



Why hotel furniture asset management shouldn't be swept under the carpet

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The American economy is slowing down. Gas prices are on the increase and consumers are watching their spending. This makes for a slow travel year, in which members of the hospitality industry are being forced to watch their financial decisions more closely than ever.

Some hotel owners may attempt to cut costs and reduce services, adversely affecting the overall stay experience for their customers. This is unwise and unnecessary. It is possible to save money without sacrificing exceptional service.

One key is to properly manage the hotel's furniture assets. This is often seen as a basic bookkeeping requirement, but it is much more than

this. It doesn't matter if it is a single location bed & breakfast, or a worldwide chain with thousands of rooms and locations, properly grading, tracking, maintaining, and managing furniture assets will save money.

All furniture has an expected lifespan. Eventually it needs to be replaced or refinished. The problem many hospitality businesses face is that they don't know when this point will be, or which pieces of furniture will need the attention. In my many years working with hotel chains, I've had hundreds of conversations with CEOs, CFOs and facility managers that have all invested heavily in furniture assets, and they all cite this uncertainty as a problem. So what can be done about this?



Tracking furniture assets

The first step is to take asset management seriously. This means working methodically and accurately. Every purchased furniture asset over a certain value should be tracked and itemized, just as one would with any investment on a balance sheet. It is also important to ensure that the lifetime value and the depreciation of each item have been calculated. Every piece of furniture needs to have a purchase cost that reflects wear and tear, the passage of time, and factors such as obsolescence. Instead of merely keeping track of the age of an item, keeping track of its physical state will help a manager to make an informed decision of when it is time to replace the item. In some cases furniture can become worn before its replacement date; but with careful management, furniture can be refinished instead of replaced and last years longer.

The importance of accuracy cannot be underestimated. As well as ensuring that Management knows the lifespan and value of its furniture, *accurate* records will also help in a less fortunate situation: an audit. An audit can only be completed as smoothly as the accuracy of the records that are kept. If the furniture assets aren't properly managed on paper then the results can be expensive. Knowing the exact location, condition, and value of all of the hotel's furniture will simplify an

audit, thus minimizing the time it takes to conduct the audit and ultimately saving the hotel money. By distinguishing the individual value of the hotel's furniture, as well as its overall value, a clean paper trail is in place for any potential auditor.

Tracking furniture is especially important for hotels with multiple locations, because determining the current value of items can become difficult when the assets are placed among multiple properties. Hoteliers with multiple locations will benefit financially from proper furniture asset management because they will be able to keep track of the location of items. Instead of purchasing new furniture for special events or conferences at one location, tracking inventory will allow hotel managers to borrow or re-allocate key pieces of furniture from one location to another. This cuts down on unnecessary spending, minimizing expenses from annual operational and capital budgets.

Weathering the storm

The weather of 2008 has wreaked havoc on the Midwest United States. Floods, tornados, and storms have been abundant; the resulting damage on property has been devastating. It's a sad reminder that with natural disasters the most one can do is to plan ahead and be prepared for the worst case scenario. When recovering from an unforeseen disaster, reviewing, managing and planning replacement facilities and assets is vital.

When working through the disaster recovery process, accurate inventory is the only means to determine which items have survived intact or are missing, which items need to be re-hauled or refurnished, and which should be replaced. Knowing this information will save crucial time and money in handling insurance claims and the rebuilding process by ensuring the hotel is reimbursed for its losses and the right purchases are made. No one should ever have to go through this, but it's not just about disaster recovery - it's all around good business sense.

Conclusion

The hospitality industry has a difficult road ahead. Some hoteliers will mistakenly reduce their offerings this Summer in an attempt to save money, but by cutting out options for guests, they will only end up deterring potentially loyal guests from returning. Long-term success lays in ensuring every visitor receives the high quality stay they expect. By managing the hotel's furniture assets, and saving money on unnecessary overheads, hoteliers can cut down on costs instead of cutting down on services. ✧

(Mario Insenga is the CEO of The Refinishing Touch, a world leader in providing on-site environmentally safe, furniture re-finishing and re-upholstery to private and public organizations, including hotels. To date the company has transformed over 1.5 million rooms of furniture worldwide, preventing the equivalent of approximately two million hardwood trees being lost to landfills. Website: www.therefinishingtouch.com)