

# 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?*

## CHAPTER FOCUS POINTS

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

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 that 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. Communication 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 performed almost constantly by a hotel front desk in its role as communications hub. Accounting procedures, involving charges to registered and non-

registered hotel guest accounts, are also very 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 upon our heritage. Learning about the founding giants such as Statler, Hilton, Marriott, Wilson, and Schultz, to name a few, allows a student of the hotel industry to discover the interesting lineage of hoteliers. The insights afforded by the efforts of these 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 some of the forerunners in the industry who were entrepreneurs motivated by wealth and fame on a grand scale.<sup>1</sup> Ellsworth M. Statler (1863–1928) developed the chain of hotels that were known as Statlers. He built and operated a hotel in Buffalo, New York, at the Pan-American Exposition of 1901. Among his hotels were ones located in Boston, Cleveland, Detroit, New York City, and St. Louis. In 1954, he sold the Statler chain of hotels to Conrad Hilton.<sup>2</sup>

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.<sup>3</sup>

### 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.<sup>4</sup> 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.<sup>5</sup> 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 all of which follow standard operating

procedures such as marketing, reservations, quality of service, food and beverage operations, housekeeping, and accounting. Hilton Hotels have expanded their entrepreneurship to include 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.”<sup>6</sup>

## 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. It is interesting to note that President Hoover became a permanent resident of the Waldorf Towers, the luxurious “hotel within a hotel” that occupies the twenty-eighth through the forty-second floors. The hotel was purchased in 1949 by Conrad N. Hilton, who then purchased the land it stood on in 1977. In 1988, the hotel underwent a \$150 million restoration. It was designated a New York City landmark in January 1993.<sup>7</sup>

## Kemmons Wilson

Kemmons Wilson started the Holiday Inn chain in the early 1950s, opening his first Holiday Inn 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 to be a very successful combination for Wilson.

Wilson blazed a formidable path, innovating all along the way with amenities and high-rise architecture, including a highly successful round building concept featur-

ing highly functional pie-shaped rooms. Wilson also introduced the unique in-house Holidex central-reservation system that set the standard for the industry 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).<sup>8</sup>

### 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 (Washington, D.C., area). 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 Howard Johnson Company; he sold the hotels to Prime Motor Inns and kept 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 toward 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.<sup>9</sup>

### 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, before long, 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.<sup>10</sup> The Sheraton chain is currently owned by Starwood Hotels & Resorts Worldwide.

### Ray Schultz

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

## Historical Developments

The history of the hotel industry is also filled with notable 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 become profitable. Also, in the 1990s, a new term appeared that changed the financial structuring and operation of hotels—*real estate investment trusts* (REITs).

Also, the terrorist events of September 11, 2001, will have an impact on how hotels market their products and services and deliver hospitality.

### Atrium Concept

The hotel industry has had many notable developments over the past years. The **atrium concept**, a 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.<sup>11</sup>

### 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 concept for business travelers and travelers on a limited budget.

### Technological Advances

Technology has played a major role in developing the products and services offered to guests. Recent adaptations of reservations systems, property management systems, and in-room guest checkout are only the successors of major advances in technology. Notable “firsts” in the adaptation of technology to the hotel industry can be reviewed in Figure 1-1. It is interesting to note how many of the developments we call technology were adapted in recent times.

**Figure 1-1.** *Introduction of technological advances to the hotel industry.*

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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 systems
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)

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*Sources:* American Hotel and 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.

## Marketing Emphasis

An emphasis on marketing to guest niches was the theme in the 1970s era. This technique surveyed potential guest markets and built systems around guests' needs.

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.<sup>12</sup>

## Total Quality Management

**Total quality management (TQM)**, a management technique that helps managers to look at processes used to create products and services with a critical eye on improving those processes, is being practiced in many hotels today. This emphasis on analysis of the delivery of services and products with decision making at the front lines has created a trend in the 1990s. This concept will be 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 unravelled 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.<sup>13</sup>

## Hotel Investment

**Real estate investment trusts (REITs)** have provided an investment opportunity for hoteliers. In the spring 2000 *Virginia Hospitality and Leisure Executive Report*, P. Anthony Brown of Arthur Andersen writes the following about the U.S. Tax Relief Extension Act of 1999. It is important to note that this information is useful as you plan your career direction.

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.<sup>14</sup>

## September 11, 2001

The tragic 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 has resulted in a decreased number of people willing to fly and, thus, a decrease in a need for renting hotel rooms. Hoteliers (as well as restaurateurs, tourist attractions, government agencies, and the like) and the federal, regional, and state tourism associations have banded together to address the issue of fear as it relates to travel and tourism.

Hoteliers have to review their marketing plans and determine how the corporate traveler can be attracted back into their properties. The corporate guest who was always viewed as a huge market can no longer be taken for granted. Corporate executives, travel planners, and traffic managers have to be greeted personally by hotel staff to ask for their business and inquire about when to expect business as usual. While the efforts of attracting and maintaining corporate travelers are assessed, new methods to attract other markets, such as local and nearby residents, have to be developed. These efforts take the form of 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 it is not; yet it is one that future hoteliers will have to grasp with eagerness and enthusiasm in order to succeed.

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

Hoteliers must also be concerned with how to support hospitality as part of being responsible citizens in their communities. Hotel general managers should develop emergency plans to allow for offering immediate 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 for displaced members of the community are just some of the issues faced by the hotel industry.

These issues of marketing and delivering hospitality as well as other issues will emerge as we prepare to respond to the events of September 11, 2001.

## 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 will serve as a reference point throughout this discussion.

## 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, 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.

**Figure 1-2.** *Hotel industry overview.*

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- 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
- 

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. These properties sometimes specialize in catering to particular interests, such as conventions or gambling. Casino hotels usually take a secondary role to the casino operation, where the emphasis is on profitable gaming operations.

## 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

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- 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
- 

typically stay overnight or a few days. Motels may be located near a freestanding restaurant.

## All-Suites

The all-suites concept, a new addition to the hotel industry, developed in the 1980s as a separate marketing concept, offers guests a wide range of services, which 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

## HOSPITALITY PROFILE



Joseph Longo is the general manager of The Jefferson Hotel, a 265-room historic property in Richmond, Virginia.

As 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 a B.S. degree in both 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 from there 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 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, your hotel is like your home, where all of your guests are made to feel welcome. This involves 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.

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 this type of accommodation with in-room kitchenette and sitting rooms since the early 1900s. Now with **mass marketing**—advertising products and services through mass communications such as television, radio, and the Internet—this type of hotel is considered new.

### Limited-Service Hotels

Limited-service hotels appeared on the hotel scene 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.

## Extended-Stay Hotels

In “Survey Results of the Extended Stay Lodging Industry,” The Highland Group of Atlanta, Georgia, reports the following information, about this newest hotel product on the market which includes the 31 extended-stay brands as well as some independent hotels.

Extended-stay hotel room supply in the United States increased more than 50 percent in 1997 over 1996. There will be more economy-price than upscale extended-stay rooms before the end of 1998. This is a significant reversal from prior years and indicates a change in the way extended-stay lodging is used by American travelers. Projected extended-stay hotel supply will be more than half a million rooms through 2002. At this level, extended-stay hotel rooms will represent some 12 percent of total lodging inventory.

Assuming supply growth projections are fully realized through 2002, this represents a significant change from the current price distribution of extended-stay hotels and marks a change in the way Americans use extended-stay lodging. Use of extended-stay lodging will have expanded from the corporate expense-account

### HOSPITALITY PROFILE



**C**harles Gellad is the general manager of the Homewood Suites in Alexandria, Virginia. He began his career at the Hampton Inn in Alexandria, Virginia, 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, Virginia. He was on board as director of sales prior to the opening of the Homewood Suites in Alexandria, Virginia.

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

His extended-stay hotel offers a 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 that is equipped with a fax machine, personal computer, copying machine, and other office amenities; a convenience store called a “Suite Shop”; free parking; and free local, credit-card, and collect calls.

Mr. Gellad’s entry-level experience has provided him with many opportunities to learn how to deal with different personalities. He says that when you become a supervisor of people, those people want to be treated as individuals, but you have to do so by being fair in interpreting the polices 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 have to take time to develop a life outside the hotel.

## HOSPITALITY PROFILE



**M**ike Schofield, general manager of the Holiday Inn Express in Salem, Oregon, feels that the crux of the hotel business focuses on friendliness, service, and extension of courtesy to the guest. He also stresses that a manager has to impress the importance of extending courtesy to employees.

Most of the guests at the Holiday Inn Express are transient leisure travelers, although some are business travelers. Those guests are looking for cleanliness, a good and convenient location, and amenities such as a continental breakfast, a pool and a spa, and a business center. About 60 percent of those guests

arrive at the Holiday Inn Express because of brand recognition, another 25 percent to 35 percent use the reservation system, and a final 5 percent stay at Mr. Schofield's hotel because of his property's local marketing efforts.

Mr. Schofield attended Cypress College in Cypress, California. He started in the hotel business in 1985 at the Riverside Inn in Grants Pass, Oregon, doing accounting and taxes and then serving as general manager. He continued his career as general manager with Sea Venture Resort in Pismo Beach, California; as general manager at The Inn at Otter Crest near Newport, Oregon; and as general manager of Super 8 Motel in Grants Pass, Oregon.

market to encompass most demographic segments. Corporations are taking advantage of the availability of these facilities for training, relocation and temporary assignments at all levels.<sup>15</sup>

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 dining 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.

Commercial properties service the transient guest, whose stay is short in duration.

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. They may be located almost anywhere.

It is essential to note the very gray areas in using these two types of categories. 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 need to 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 means for describing hotels. This information is necessary for business investors to estimate the profitability of a hotel.

There are four factors that 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 front office in its external and internal marketing efforts. Occupancy percentage is also used by investors to determine the **potential gross income**, which is the amount of sales a hotel might obtain at a given level of occupancy, average daily rate, and anticipated yield. However, it is also important not to assume that occupancy is standard each night. Variations occur on a daily basis and by season.

### 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 \$150 per night is expected to offer more services than a hotel in the same geographic area with a

rate of \$55 per night. These expectations have been extensively capitalized upon by major hotel chains, by developing different properties to meet the expectations of various segments of the hotel market, as discussed earlier in the chapter.

## Yield Percentage

Yield percentage measures a hotel manager's efforts in achieving maximum occupancy at the highest room rate possible. Since this term will be discussed more fully in Chapter 6, it is sufficient to note 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 would equal \$50 ( $\$10,000 \div 200 = \$50$ ).

This same hotel on September 15 with 200 rooms, room revenue of \$10,000, 125 rooms sold, an average daily rate of \$80 ( $\$10,000 \div 125 = \$80$ ), and hotel occupancy of 62.5 percent ( $125 \text{ rooms sold} \div 200 \text{ rooms available} \times 100 = 62.5 \text{ percent}$ ) would still produce the same RevPAR ( $.625 \times \$80 = \$50$ ).

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, "Yield 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 on-line. It shows Suburban Lodges of America's use of RevPAR to inform its shareholders. (Suburban Lodges of America owns, franchises, and manages Suburban Lodge hotels, the nation's largest chain of economy extended-stay hotels, and franchises GuestHouse International hotels, the midmarket nightly-stay hotel chain with the franchisee-friendly franchise agreement.)

ATLANTA—(BUSINESS WIRE)—Feb. 8, 2001—Suburban Lodges of America, Inc. (NASDAQ: SLAM) announced today that weekly revenue per available room (“RevPAR”) for Company-owned Suburban Lodge hotels increased 9.7%, to \$145.07, for the month of January 2001 in comparison to RevPAR of \$132.26 in January 2000. The increase in current year RevPAR was attributable primarily to a 9.0% increase in the hotels’ average occupancy rate, to 73.8% from 67.7% in January 2000, combined with a small increase in average weekly rate (“AWR”) to \$197.68 from \$196.75 in January 2000. The Company believes that its January 2000 RevPAR and occupancy rates were negatively impacted by reduced travel resulting from Y2K-related concerns.

In commenting on the release of this information, Chief Financial Officer Chuck Criscillis stated, “Like many other companies, we are looking for ways to better communicate our progress with our shareholders. Reporting our hotels’ operating data on a monthly basis is one way to accomplish this. By releasing these numbers, we are not intimating that similar RevPAR increases will be achieved for the balance of the year. While we are anticipating RevPAR growth for the balance of 2001, we don’t view the January growth rate as sustainable because of the weakness in January 2000 occupancy rates. Nonetheless, our January 2001 statistics provide strong evidence that our strategy of focusing on occupancy more than on room rates can yield meaningful revenue growth.”

The matters discussed in the foregoing paragraphs of this news release include forward-looking statements that involve risks and uncertainties that could cause results to differ from anticipated results, including, but not limited to, general economic conditions, weather patterns, individuals’ plans for business and personal travel, and other risks indicated in the Company’s filings with the Securities and Exchange Commission.<sup>16</sup>

This article addresses the importance of using RevPAR to present a fuller financial picture that is based on factors that impact room sales, such as economic conditions, weather patterns, and business and personal travel.

## 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 confusion, 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 those travelers who are looking for basic accommodations at very 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-premise dining, banquet and meeting facilities, and recreational facilities. Examples of a full-service hotel include Marriott Hotels and Resorts, Renaissance Hotels, and Holiday Inns.

As discussed earlier, **all-suites** indicates a level of service for a guest who will desire a more at-home atmosphere. Services include separate sleeping and living areas or working areas, kitchenette facilities, wet bars, and other amenities at the midprice level. This concept appeals to the business traveler as well as to families. Marriott Suites and Embassy Suite 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 adjoining rooms alongside the bedroom and bath have been remodeled into 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 Ramada 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 extended period of time. A fully equipped kitchenette allows international guests to prepare foods that provide comfort in a new environment. Also, the spacious bedrooms and living areas provide work and recreational areas. Light breakfast and evening meals are also included. An example of this level of service is Hilton’s Homewood Suites hotels.

## HOSPITALITY PROFILE



**G**reg 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, 6 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 machines, and easy and fast Internet access are also a necessity for attracting a corporate clientele.

Mr. Goforth indicates that the 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. The greatest challenge for hospitality in the next few years will be attracting and retaining qualified help.

## 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 in 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, which will be 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 Web sites.

**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 start-up, rental of signs and other equipment, use of the corporation's reservation referral system, and national advertising, among others.<sup>17</sup>

Anyone wishing to enter the hotel business by investing personal funds wants to be sure a profit will be realized. Perhaps because of a lack of experience in operating a hotel or motel or 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 will choose to become a **referral property**, a hotel operating as an independent that wishes to be associated with a certain chain. Since the property has been physically developed, the entrepreneur may only want assistance with management, marketing and advertising, and/or reservation referral. Likewise, the fees are based on services required. The chain's quality assurance standards must, however, also 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 that is operated by a consulting company that provides operational and marketing expertise and a professional staff, is similar to a referral property. There are several management contract organizations that 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.

## 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 that is associated with a chain. Independent hotels have particular characteristics, which 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 their 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 with any financial investment, the entrepreneur will seek 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** (size, density, distribution, 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 why customers purchase a product—what trends will increase or decrease the need for hotel facilities? Such factors include the growth of leisure time, the development of the “me/pleasure” concept, the increase in discretionary income, the trend toward smaller families, the changes in business travel, and the 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—has set 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 different 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. And as the population segment known as the baby boom ages, the number of retirees is projected to soar. Many of these people 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 had evolved over the years. The work ethic of the eighteenth and nineteenth centuries strongly influenced the way Americans play, as recreation and leisure were considered privileges reserved for the wealthy. Today, most workers enjoy vacations and experience the feeling of getting away from it all. This trend toward self-gratification will continue into the twenty-first century. The idea that satisfying personal needs is a prerequisite to satisfying the needs of others has a good hold in American society.

The isolated nature of many jobs increases the need for respite. As more and more people find themselves spending more time communicating via computers and other machinery rather than face-to-face, social needs will continue to grow stronger. Workers need the away-from-job experience to balance their social and mental needs with their demands. Travel helps to 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 had emerged over the years as more married women joined or stayed in the labor force. The strong growth in this segment of the labor force 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 definitely affected by various economic factors: an economic downturn with increased unemployment reduces discretionary income, for example. And 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 a recession or the energy crisis of the 1970s 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 continued to decrease 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, those who live in smaller households are more likely to dine out, travel, and participate in quality 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 budget more for travel. When travel costs increase, less travel is done and the necessity of any business travel is reviewed. Executives will no longer hop the next plane to clinch a deal if the same task can be accomplished via a phone call, a (**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.

The volume created by 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 are on the rise and represent an increasing segment of the corporate travel market. As previously discussed, their travel is also 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. Marketing and sales managers need to develop products and services that will 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 and/or world history and want

to see the places that they have read about. Cultural pursuits—art, theater, music, opera, ballet, and museums—can attract a constant flow of people into an area. 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**, tourists 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 in hotel management would not be complete without attention to career development. Those who are planning a career in the hotel industry need to review the fundamentals of career development, which revolve around five very important concepts: educational preparation, practical experience, membership in professional organizations, ports of entry, and growth areas for the industry.

### Educational Preparation

As you enter the twenty-first century, the educational base you build now will serve you well. 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—will build 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 include courses that update a professional's educational background for use in current practice; these are offered by such groups as professional organizations, sponsors of trade shows, community colleges and universities, technical schools, correspondence schools, trade journals,

and other industry groups. These organizations offer the professional an opportunity to stay up to date 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 the ever-changing technology in the computer industry; 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 to explore these concepts. The next choice is to determine whether these new procedures and equipment are applicable to his or her 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 earn certification as Certified Hotel Administrator (CHA) and Certified Rooms Division Executive (CRDE) as well as 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 particular operational problems.

Correspondence courses are another way to learn new skills and understand new areas. New technology in **distance learning**—learning that takes place via satellite broadcasts, cable, PictureTel, or on-line computer interaction—is offered by various colleges, universities, and professional groups to encourage members to remain current.

Trade journals are also extremely helpful in keeping professionals up to date on 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.

Education is a lifelong venture: it does not stop with the attainment of a degree from a university or community college. It 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 groundsperson—will be invaluable to you as you begin to plan and develop your career

in the hotel industry. It will give you an opportunity to learn what these people do and how departments interact, as well as 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 work experiences with 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, to evaluate equipment proposals, to reorganize work areas for efficiency, or to achieve cost-effective spending. It is this work experience that 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 have voluntarily pooled 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 its members in many ways. First and foremost, they are a political voice for you in government. Through use of membership fees, these organizations are able to lobby local, state, and federal legislators to be sure the entrepreneur's views are recognized. 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 very 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 that there are 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 is the best port of entry; all are avenues for career development.

The hotel industry demands a great deal from 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 the 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 various department managers, to learn what types of 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 you take 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 need to be explored. Since such areas change frequently, it is not possible to list the most current trends in a textbook. However, some of the trends 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. They 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; and need for office space; as well as 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 being used as a method for researching career opportunities in hospitality management. Various 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 Web sites.

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 will assist a job applicant 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 selected features of its profit-and-loss statement. This information is available on computerized business databases. Take

### INTERNATIONAL HIGHLIGHTS



Students of hotel management should consider international employment opportunities. A recent listing of international hotel openings in *Hotel & Motel Management* included Global Hotel Development Group's efforts to construct six hotels in Poland in 2001. Jones Lang LaSalle Hotels offered research concerning a \$700 million addition to the Indian hotel industry. "An additional 4,000 upscale and upper-upscale rooms are expected by 2004, and room supply will be driven by growth in Mumbai, Delhi, and Chennai."<sup>18</sup>

## FRONTLINE REALITIES



**E**sther, 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 reach the guest who wants to stay for 5 to 15 days. How would you prepare for this meeting?

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the time to research the economic potential of the company you are considering. Your preinterview 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. Some typical questions you could use when visiting with a representative from 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 for visiting with a representative from a full-service hotel could include, “What size staff is employed in your hotel? Do you have any convention hotels in your portfolio? What are the services that you typically include in a hotel in your organization?” These types of questions will open the lines of communication for you 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 such as 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, and various technological advances in the hotel industry. It provided an

overview of the hotel 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, or independent ownership. A review of trends that foster 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 were some of the exciting things you noticed 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?
3. Investigate some of the properties in your area. In what year were they built? What kind of competition did 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 of these concepts.
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. 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.
12. List the local attractions in your area that may entice visitors. Do these attractions provide education, culture, or personal development? What makes them attractions?

13. 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?
14. Go to a current hospitality-related Web site such as [www.hotel-online.com](http://www.hotel-online.com) and re-search 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?
15. Go to the Web site of the American Hotel & Lodging Association ([www.ahla.com](http://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 future career.

### C A S E S T U D Y 1 0 1

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 there is another hotel in that chain 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 there is a new extended-stay hotel in town and wants to know what makes that type of hotel 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?

### C A S E S T U D Y 1 0 2

A recent survey in a suburban community has revealed that there will be an influx of new citizens into the area. Several computer industries will be relocating to this 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 Profes-

sor Catherine Vicente of the HRI program at City College to assist them in determining the impact these new residents of the area 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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## Notes

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## Key Words

all-suites	demographic data
American Hotel & Lodging Association	discretionary income
atrium concept	distance learning
average daily rate (ADR)	ecotourists
business affiliations	extended stay
chain	front office
chain affiliations	full service
commercial hotels	independent hotel
company-owned property	in-service education
conference call	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