



"Leading the fight against climate change within the hospitality sector"

by *Sonu Shivasani*

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OPINION ARTICLE

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Building Value- Now and for the Future #1

By **John Hogan, CHA CHMS CHE CHO**

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"Give whatever you are doing and whoever you are with the gift of your

attention." **Jim Rohn** (1930-2009 - American entrepreneur, author and motivational speaker.)



In our ongoing work with literally hundreds of hotel owners and general managers each

year in training sessions and in one on one discussion, it is apparent that there is a challenge and struggle to balance the strategies to meet both short and long goals.

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Competition in the marketplace continues, while state and federal government

regulations and the uncertainty of Health Care reform provide ongoing questions on the best approaches to attain short term financial success in many locations. While long term growth remains essential in building value for hotels, asset value is no longer guaranteed to grow on the basis of time only.

These observations are not meant to appear pessimistic, as profitability is returning to

many hotels in North America and globally. Both large corporate owners and smaller family businesses realize, that while successful operations can generate a potential solid cash flow, many hotel owners realize their largest financial gain in the eventual sale of their hotel or company.

The December issue of Chief Executive has interesting insights in their annual ranking

of "Wealth Creators' Index". This index identified trends, discipline and what the magazine calls "staying power" in organizations and the ability to sustain real value creation.

While the index included a "Top 100", it also provided commentary on six companies

the column indicated had not been highlighted before. Three were listed as "Top Wealth Creators" and three were described as "Destroyers." What I found interesting about these six companies is that none of them would be considered "high tech" or cutting edge. In fact, several of them have mature products that might be described by some as commodities. It also impressed me that these companies overlapped to some degree in service and product (communications), with one in the Top 10 ranking and another at # 340.

The bottom line message in the CEO article was about leadership and focus. The #2

to a communications group, one company received more than one award, while the other one wants. The 3rd listing in the Top 100 was Brown-Forman @#12. This company's best known product is truly globally known and accepted, as we discovered while attending an education conference in Waterford, Ireland this past year. Jack Daniel's seemed to be the only American libation product consistently available at almost every outlet, indicating a company commitment to product distribution and promotion.

The three companies at the lower end were the Washington Post @#340, which has

since been acquired by Amazon.com founder Jeff Bezos, Rowan Companies @#319 and Dell Computers @#321. Bezos acquired the Post as an individual and is likely to want to add his personal imprint on either the media or politics, and he will be closely watched to see if he can duplicate his Amazon success. Rowan is an oil exploration and production company that was described in the article as one that invested heavily in high-end drilling rigs and that has not been able to recoup its investments because customers have not been willing to the price. In other words, there was an investment for equipment to create product at a price that did not have a guaranteed (via contracts) or even likely customers, as the product is considered a commodity and sells almost always at the lowest price. Dell is described as a company that lost its former competitive edge by alienating previously loyal customers by outsourcing its former exceptional service and by not keeping up with market trends. There were other factors described, but the bottom line here appeared to be a lack of focus.

What do these six companies have to do with building value in hotels?

While none of them are in hospitality directly, their end users are not that different than

those of hotels and restaurants.

1. Customers are willing to pay premium prices for products and services they want (Apple, Neiman Marcus, Tiffany, BMW, Starbucks, Four Seasons, etc.), yet

2. Management must pay attention to the details and allow their staff to identify with the customers' needs and wants, even if that means bending some of the protocols.
3. Ownership must pay attention. When one looks at the long term success of Warren Buffet, Jack Welch, Herb Kelleher and a select number of other professional owners or their representatives over the years, the need for focus is evident.

This will be a series of messages on Building Value, both on a long and short term

basis. Your comments, recommendations and insights are welcome. John.Hogan@HospitalityEducators.com

THE P-A-R PRINCIPLE is a fresh outlook at virtually all areas of

our Hospitality businesses. This includes marketing, understanding and using consistent sound business practices, (Hotel) Common Sense and developing loyalty from both associates (staff) and customers (guests).

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