by John Hogan, Ph.D., CHA, CHE, CMHS

A baker's dozen of reality checks in hospitality: Myth or fact?

"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

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.

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":

1. **The Myth**: Consumers will value only "new and shiny" and that they will pay whatever price is charged to experience the newest, latest, hottest, and most fashionable (or "in") hotel, restaurant, club or service experience.

   The Fact: There is no doubt that while some "new" is appreciated, *value* has replaced new for the sake of new. Many third-party websites 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.

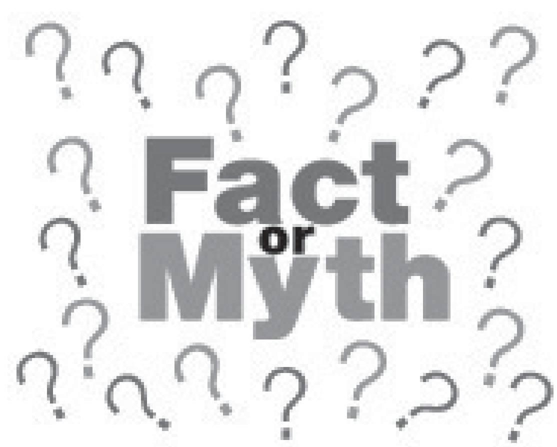
2. **The Myth:** Operating a hotel as a franchise or brand will or should guarantee success.

   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:** Technology alone will enable the hotel to improve its profit 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 and WiFi, the latest in cable and communication offerings, and other high-tech features can help in competitive markets, but they cannot replace the people element. Many guests do not accept video-conferencing as a way to eliminate meetings and not everyone has embraced ATMs, automated check-in/check-out kiosks, and paperless billing or e-folios.

   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 seven 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.



4. **The Myth**: It is the sole responsibility of the security guard or the local police to keep our hotels "safe."

The Fact: 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 *mus*t 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. *Safety and security is everyone's job!*

5. **The Myth:** 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 the same for each interested party. There are overlaps in these stakeholders, but there are clear differences. There is no "bad guy" here, but we need to remember each of their 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, a sense of accomplishment, and 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 Tax Reform Act of 1986 in the U.S. changed lodging from an emphasis on real estate and the stock market to an operational focus in the 1990s moving into the early 21st century. The 2008 global financial meltdown dramatically changed the economic climate around 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:** 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:** 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 <u>do not have</u> adequate continuing education. That myth alone is a leading factor in turnover, which is a major expense. Think about this for a moment:

- 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 hire an electrician that did not have a current license?
- Would you trust your taxes to accountants who used the 2001 tax laws as the basis for their computations?

9. **The Myth:** The general manager or hotel quality director is solely responsible for quality.

The Fact: At past conventions of many brands, management companies, national and international hotel and 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 – *<u>empowerment</u>*. 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:** Undertaking an expensive renovation, reflagging under a new brand, or hiring 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 U.S. 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 okay, 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 did things differently, we would never get any other results."*

    The Fact: Our world is changing so quickly and regularly – we must be proactive, 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 U.S.- based SouthWest Airlines has succeeded in the past quarter century using this philosophy!

12. **The Myth:** We provide sufficient feedback to our staff with regular annual reviews.

    The Fact: Annual performance reviews alone are almost worthless. Do we recall the great thing someone did nine months ago, or the problems of 10 days ago? Quarterly performance appraisals with an annual financial review are worth the effort and yield renewed enthusiasm and more focused attention. The staffing shortages of qualified employees already anticipated within the next two years will make this attention to people even more critical.

13. **The Myth:** 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 their 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.

    Associations at the local, provincial/state and national levels can play a major role in keeping the needs and realities of 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.

Remember, success does not come by accident or chance! ✧

(Dr. 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-author of the book Lessons in the Field: A Common Sense Approach to Effective Hotel Sales and co-founder of a consortium of successful corporate and academic professionals delivering focused and affordable counsel in solving specific challenges facing hospi-tality today. www.HospitalityEducators.com is a mem-bership site offering a wide range of information, forms, best practices and ideas designed to help individual hoteliers and hospitality businesses improve their market penetration, deliver service excellence and increase their profitability. E-mail: john.hogan@hospitalityeducators.com)