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Hotel Management

- Management and ownership are not the same thing
- Hotel Management is the day-to-day running of the hotel (also called hotel operation)
- One person (or company) can own the hotel, and another person (or company) can manage it.
- The owner can buy the hotel as an investment but not know anything about running a hotel
- A hotel management company will be hired to manage the hotel
- It is often difficult to know who actually owns the hotel
Management Contract

- Management companies operate properties owned by other entities.
- Owner retains the financial and legal responsibility for the property.
- Management company operates the hotel, pays hotel expenses and receives an agreed upon fee.
- After operating expenses and fees have been paid, remaining profit goes to the owner.
- Owner then pays debt, insurance, taxes etc.
Hotel Management

• Example A:
  – Investor (with not hotel experience) builds and owns a hotel
  – Investor hires Hilton Management company to manage the hotel
  – Hotel has Hilton name and must follow Hilton standards

• Example B:
  – Investor (with no hotel experience) buys a Hilton franchise
  – Hotel management company hired to manage the hotel for the investor
  – Hotel has Hilton name and must follow Hilton standards
• Two basic structures of ownership
  1. Independent Hotel
  2. Chain Hotel
  • Many chain hotels tend to be a mixture of several types of ownership
    – Management Contracts
    – Franchises
    – Referral Groups
INDEPENDENT HOTEL

• Single-unit business not connected with any other business

• Examples: Family-owned-and-operated hotels and B&Bs.

• Usually one owner (proprietorship, partnership or corporation)
ADVANTAGES

• Autonomy (policies, procedures, marketing and financial obligations)
• Marketing tailored to specific populations/locations
• Flexibility in management
• Easy adaptation to changing market conditions
DISADVANTAGES

• More money spent on national advertising

• No volume purchasing power

• Travelers prefer to stay with brands they recognize
• Multiple-unit businesses that have the same brand name and possibly the same ownership (proprietorship, partnership or corporation)

• Chain hotels may be:
  – Management contract
  – Franchise
  – Referral group
ADVANTAGES

- Brand name; strong brand identity
- Owner develops brand identity through advertising, public relations & promotions
- Brand loyalty
- Frequent guest program
- Supplies purchased in large quantity
- Centralized & specialized services (training, site selection & information systems)
- Central Reservations Center

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DISADVANTAGES

- Strong control over individual properties (minimum standards, rules, policies and procedures)
- Less flexibility in management procedures
FRANCHISE HOTEL

- A unit of a chain that has been purchased by an outside owner (franchisee)

- The outside owner runs the franchise in the way required by the chain owner (franchisor)

- Established standards for design, décor, equipment and operating procedures

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ADVANTAGES

- Strong brand name
- Travelers prefer to stay with brands they recognize
- Consistent established product and level of service
- National or international central reservation system
- National advertising
- Management training programs
- Advanced technology
- Central purchasing
- Architectural, construction and interior design consulting
DISADVANTAGES

• Strong control over individual properties (minimum standards, rules, policies and procedures)

• Less flexibility in management procedures

• Must pay a fee to franchisor
ADVANTAGES

• Independent hotels that have banded together for a common purpose
• Hotels are not replicas but offer consistency in level of service
• Hotels within the group refer guests to other affiliated properties
• Offer central purchasing services (interior furnishings, bath amenities, linen and towels, and restaurant items)
DISADVANTAGES

• Members must maintain certain operating standards
• Limited control over members on agreed upon items
• A member can leave if it becomes dissatisfied
• The group can ask a member to leave if the member doesn’t meet the requirements or pay dues.

• http://youtu.be/3ioXSUGsHlo
• Cool Careers: Hotel Manager
Textbooks:


• *Lodging Management Program Year One*. AHLA Educational Institute

Websites:

• 20 Questions before starting a Business
  Many people dream of having their own business. To see if starting a business is right for you, ask yourself these important 20 questions
  http://www.sba.gov/content/20-questions-before-starting-business

• Is Entrepreneurship for You?
  Becoming a successful entrepreneur requires sound planning, creativity and hard work.
  http://www.sba.gov/content/entrepreneurship-you

• Master in Management
  Management consists of planning, organizing, staffing, leading or directing, and controlling an organization for achieving a goal and a person handle the entire organization is known to be as a Manager.

• Top Hotel Owners & Operators
  A list of ownership and development companies and third-party management companies who focus on the lodging industry.
  http://lhonline.com/hotel-development-resources/top-hotel-owners-operators/