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OPINION ARTICLE

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A Baker's Dozen of Reality Checks in Hospitality – Myth or Fact?

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

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I have created a series of columns on various topics over the past ten years that include 13, or a Baker's Dozen, points on a range of topics. During the past 25 years in workshops, seminars and presentations, I have been collecting an assortment of "myths" that many of us have held as self-evident truths. I have shared one or two of these in earlier blogs or columns, but this list is much more comprehensive.



The great enemy of the truth is very often not the lie – deliberate, contrived and dishonest – but the myth – persistent, persuasive and unrealistic - John F. Kennedy

Judge for yourself the depth of these following items, and decide for yourself if you agree with my assessment whether they are "myths or facts":

There is no doubt that while some "new" is appreciated, value has replaced new for the sake of new. Many third party web sites have tried to accelerate our industry into a price driven commodity. The success of a hotel is not guaranteed by its age, but by the consistency of product and services promised and delivered at a fair rate.

2. **The Myth** that a franchise or brand will or should guarantee success. **The Fact:** More than 50% of the hotels/inns in the United States were unable to meet operational and/or debt service in the early 1990s, regardless of franchise affiliation. I have seen statistics with names of almost 100 new brands that have been launched in 2011 alone, and that was preceded by at least that number from 2007 to 2010. Brands are a growing strength globally, but one must use the total resources of the brand to gain more than consumer awareness. A franchise may help with lender financing but it will not assure success.

3. **The Myth** that technology alone will enable us to improve our margins and capture more market share. **The Fact:** The hospitality industry has always been (and should remain) a "high touch" business. High-speed Internet access, WIFI, the latest in cable and communication offerings and other high tech features can help in competitive markets, but not replace the people element. Our guests did not accept video-conferencing as a way to eliminate meetings and not everyone has embraced ATMs. Remember the timeless **St. Gregory** in Arthur Hailey's landmark book *HOTEL?* The lesson we can all recall from this story is, while our guests want to be pampered, it is the service that is what makes the real difference. Boutique hotels have made major inroads the past 7 years for a reason. If you have never read or not read this book in the last five years, take the time to refresh your memory.

Ask any hotelier who has ever had to give a deposition or defend operational security in court if that myth holds true. The term "reasonable care" means that all of our staff *must* be attentive and security conscious. Our hotels should not be operated like a bank vault or a prison, but we must remember the world has changed since 9.11 and we must demonstrate and share awareness with our entire staff.

5. **The Myth** that hotel owners, management companies and lenders have the same goals and priorities. **The Fact:** While everyone wants the business to succeed, the priorities and definitions of success are not often even close. There are overlaps in these stakeholders, but there are clear differences. There is no "bad guy" here, but we need to remember each of our needs:

- Investors or partners expect to make a return on their investments.
- Management companies want to enhance their reputation and expand their portfolios, while earning fair fees for services provided.
- The goals and priorities of an owner can be as varied as your imagination can lead you, but they obviously include financial solvency, pride, and a sense of accomplishment, a goal of meeting some personal targets that might include more properties or perhaps a legacy for the family.
- Lenders want their loans to be repaid on time and as agreed.

Recognizing these differences as owners and managers can make our lives much simpler.

6. **The Myth** that the hospitality business is primarily a real estate business. **The Fact:** The 1986 US tax law changed lodging from an emphasis on real estate and the stock market to an operational focus in the 1990s moving into the

world. Real estate prices have been cyclical in the past three years with some strong and many weak markets, but we must all remember the industry has repeating cycles. Those cycles have contributed to why so few companies now control so many brands in the airline, car rental and hotel segments today. It takes dedicated and perceptive operators to make these hotels successful and financially sound for more than one fiscal quarter or year.

7. **The Myth** that our quality standards are good, because we passed a franchise and/or local health department inspection. **The Fact:** Passing those inspections means in most cases that we have met minimum standards for those categories. How many of today's customers really want **the minimum in quality**? Those inspection guidelines are only benchmarks.

8. **The Myth** that the person(s) charged with the sales function should be able to fill the hotel. **The Fact:** In the hotels that really succeed, everyone sells! The same philosophy should be true in smaller rooms only hotels as well as full service properties. It is a related **Myth** that our managers and staff are adequately trained and that our industry or college educated staff have learned enough to make them successful. The related **Fact** is that most of us in hospitality **do not have** adequate continuing education. That myth alone is a leading factor in turnover, which is a major expense.

- Would you go to a dentist that had not had continued education in the last 10 years?
- Would you fly on a plane where the pilot had not been updated on equipment, government regulations, facility changes, etc, annually, even though he had been flying for 30 years?

- Would you trust your taxes to accountants who used the 2001 tax laws as the basis of their computations?

9. **The Myth** that the general manager or hotel quality director is responsible for quality. **The Fact:** At past conventions of many brands, management companies, national and international Hotel & Lodging Associations I have seen presentations from hotels of all sizes who actively participated with quality teams and plans. Their results were usually of exceeding both occupancy and profitability over hotels that did not make a focused effort – regardless of hotel size, brand or location. The term used is one we are all familiar with – **empowerment**. It means hiring the right people and then authorizing them to do what we hired them to do – which means, allowing them to take care of our guests by doing the right things at the right time. In tight economic times, those commitments cannot be lessened, but maintained so that when the economy does improve, the foundation is so much stronger than those who only *cut-cut-cut*.

10. **The Myth** that an expensive renovation, a new flag, or a new manager alone will "save" us and solve all our problems. **The Fact:** It takes time, focused and planned work to solve our problems and to properly financially position our hotels for the long-term. It takes the right combination of quality product and committed staff to succeed. Remember, the national occupancy average in the US is still only between 60 and 65%, which means more than a third of our assets are unused regularly.

11. **The Myth:** "If what I'm doing today works well or at least OK, I should keep doing it exactly the same forever." I have heard Joe McInerney, the current CEO of the American Hotel & Lodging Association and a former Sheraton and Travelodge executive, say at many meetings that "*if we never*

must be pro-active, not always reactive. Inflation and time will not allow us to raise our room rates a certain percentage annually and we must avoid the illogical price war strategies many hotels use as a primary marketing strategy. We should maximize our rates and our revenues by offering the best value in our market. When we take the time to apply logical yield management practices, success will follow but it requires daily attention. Look at how well US based SouthWest Airlines has succeeded in the past quarter century using this philosophy!

12. **The Myth** that we provide sufficient feedback to our staff with regular annual reviews. **The Fact:** Annual reviews alone are almost worthless. Do we recall the great thing someone did 9 months ago, or the problems of 10 days ago? Quarterly performance appraisals with an annual financial review are worth the effort from renewed enthusiasm to a more focused attention. The staffing shortages of qualified staff already anticipated within the next two years will make this attention to people critical.

13. **The Myth** that hospitality associations are a needless expense and they are primarily social clubs. **The Fact:** Some associations were and possibly remain at least partially socially focused. The reality is that most of them are politically astute, in that they are attentive to memberships' needs in introducing, monitoring or lobbying against legislation that treats the industry unfairly. Most provide ongoing educational and specific membership services. While the strength of the global brands have made inroads into what used to be the domain of some hospitality associations, so many operators change brands with such regularity that the brand's impact may not cover the political or educational components adequately.

small business owners (the classification of most hotel and restaurant owners) in the minds of elected officials who are always exposed to the lobbyists and interests of big business. There are different stakeholders and hospitality associations are essential to keeping the balance.

Our myths and belief in them shape our understanding of our personal and business lives. They describe for us "the way things are."

What happens when our myths lose credibility, or become unreliable? Our response is likely to be frustration and a sense of futility as we try to adjust to what really is, not what we thought it might have been. Solutions in business and in our personal lives depend on our follow up actions. If we take hold of the situation and plan on actions to correct and improve the current trend, we can overcome almost any human roadblock.

Add your own myths to the list.....

Hospitality Tip of the Week™:

Focus on Matching Needs and Wants

" No Need: We don't just sell people what they need- we sell them what they want. The approach is to make what they need so appealing that they will want it. When you combine wants and needs, sales increase. "Zig Ziglar

At least 25% of our weekly tips focus on sales and marketing.

We must remember that we must focus on delivering the right services to the right customer at the right price, which means attentiveness to sales and marketing efforts are essential.

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Feel free to share an idea for a column at john.hogan@hospitalityeducators.com anytime or contact me regarding consulting, customized workshops, speaking engagements ... And remember – we all need a regular dose of common sense. *John Hogan, Certified Hospitality Educator (CHE), Certified Hotel Administrator (CHA), Certified Master Hotel Supplier (CMHS)*

John Hogan is a successful hospitality executive, educator, author and consultant and is a frequent keynote speaker and seminar leader at many hospitality industry events. He is Co-Founder of www.HospitalityEducators.com, which delivers focused and affordable counsel in solving specific challenges facing hospitality today.

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