will have customers. Marketing classes teach how to determine the buyers of a particular product—who the potential guests of a particular hotel property are. Such courses show how to evaluate **demographic data** (the size, density, distribution, and vital statistics of a population broken down into, for example, age, sex, marital status, and occupation categories) and **psychographic data** (emotional and motivational forces that affect a service or product) for potential markets.

The second question—why there will be customers—is an important one. Students will explore this question many times during their career in the lodging industry. A manager must plan for profitable results. This plan must take into account the reasons customers purchase a product—what trends will increase or decrease the need for hotel facilities? Factors include the growth of leisure time, the development of the me/pleasure concept, increases in discretionary income, the trend toward smaller families, changes in business travel, and expansion of the travel experience. Other economics and political trends—such as public liability, insurance costs, overbuilding, the value of the U.S. dollar overseas, gasoline prices, safety from random danger while traveling, and legislation—affect

commerce; labor and the airline industry also have an impact on current sales as well as growth in the lodging industry.

Leisure Time

The trend toward increased leisure time—in the form of three-day weekends, paid vacations and personal days, a workweek of 40 hours or less, and early retirement—sets the stage for the growth of the lodging industry. As more people have available leisure time to explore new geographical areas, try new hobbies, sample culinary trends, participate in sporting events, and just relax, the customer base of the hotel industry expands.

Workers are spending fewer years in the labor force as the concept of early retirement becomes more popular. As the population segment known as the baby boom ages, the number of retirees is projected to soar. Many of them will take on a second career, but part-time jobs will likely be more common. With the two prime ingredients for using hotel facilities—time and money—readily at hand, these people will be a primary market for the hotel industry.

Me/Pleasure Concept

The idea of deserving recreation away from the job to restore mental acuity and improve attitude has evolved over the years. The work ethic of the eighteenth and nineteenth centuries strongly influenced the way Americans played, as recreation and leisure were considered privileges reserved for the wealthy. Today, most workers enjoy vacations and the feeling of getting away from it all. This trend toward fulfilling personal needs continues in the twenty-first century.

The isolated nature of many jobs increases the need for respite. As more and more people find themselves spending more time communicating via computer and other machinery rather than face to face, social needs continue to grow. Workers need the away-from-job experience to balance their social and mental needs with their daily-life demands. Travel helps satisfy these needs, and the hotel industry benefits as a result.

Discretionary Income

Discretionary income, the money remaining from wages after paying for necessities such as food, clothing, and shelter, is the most important of all the trends that support the growth of the hospitality industry. One of the main reasons for the increase in discretionary income of American families is the emergence of the two-income family. An almost double-income family unit has emerged over the years as more married women join or stay in the labor force. The strong growth in this labor segment will undoubtedly continue. As more income becomes available to pay for the necessities of life, discretionary income for leisure time and corresponding goods and services also becomes available.

Discretionary income is not a constant. It is strongly affected by economic factors; an economic downturn with increased unemployment reduces discretionary income, for example. Different economic conditions tend to favor different ways of spending discretionary income; for example, low interest rates, which make the purchase of high-ticket items (such as homes, cars, boats, and aircraft) more desirable, make less discretionary income available for short vacations or quick day trips. Students of the U.S. economy need only review the effects of recessions, the energy crisis of the 1970s, and September 11, 2001, to see how quickly discretionary income formerly directed to the hospitality industry can evaporate.

Family Size/Household Size

The current trend toward smaller families also indicates growth for the hospitality industry. The discretionary income available for a family with two children is greater than that for a family with five children when total incomes are equal. Household size—the number of persons in a home—has decreased over the years. Like the trend toward smaller families, the increased number of small households indicates that more discretionary income is available. The costs associated with a one- or two-person household are less than those for a household of four or more people. Moreover, people who live in smaller households are more likely to dine out, travel, and participate in leisure-time activities.

Business Travel

Corporate business travel should not be taken for granted by hotel managers in today's world of high energy prices and speedy communication. Oil prices significantly affect business travel; as the cost of fuel oil rises, higher prices for air travel and other means of transportation result. A business is not always willing or able to increase its travel budget. When travel costs increase, less travel is undertaken and the necessity for any business travel is reviewed. Executives no longer hop the next plane to clinch a deal if the same task can be accomplished via a phone call, (**conference call**) in which three or more persons are linked by telephone (or **PictureTel**, which is the use of telephone lines to send and receive video and audio impressions). Shorter trips (day trips or one-night stays) are another response to the increased cost of travel.

Business travel often represents the largest portion of the regular income of a hotel property. This prime market must be constantly reviewed for economic details that affect its viability.

Female Business Travel

Female business travelers represent an increasing segment of the corporate travel market. As previously discussed, their travel is affected by energy prices and speedy communication. This particular market segment requires close attention to fulfilling special needs. Female travelers request particular amenities and demand close attention to safety. Mar-

keting and sales managers must develop products and services to capture this growing market segment.

Travel as Experience

At one time, people traveled primarily out of necessity; business and family visits were the usual reasons for traveling. Today, people travel for many reasons, including education, culture, and personal development. Many people want to learn more about the society in which they live. They have studied American or world history and want to see the places they have read about. Cultural pursuits—art, theater, music, opera, ballet, and museums—can attract a constant flow of people. Sports and nature attract travelers who want to enjoy the great outdoors as well as those who prefer to watch their favorite teams. The push for lifelong learning has provided an incentive for many to take personal development/enrichment courses, whether to update professional skills or to increase knowledge of a particular hobby. **Ecotourists**, people who plan vacations to study the culture and environment of a particular area, want to enjoy nature in its unblemished and unsullied form.

Career Development

An introductory chapter on hotel management would not be complete without attention to career development. People planning a career in the hotel industry need to review the fundamentals of career development, which revolve around five important concepts: educational preparation, practical experience, membership in professional organizations, ports of entry, and growth areas for the industry.

Educational Preparation

The educational base you build now will serve you well over time. The classes you are taking in your major course of study—including management and supervision, cost control, human resources management, quantity food production, hotel management, purchasing, sanitation, layout and design, accounting, and marketing—constitute a strong foundation for your continued development of technical skills. Courses outside your major—such as English, speech communication, computer training, arts, economics, psychology, sociology, nutrition, science, and math—will help develop the skills you need to cope in the professional world. The formal education you receive in your classroom study will be enhanced by extracurricular activities such as clubs, student government, sports, and other areas of special interest. These activities are a microcosm of the environment in which you will apply your technical, liberal arts, and science courses. Clubs associated with your major, in particular, allow you to apply theoretical concepts learned in class to a real-life business environment.

Your educational experience will open the door to your career. You must apply your skills and knowledge after graduation to be an effective, successful employee in the hotel industry. Use your degree as a starting point for an exciting career in hospitality.

The educational experience you are now obtaining must be nurtured beyond graduation day. There are many opportunities for **in-service education**, which are courses that update a professional's educational background for use in current practice; these are offered by professional organizations, sponsors of trade shows, community colleges and universities, technical schools, correspondence schools, trade journals, and other industry groups, providing the professional an opportunity to stay current in industry practices.

Just as professionals in other industries take classes to refresh their skills and learn new concepts and procedures, so must professionals in the hotel industry maintain awareness of industry advances. One particularly relevant area is computer training. Professionals who attended school before the early 1980s had little exposure to computers and their ever-changing technology; even recent graduates are not always aware of the most current trends and advances. The professional has the choice of overlooking this need or enrolling in computer applications courses. The next choice is to determine whether these new procedures and equipment are applicable to a particular establishment.

Professional organizations—such as the **American Hotel & Lodging Association**, the Hotel Sales and Marketing Association International, and the National Restaurant Association—offer professionals continuing education opportunities through correspondence courses and seminars. The American Hotel & Lodging Association offers opportunities for hotel employees to become a Certified Hotel Administrator (CHA) and Certified Rooms Division Executive (CRDE), among other certifications. Trade shows sponsored by these organizations promote the latest concepts in technology, products, and supplies as well as providing miniseminars on how to use current technology in human resources management, food production, marketing, and general management. Community colleges and technical schools offer special-interest courses in management and skills application to keep you and your staff abreast of new areas and to review basic concepts. Attending these courses can provide new insight into operational problems. Each of these professional organizations sponsors a website and provides opportunities to access the abovementioned career information.

Correspondence courses are another way to learn new skills and understand new areas. New technology in **distance learning**—classes offered via satellite broadcasts, cable, PictureTel, or online computer interaction—is offered by colleges, universities, and professional groups.

Trade journals are also extremely helpful in keeping professionals up to date with new management concepts, technical applications, marketing principles, equipment innovations, and the like. The isolation experienced by managers in out-of-the-way hotel establishments can be alleviated by reading trade journals. Such journals help all managers feel connected to the community of hotel industry professionals, perhaps providing insight into solving technical problems as well as boosting morale. Some trade journals are offered free on the Internet.

Education is a lifelong venture; it does not stop with the attainment of a degree from a university or community college. The degree is only the beginning of a commitment to nurturing your career.

Work Experience

The practical experience you obtain from entry-level hotel jobs—whether you are a desk clerk, waiter/waitress, host/hostess, maid/houseman/room attendant, bellhop, or groundskeeper—will be invaluable as you plan and develop your career in the hotel industry. It will give you an opportunity to learn what hotel employees do and how departments interact, and it will expose you to the momentum of a hotel—the time frame of service available for the guest, management applications, and service concept applications, to name just a few.

Your work experience will enable you to evaluate theoretical concepts offered in the classroom. You will have a basis for comparing your work experiences with those of other students. You will also develop your own beliefs and behaviors, which can be applied to other hotel properties throughout your career. At times, you will have to think on your feet in order to resolve a guest complaint, evaluate equipment proposals, reorganize work areas for efficiency, or achieve cost-effective spending. Your work experience provides you with the proper foundation on which to base a successful career.

Professional Memberships

A professional trade organization is a group of people who voluntarily pool their efforts to achieve a set of goals. These goals may have a political nature, such as lobbying legislators or providing certification of achievement.

Professional trade organizations in the hospitality industry serve members in many ways. First and foremost, they are a political voice in government. Through use of membership fees, trade organizations are able to lobby local, state, and federal legislators to be sure the entrepreneur's views are recognized. Members can opt not to have their membership fee used to support legislators who they don't politically support on personal issues. These organizations also offer significant opportunities for continuing education by sponsoring seminars and trade shows. They offer group plans for insurance and other programs that can be cost-efficient to the entrepreneur. Professional trade associations also allow you to interact with others in the industry on both a professional and a social level. Valuable advice and rewarding friendships often result.

Ports of Entry

A review of the organizational structure of a hotel shows many departmental managers in a large organization. Which area is the best for you to enter to develop your career goals? Four of the ports of entry are marketing and sales, front office, food and beverage,

and controller. It is impossible to say which the best port of entry is; all are avenues for career development.

The hotel industry demands a great deal of its professionals. All employees must have extensive knowledge of all areas of the facility, and they must understand the overall function of all departments. This understanding must be reflected in professional business plans. Employees must also have good communication skills and good interpersonal skills. The industry requires great flexibility in scheduling work responsibilities and personal life. It demands that the professional understand the entrepreneurial role of corporate owners while operating within budgeted resources.

Students who enter the lodging industry will find that each area in which they work contributes to a good background for the ultimate position of general manager. When trying to decide where to begin, consider reviewing the job responsibilities of department managers to learn what tasks are required to complete each job and who is involved in doing so.

Try to work in as many areas as you can before taking the leap into a general manager position. The job will be a lot easier, and you will go a long way toward meeting the establishment's goals if you are well prepared. You will make mistakes, no matter how much experience you have had; however, your success rate will be much higher if you have a varied background in many departments.

Researching Growth Areas in the Hospitality Industry

Areas that offer the most potential for growth should be explored. Because such areas change frequently, it is not possible to list them in a textbook. However, factors that support continued growth and strong business activity are regularly reported in such publications as *Trends in the Lodging Industry*, by Pannell, Kerr, and Forster. Hospitality industry futures projections publications usually cover such issues as new hotel developments; hotels under consideration; activities of convention and visitors' bureaus; strength of local economies; development of business, recreation, and arts activities; the need for office space; and area hotel occupancy percentages and average room rates. This information is listed for selected cities both within the United States and at international sites.

The Internet is increasingly used as a method for researching career opportunities in hospitality management. Search engines will produce multiple listings of hospitality recruiters with key words such as "hotel manager," "front office manager," and "hotel careers." Also, professional hospitality organizations usually offer a job-posting service on their websites.

The Internet provides many opportunities for a new graduate to examine trends that are driving the industry and new technologies that will shape a career in hotel management. This information can assist job applicants in exploring the employment possibilities and prospects in different geographic areas.

Your survey of career possibilities should include a review of a potential employer's economic performance on a balance sheet and other features of its profit-and-loss state-

INTERNATIONAL HIGHLIGHTS



Students of hotel management should consider international employment opportunities. Current trade journals allow you to review the many job opportunities for hospitality professionals who have prepared themselves through education and work experience. International employment requires managers to know operations *and* to have a desire to learn and work in another culture. This option can be very exciting and a great addition to your career.

FRONTLINE REALITIES



Esther, front office manager of The Times Extended-Stay Hotel, received a phone call from the home office of The Times Hotel Management Company asking her to participate in a meeting to discuss the new trend in long-term visitors. The home office is thinking of renovating some of the rooms to attract the guest who wants to stay for 5 to 15 days. How would Esther prepare for this meeting?

ment. This information is available on computerized business databases. Take the time to research the economic potential of the company you are considering. Your interview preparations should include reviewing the regional economic prospects and the company's economic performance. This preparation could set the stage for an investment that lasts many years, perhaps a lifetime.

Solution to Opening Dilemma

The effort you put into preparing for a visit to a career fair is essential for making this a learning and networking opportunity for you. Questions you could ask a representative of a limited-service hotel include, "What are the typical management responsibilities of an assistant general manager in your organization? What types of visitors frequent your hotels during the week and on the weekend? What is the typical size of your hotels?" Questions you may want to consider asking a representative of a full-service hotel include, "What size staff is employed in your hotel? Do you have any convention hotels in your portfolio? What services do you typically offer in a hotel in your organization?" These types of questions open lines of communication and help you present yourself as a future professional.

Chapter Recap

This chapter introduced the future professional to the hotel industry. It began with a historical review, including founders of the hotel industry—Statler, Hilton, Ritz, Astor, Waldorf, Wilson, J. W. Marriott and J. W. Marriott Jr., Henderson and Moore, and Schultz. It also discussed historical developments that have shaped the products and services offered to guests, management trends, and economic factors. It covered the atrium concept, marketing and operational emphasis, geographic relocation, the emergence of limited-service hotels, the major reorganization of 1987–1988, adoption of total quality management, technological advances, the continued effects of 9/11, and wireless technology in the hotel industry. It provided an overview of the industry in terms of types of hotels; market orientation/location (residential, commercial, airport, and highway); sales indicators of occupancy, average daily rate, and RevPAR; levels of service (full-service, all-suites, limited-service, and extended-stay); and type of affiliation or nonaffiliation (franchise, referral, company-owned, management contract, and independent ownership). Branding was discussed as an approach to understanding the industry configuration. A review of trends fostering growth in the hotel industry was presented (leisure time, me/pleasure concept, discretionary income, family size, household size, business travel, female business traveler, and travel as an experience). Factors affecting a student's career development choice were discussed, including educational preparation, work experience, professional memberships, ports of entry in a hotel, and researching growth areas in the hospitality industry.

End-of-Chapter Questions

1. Name some of the hotels you have visited. What exciting things did you notice while you were a guest there?
2. With which departments of the hotel did you come into contact before, during, and after your visit at the property you named in question 1?
3. Investigate some of the properties in your area. In what year were they built? What kind of competition do they have? What services or facilities did they introduce to your community?
4. How do residential and commercial properties differ?
5. What are the four most common locations for hotel properties? What determines the end destination of the guest?
6. Define *sales indicators*. Give working examples.
7. Define four levels of service. Relate them to room rates and guest expectations.
8. Name some of the types of properties developed by major chains to meet demands by market segments.

9. Differentiate between franchises and company-owned properties in a chain. What is the difference between franchises and referral groups?
10. What are the major differences between chain and independent properties?
11. Name a few hotel brands that you are familiar with and look them up on the Internet. What similarities and differences did you find?
12. Review a recent article in the *Wall Street Journal* that reports on growth in leisure time of the American worker, the me/pleasure concept, discretionary income, or travel habits of the business traveler.
13. List attractions in your area that may entice visitors. Do these attractions provide education, culture, or personal development? What makes them attractions?
14. Compare your career plans with the concepts presented in this chapter. Do you feel the steps presented here will be useful to you in your first job? In subsequent jobs?
15. Go to a current hospitality-related website such as www.hotel-online.com and research a trend in the hotel industry such as real estate investment trusts (REITs), extended-stay hotels, or RevPAR. How does that concept affect your future career plans?
16. Go to the website of the American Hotel & Lodging Association (www.ahla.com) and determine how this professional trade association (formerly known as the American Hotel & Motel Association) will be helpful to you in your career.

CASE STUDY 101

Professor Catherine Vicente has allotted time in the HRI-201 Introduction to Front Office Management course for a field trip this semester. After the first few lectures, she wants to take her class to the hotel establishments in the vicinity of City College. The area is well known for its tourist attractions and is the headquarters of several major U.S. businesses. She appoints a group of students to assist her in setting up tours.

One of the students, Maria, is a resident of the area and suggests they visit the grand old St. Thomas Hotel in the downtown area. She would also like to see a hotel located at the Wide World Airport. Ryan, another student, has worked at a limited-service

property in his hometown. He understands another hotel in that chain is located on the outskirts of the city. David, who is applying for a job at a local hotel, wants to get information on all-suites hotels. Linda has heard of a new extended-stay hotel in town and wants to know what makes it different from a limited-service hotel.

The group has sifted through all the requests and decided to form five teams to visit these places. Each team will appoint one spokesperson for a panel discussion. The spokesperson will present a five-minute summary of what was learned from the visit.

What items do you think each spokesperson will include in his or her summary?

CASE STUDY 102

A recent survey in a suburban community projects an influx of new citizens into the area. Several computer industries will be relocating to the area, and they are expected to employ 25,000 persons at all levels of the organizations. Also, one of these computer companies will locate its corporate headquarters here, with an additional 500 executives arriving soon.

The local hotel association has contacted Professor Catherine Vicente of the HRI program at City

College for assistance in determining the impact these new residents will have on their hotels with regard to occupancy and use of facilities.

If you were Professor Vicente, what actions would you undertake? Justify your responses with regard to hotel operations and development. If you lived in this community, how would these developments affect your career in the hotel industry?

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Key Words

all-suites
American Hotel and Lodging Association
atrium concept
average daily rate (ADR)
business affiliations
chain
chain affiliations
commercial hotels
company-owned property
conference call
demographic data
discretionary income
distance learning
ecotourists
extended stay
front office
full service
independent hotel
in-service education
limited service
management contract property
market segments
mass marketing
occupancy percentage
PictureTel
potential gross income
psychographic data
real estate investment trust (REIT)
 referral property
residential hotels
revenue per available room (RevPAR)
room revenues
sales indicators
total quality management (TQM)
yield percentage