

CAPITAL HOTEL MANAGEMENT

## Hindsight Is 20/20—Best Practices In Preserving Value During A Hold Term

While searching for a fresh perspective to impart on hotel owners and investors, as we bump steadily along the bottom of the cycle, our most profound advice is **look back to stay ahead**. The best strategies for operational survival and value preservation are not newly created, but rather have evolved as a direct outcome of strategies tested and resulting lessons learned from the past. Embarking on our third downturn, CHM is more confident than ever that our [experience](#), tools and relationships will serve us well and keep us focused on what matters most—preserving asset value. So, rather than re-create the wheel, we turn to our experience for some key lessons learned with respect to [preserving asset value](#) during tumultuous times, as we are firm believers that in fact...**Hindsight is 20/20**.

### Beyond Operating Initiatives...Today, The Operating Model

The last cycle left us with an impressive collection of cost savings initiatives and contingency plans that can be dusted off and implemented at a moment's notice....re-negotiating service contracts, revisiting operating standards, flexing line staff as business ebbs and flows—the operating team is all over it. Notwithstanding, our look back reminds us that asset managers serve as a catalyst for change, which this time around must include a more substantive paradigm shift, that is, re-thinking the business model. Unencumbered by daily operations, asset managers offer a unique perspective and the ability to shift management's focus from a compartmentalized review to the way the product and services are delivered. For example, steering the focus from unilateral labor cuts to re-thinking the entire management organization, including aligning roles and responsibilities to today's market to achieve a more effective and efficient operating model. Shifting from initiatives focused on closing a dining outlet to engaging the operating team to re-invent the way in which guest dining expectations are met. What are guests looking for? Can we meet guest needs and control costs more effectively through another concept, menu, delivery model? Re-engineering the operating model as a whole will not only prove to be more successful in the short-term, but also establish more lasting changes and best practices that can be maintained and carried forward as business improves.

### Rate Reductions As An Investment

Topping the list of lessons learned is that reactive and aggressive rate slashing practices have a material and lasting negative impact on hotel value, stretching well beyond the year in which rates are cut. Today, operators are more sophisticated than ever when it comes to managing rooms inventory and yielding rate; however, the pressure to lower rates in this operating environment can be incredible. Asset managers must acknowledge the reality of this challenge and support the operating team, while also establishing strategies and analyses to measure the impact of lowering rates on both a short and long-term basis. For instance, fully understanding future business potential before making rate concessions for groups or corporate clients; exploring value-add alternatives with clients before lowering rates; developing creative packages and promotions to drive short-term business; considering the time horizon of bookings (i.e. association groups booking two to four years out; multiple year contracts) when establishing pricing. Also, understanding exactly how the competition is selling on a daily basis is critical as pricing becomes more market-centric during a downturn. Demand can resume overnight but rate takes years to regain—supporting the management team to bring an investment perspective to bear when examining critical decisions regarding occupancy and rate strategies is key to preserving hotel value.

### Renovating Your Capital Plan

Anticipated lower revenues will impact capital reserve funds requiring owners to re-think capital plans to be sure funds are spent wisely and future projects are adequately funded. Investors may be reluctant to reinvest in properties right now, but, if capital is available, another lesson learned is when rooms are empty, it's a really good time to renovate! Revisit your plan and consider the [opportunity](#) to move ahead with select capital projects, taking advantage of lower occupancy and enhancing your product now which will improve competitive positioning and aid in recovery when market fundamentals improve.

### Been There, Done That

CHM has successfully collaborated with managements teams, brand companies, owners and investors to navigate challenges and succeed in preserving asset value during three economic downturns. Call us today at 978.522.7000 or visit our website at [www.chmhotel.com](http://www.chmhotel.com) for more information on CHM's [asset management approach](#) and unrivaled [track record](#).

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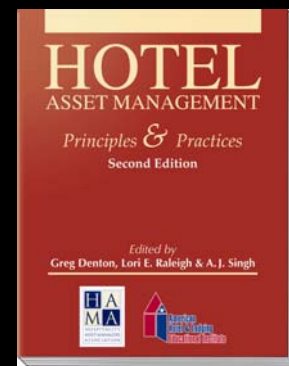
CHM is pleased to announce the release of *Hotel Asset Management: Principles & Practices*, edited by Greg Denton, Lori E. Raleigh, and A. J. Singh, the second edition of this industry text dedicated to the complex issues and successes surrounding hotel asset management. The book is published by the American Hotel & Lodging Educational Institute (AHLEI), with support from Hospitality Asset Managers Association (HAMA).

Included in this edition is a chapter on **Best Practices In Maximizing Food & Beverage Profitability**, co-authored by CHM's own [Chad Crandell](#) and [Kristie Dickinson](#). The chapter focuses on best practices for identifying opportunities for enhanced profitability within the food and beverage department, including an overview of methods for assessing financial performance, evaluating mix of outlets, considerations for implementation and sample strategies for increasing revenue and reducing expenses.

*“Unencumbered by day-to-day operations, brand standards and corporate protocol, asset managers possess a unique vantage point from which to assess the food and beverage operation and with the proper tools and resources can act as a catalyst for positive change. Asset managers offer strategic, out-of-the-box thinking, and can more readily embrace new concepts and operating models thereby helping to bridge the gap between corporate and property initiatives. Asset managers also recognize that even minor improvements in operating profits can impact value making every opportunity worth pursuing.”*

For more information on CHM's best practices and strategies for value creation, call us today at 978-522-7000 or visit us at [www.chmhotel.com](http://www.chmhotel.com).

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