

# HOTEL MANAGEMENT AND OWNERSHIP



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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

# OWNERSHIP



- 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

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# 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)

# INDEPENDENT HOTEL

## ADVANTAGES

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



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# INDEPENDENT HOTEL

## DISADVANTAGES



- More money spent on national advertising
- No volume purchasing power
- Travelers prefer to stay with brands they recognize

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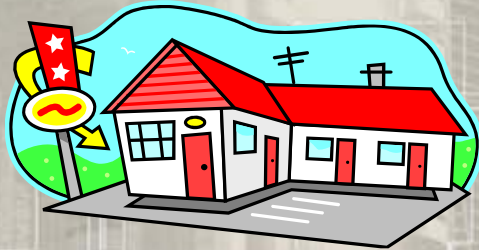
# CHAIN HOTEL



- 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

# CHAIN HOTEL

## ADVANTAGES

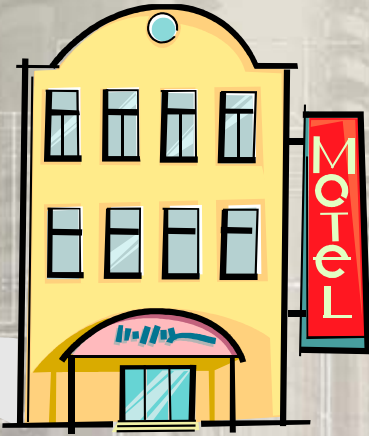


- Brand name; strong brand identity
- Owner develops brand identity through advertising, public relations & promotions
- Brand loyalty
- Frequent guest program
- Supplies purchased in large quantity
- Centralized & specialized services (training, site selection & information systems)
- Central Reservations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

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# CHAIN HOTEL

## DISADVANTAGES



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

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# FRANCHISE HOTEL

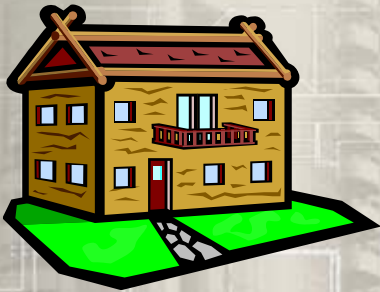


- A unit of a chain that has been purchased by an outside owner (franchisee)
- The outside owner runs the franchise in the way required by the chain owner (franchisor)
- Established standards for design, décor, equipment and operating procedures

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# FRANCHISE HOTEL

## 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

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# FRANCHISE HOTEL

## DISADVANTAGES



- Strong control over individual properties (minimum standards, rules, policies and procedures)
- Less flexibility in management procedures
- Must pay a fee to franchisor

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# REFERRAL GROUPS

## 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)

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# REFERRAL GROUPS

## 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**

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# References/Resources

## Textbooks:

- Reynolds, Johnny Sue. *Hospitality Services Food & Lodging*. Second. Tinley Park: The Goodheart-Willcox Company, Inc., 2010. Print.
- *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.  
<http://www.mastersinmanagement.org/10-famous-managers-who-changed-the-world.html>
- Top Hotel Owners & Operators  
A list of ownership and development companies and third-party management companies who focus on the lodging industry.  
<http://lhone.com/hotel-development-resources/top-hotel-owners-operators/>