

CHAPTER 2

The Hotel Business

LEARNING OBJECTIVES

After reading and studying this chapter, you should be able to:

- Describe hotel ownership and development via hotel franchising and management contracts.
- Explain the diamond rating classification of hotels.
- Classify hotels by rating system type, location, and price.
- Discuss the concept and growth of vacation ownership.
- Discuss sustainable/green lodging.
- Identify trends influencing the hotel business.



A Brief History of Innkeeping in the United States¹

1634—Samuel Coles Inn opens on Washington Street and is the first tavern in Boston; it is later named the Ship Tavern.

1642—The City Tavern in New York City is built by the West India Company.

1775—The Green Dragon in Boston becomes the meeting place of American Revolutionaries. Patrick Henry calls the taverns of colonial America the “cradles of liberty.”

1790—The first use of the word *hotel* in America is at Carre’s Hotel, 24 Broadway, New York City.

1801—The Francis Union Hotel in Philadelphia opens in a former presidential mansion.

1801–1820—Taverns are rechristened as *hotels* following a surge in popularity of all things French.

1824—The Mountain House, the first of the large resort hotels in the Catskills, eventually has 300 rooms and accommodates 500 persons.

1829—The Tremont House in Boston appears. Designed from cellar to eaves to be a hotel, it has three stories and 170 rooms. This hotel is known for several firsts: the first bellboys, the first inside water closets (toilets), the first hotel clerk, the French cuisine on a Yankee menu, the first menu card in this country, the first annunciators in guest rooms, the first room keys given to the guests, and the first guests checked in at a dedicated reception area—previously they checked in at the bar.

1834—The Astor House, New York City’s first palatial hotel, has rooms furnished in black walnut and Brussels carpeting.

1846—The first centrally heated hotel, the Eastern Exchange Hotel, opens in Boston.

1848—Safety deposit boxes are provided for guests by the New England Hotel in Boston.

1852—Electric lights dazzle guests for the first time in New York City’s Hotel Everett and at Chicago’s Palmer House in 1894.

1859—The first passenger elevator goes into operation in the Old Fifth Avenue Hotel; upper rooms are sometimes more expensive than those on lower floors.

1875—The Palace Hotel in San Francisco is billed as the “world’s largest hotel”; floor clerks are installed along with four elevators.

1880–1890s—There is a resort boom in Florida, New England, Virginia, Pennsylvania, and Atlantic City.

1887—The Ponce de León Hotel, in St. Augustine, is built; it is the first luxury hotel in Florida.

1888—The Del Coronado Hotel is built; it is the first luxury resort in California.

1892—The Brown Palace Hotel in Denver is built with “gold money” to be as fine as any hotel back east. The Brown Palace focuses on catering to business people and is regarded as one of the first convention hotels.

1908—The Statler Hotel in Buffalo, New York, is established by Elsworth Milton Statler, and is considered by many to be the premier hotelier of all time (his story makes interesting reading—try Googling him). The Statler hotel is the first to introduce keyholes for safety, electric light switches, private baths, ice water, and the delivery of a morning newspaper. The hotel is also constructed so as to have bathrooms backing onto each other; this enables the plumbing to go up or down one shaft along with protected electrical wiring. The Statler Inn at Cornell University is built with money from the Statler foundation.

1919—Conrad Hilton opens the Mobley Hotel in Cisco, Texas.

1920—There are 12 million cars in America, and auto camping becomes a national pastime as cities open up camps for people to stay at.

1922—Cornell University begins a hotel and restaurant program.

1929–1945—During the Great Depression and World War II, hotel occupancy drops and several hotels are lost by owners—others just manage to survive.

1946—The Golden Nugget and the Flamingo open in Las Vegas, prompting a boom in hotel construction that continues to this day.

1950s and 1960s—More interstate highways are constructed and more motels and hotels are established for the ordinary person, not just the rich.

1954—Kemmons Wilson opens the first Holiday Inn.

1960s—Westin introduces 24-hour room service.

1966—The ice and vending machines make their debuts in InterContinental hotels.

1967—The Atlanta Hyatt Regency Hotel, designed by John Portman with an atrium and an indoor garden, opens.

1960s and 1970s—Hotels begin to develop internationally.

1970s—Hotels are hit hard by the energy crisis—there is little development. Cable TV arrives; it later evolves into Internet access.

1975—Hyatt introduces concierge lounges for its VIP guests.

1980s—The electric key card is introduced, and hotels begin to accept major credit cards as payment.

1980s and 1990s—Hotel chains develop more rapidly internationally. Hotels are developed in several tiers/price points to appeal to different market segments.

1990s—Voice mail and in-room Internet connections are introduced.

THE AMERICAN HOTEL & LODGING ASSOCIATION

Dedicated to Serving the Interests of Hoteliers

For over 100 years, the American Hotel & Lodging Association (AH&LA) has been an advocate for all matters relating to lodging. The AH&LA represents 52,887 properties with 4,926,543 guestrooms, \$163 billion in sales, \$68.64 revenue per available room (Rev Par), and an average occupancy rate of 62.2 percent.⁴ As a nonprofit trade association, the AH&LA exists to help the lodging industry prosper, with national advocacy on Capitol Hill, public relations and image management, education, research, and information. The AH&LA also has several programs that benefit members, among which are a comprehensive Green Resource Center; diversity programs and advice for helping members improve their diversity initiatives; technology resources and initiatives to help members improve their technology efforts; social media advice, including resources for Facebook, blogs, Twitter, Yelp (the number-one travel application for the iPhone), Four Square (another way for consumers to write reviews, leave suggestions, and talk about hotels), LivingSocial, Groupon, and Buy With Me; Traveler-Generated Content (user-generated data for gathering travel information); and online resources for leveraging the collective buying power to which more than 20 million people subscribe, with electronic promotions sent daily.

The AH&LA has conventions, the main one being in New York City in November. Additionally, there are state chapters and conventions that are recommended for you to attend as they offer several interesting presentations and discussions on lodging topics.

2000s—Boutique hotels come of age, and LEED (Leadership in Energy and Environmental Design) hotels are constructed. Sustainability becomes increasingly more important. Social media starts to appear and continuously increases presence in hotels, while the Internet continues to reach wider audiences. Internet destination marketing and online hotel bookings increase.

2013—Mobile devices reach greater online access than desktops or laptops. Hotel and destination marketers look at increased ways to profit on mobile applications, as social media and mobile devices become inseparable. Everything is going social.²

2014—Meta-search marketing allows people to compare between hotels and other lodging options based on a variety of real-time factors such as room rates, availability, promotions, and other factors. Meta-search marketing provides guests with relevant and succinct information about location, amenities, and guest reviews at any given time.³

LEARNING OBJECTIVE 1

Describe hotel ownership and development via hotel franchising and management contracts.

Hotel Development and Ownership

The lodging industry is a more than \$155 billion industry that includes approximately 53,000 properties with almost five million guestrooms. This is an industry that continues to flourish predominantly by way of franchising

FOCUS ON DEVELOPMENT

Dr. Chad M. Gruhl, Professor at Metropolitan State University of Denver.



Dr. Gruhl is a hotel expert working for such places as the Waldorf Astoria in New York City, Trump Plaza Hotel and Casino in Atlantic City, Hotel Intercontinental in Chicago, and Residence Inn by Marriott in three states.

There has been a tremendous amount of development in the hotel industry in the past 40 years. The large hotel corporations discovered that if they targeted specific markets, they would be able to increase market share for particular segments. For example, in the early 1940s until the 1970s, Hilton Hotels focused primarily on their major hotel chain, full-service Hilton Hotels. Later in the 1970s, Hilton began expanding and developing other concepts in order to capture a larger market share:

1970—Purchased the Flamingo Hotel and the Las Vegas International, making them big players in the gaming industry

1984—The first Embassy Suites (all-suite brand) and Hampton Inn (mid-economy segment) opened under the Hilton umbrella

1989—Hilton opens the first Homewood Suites Hotel (extended-stay segment)

1990—Hilton Garden Inn debuts four hotels (mid-economy segment)

2002—Hilton becomes involved with Vacation Ownership (resort segment)

2009—Expansions into 76 countries making Hilton the largest full-service hotel brand in the world (full-service brand)

2011—Home2 Suites (extended-stay segment) opens in Fayetteville, NC

Today, Hilton also owns the Waldorf Astoria Collection, Conrad Hotels and Resorts, Canopy, Curio, and DoubleTree. Hilton flies a total of 12 flags with over 4,200 hotels (698,000 rooms) in 93 countries and territories.

Do these large companies do it all themselves? Meaning, do they operate, own, and expand the corporate name all by themselves? The answer is, absolutely not. The largest hotel companies have expanded at very fast rates through franchising. This is one of the primary sources of income for most large hotel and restaurant companies.

For example, to apply for an InterContinental Hotel and Resorts flag (the right to use their name), it costs \$500 per room with a \$75,000 minimum for the initial cost and application fee. After the hotel opens, it costs five percent of revenue for royalty fees and another three percent for marketing fees. In other words, it is very expensive to fly a major hotel flag. So why would anyone develop a hotel where they fly another company's flag? The answer is simple: The major hotel companies have very large reservation systems and brand recognition that brings people to that hotel once the hotel opens its doors.

There are eight large corporate hotel companies that fly approximately 75 percent of all U.S. hotels. Behind each large corporation are only a few of the larger flags that they own:

1. **Wyndham Hotels and Resorts:** Days Inn, Howard Johnson's, Ramada, Super 8, Travelodge
2. **Choice Hotels:** Comfort Inn, Quality Inn, Clarion, Econo Lodge, Sleep Inn

(continued)

FOCUS ON DEVELOPMENT *(Continued)*

3. **Accor:** Sofitel, Novotel, Mercure, Ibis, Adagio
4. **InterContinental Hotel Group:** Crowne Plaza, Holiday Inn, Staybridge Suites, Candlewood Suites, Hotel Indigo, InterContinental, Even, Hualuxe
5. **Marriott International:** The Ritz-Carlton, Marriott Hotels & Resorts, Renaissance Hotels & Resorts, Courtyard, Fairfield Inn, Residence Inn, Bulgari Hotels & Resorts
6. **Blackstone:** Hilton Hotels, Waldorf Astoria Hotels & Resorts, DoubleTree by Hilton, Embassy Suites Hotels, Hampton Inn
7. **Carlson Rezidor Hotel Group:** Radisson, Country Inns & Suites, Park Inn, Park Plaza
8. **Starwood:** Sheraton Hotels & Resorts, Four Points by Sheraton, St. Regis Hotels & Resorts, Le Méridien, W Hotels, Westin Hotels & Resorts

There are many development and franchising opportunities in the hotel and restaurant world. You, too, can make your mark on the industry.

and management contracts, which are the two main driving forces in the development and operation of the hotel business.⁵ After the potential of franchising caught on, there was no stopping American ingenuity. In about a half century, the hotel business was changed forever, and here is how it happened.

Franchising

Franchising in the hospitality industry is a concept that allows a company to expand more rapidly by using other people's money rather than acquiring its own financing. The company, or franchisor, grants certain rights to the franchisee—for example, the rights to use its trademark, signs, proven operating systems, operating procedures and, possibly, its reservations system, marketing know-how, purchasing discounts, and so on—for a fee. In return, the franchisee agrees by signing the franchise contract to operate the restaurant, hotel, or franchised outlet in accordance with the guidelines set by the franchisor. Franchising is a way of doing business that benefits both the franchisor—who wants to expand the business rapidly—and the franchisee—who has financial backing but lacks specific expertise and recognition. Some corporations franchise by individual outlets and others by territory. North America is host to more than 180 hotel brand extensions and franchised hotel brands.

Franchising hotels in the United States began in 1907, when the Ritz Development Company franchised the Ritz-Carlton name in New York City.⁶ Howard Johnson began franchising his hotels in 1954—he had successfully franchised the “red roof” restaurants since 1927. Holiday Inn (now a part of InterContinental Hotels Group [IHG], one of the largest lodging enterprises in the world) also grew by the strategy of franchising: In 1952, Kemmons

Wilson, a developer, had a disappointing experience while on a family vacation when he had to pay for an extra room for his children. Therefore, Wilson decided to build a moderately priced family-style hotel.

Each room was comfortably sized and had two double beds; this enabled children to stay for free in their parents' rooms. In the 1950s and early 1960s, as the economy grew, Holiday Inn grew in size and popularity. Holiday Inns eventually added restaurants, meeting rooms, and recreational facilities. They upgraded the furnishings and fixtures in the bedrooms and almost completely abandoned the original concept of being a moderately priced lodging operation.

One of the key factors in the successful development of Holiday Corporation was that it was one of the first companies to enter the midprice range of the market. These inns, or motor hotels, were often located away from the expensive downtown sites, near important freeway intersections and the more reasonably priced suburbs. Another reason for their success was the value they offered: comfort at a reasonable price, avoiding the expensive trimmings of luxury hotels.

At about this time, a new group of budget motels emerged. Motel 6 (so named because the original cost of a room was \$6 a night) in California slowly spread across the country, as did Days Inn and others. Cecil B. Day was in the construction business and found Holiday Inns too expensive when traveling on vacation with his family. He bought cheap land and constructed buildings of no more than two stories to keep the costs down. These hotels and motels, primarily for commercial travelers and vacationing families, were located close to major highways and were built to provide low-cost lodging without frills. Some of these buildings were modular constructions. Entire rooms were built elsewhere, transported to the site, and placed side by side.

It was not until the 1960s that Hilton and Sheraton began to franchise their names. Franchising was the primary growth and development strategy of hotels and motels during the 1960s, 1970s, and 1980s. However, franchising presents two major challenges for the franchisor: maintenance of quality standards and avoidance of financial failure on the part of the franchisee.

It is difficult for the franchise company to state in writing all the contingencies that will ensure that quality standards are met. Recent franchise agreements are more specific in terms of the exterior maintenance and guest service levels. Franchise fees vary according to the agreements worked out between the franchisor and the franchisee; however, an average agreement is based on three or four percent of room revenue.

The world's leading franchisors of hotels are InterContinental Hotels and Resorts with 688,517 rooms in 4,704 hotels;⁷ Wyndham Worldwide with 627,440 rooms in 7,340 hotels;⁸ and Choice Hotels International with 500,000 rooms in 6,300 hotels.⁹ Franchising

The colorful lobby of a Hotel Indigo, a franchised InterContinental Hotels Group concept.



provides both benefits and drawbacks to the franchisee and franchisor. The benefits to the franchisee are as follows:

- A set of plans and specifications from which to build
- National advertising
- A centralized reservation system (CRS)
- Participation in volume discounts for purchasing furnishings, fixtures, and equipment
- Listing in the franchisor's directory
- Low fee percentage charged by credit card companies

The drawbacks to the franchisee are as follows:

- Franchisees must pay high fees, both to join and ongoing.
- Central reservations generally produce between 17 and 26 percent of reservations.
- Franchisees must conform to the franchisor's agreement.
- Franchisees must maintain all standards set by the franchisor.

The benefits to the franchise company are as follows:

- Increased market share and recognition
- Up-front fees

The drawbacks to the franchise company are as follows:

- The need to be very careful in the selection of franchisees
- Difficulty in maintaining control of standards

Franchising continues to be a popular form of expansion both in North America and the rest of the world. However, there are always a few properties that lose their right to franchise by not maintaining standards.

Factors propelling franchise growth include the following:

- Fresh looks (curb appeal)
- Location near highways, airports, and suburbs
- Expansion in smaller cities throughout the United States
- New markets located in proximity to golf courses and other attractions
- Foreign expansion and a move to increase brand awareness

Is There a Franchise in Your Future?¹⁰

Many of you may not realize the pervasiveness of franchised operations in the United States. Predictions are that more than 50 percent of all retail sales in the United States (including restaurants) will soon be transacted through franchised units. Furthermore, franchises are available not only in the hotel, restaurant, travel, and recreation industries, but also in a large variety of other businesses that might interest you. These businesses include automotive tires and parts, retailing of all kinds, mail and copy services, janitorial and decorating services, personnel agencies, and so on. Today, many franchises can be operated from home by those interested in lifestyle changes.

If you end up working for a hospitality-related organization after graduation, chances are that your career will be influenced by franchising. You may work directly for a franchisor (the company that sells a franchised concept to an entrepreneur), whether on the corporate staff (e.g., training and franchise consulting) or in an operations position in a franchisor-owned unit. Many franchisors own their own units, which they use to test new operational or marketing ideas and to demonstrate the viability of the business to potential franchisees (the entrepreneurs who buy the franchised unit).

Alternatively, you may work for a franchisee. Some franchisees are small businesses, owning only one or a few units. Other franchisees are large corporations, owning hundreds of units and doing hundreds of millions, and now, upwards of one billion dollars in sales every year. For instance, Flynn Restaurant Group, the country's largest franchisee, owns and operates more than 500 restaurants in 23 states, including 470 Applebee's and 170 Taco Bell franchises. The nation's largest franchisees are more inclined to operate some of the better known quick service and fast casual restaurants, such as McDonald's, Burger King, Wendy's, Arby's, and Applebee's.¹¹

A third way that franchising may involve you is through ownership. Rather than starting your own independent business after college, you may want to consider buying a franchise. Several advantages can result. First, by working with a larger company you get the benefits of its experience in running the business that you have chosen to enter. Many of the mistakes that a new entrepreneur may make have already been overcome by your franchisor. The company might provide cash flow. The company might also provide other support services at little or no cost, such as marketing and advertising, site selection, construction plans, assistance with financing, and so on. All this assistance leads to a second key reason for buying a franchise—reducing your risk of failure. Franchising is probably less risky than starting your own business from scratch.

Consider the following factors that many franchisors seek. Are you strongly motivated to succeed and do you have a past history of business success, even if it is in a different business? Do you have a significant sum of money as well as access to credit? Are you willing to accept the franchisor's values, philosophy, and ways of doing business, as well as its technical assistance? Do you have the full support of your immediate family as you develop your business? Are you willing to devote substantially all of your working time to the business?

Franchising does have some disadvantages, as noted by many former franchisees. Your expectations of success may not be met. Perhaps the business did not have the potential that you expected, or perhaps you were not willing to invest the time needed. In a few cases, an overzealous or dishonest franchisor representative has misled franchisees.

As a franchisee, your freedom is somewhat restricted. You must operate within the constraints set out by your franchise agreement and the operational standards manual. Although there may be some room for you to express your creativity and innovation, it is generally limited. This may mean that, over time, the work might become monotonous and unchallenging, yet you have a long-term commitment to the company because of the franchise agreement that you signed. Your failure to consistently follow the

CORPORATE PROFILE

Wyndham Worldwide—A Collection of Hotel Brands



Wyndham Hotels and Resorts, Wyndham Grand Hotels and Resorts, Wyndham Garden, Days Inn, Howard Johnson, Ramada, Knights Inn, Super 8, Travelodge, Baymont Inns & Suites, Microtel Inns and Suites, Hawthorn Suites, Wingate by Wyndham, TRYP by Wyndham, Dream Hotels, and Night Hotels, totalling more than 7,340 hotels in 66 countries.¹²

As a franchisor, the company licenses the owners and operators of independent businesses to use Wyndham brand names, without taking on big business risks and expenses. Wyndham does not operate hotels, but instead provides coordination and services that allow franchisees to retain local control of their activities. At the same time, franchisees benefit from the economies of scale of widely promoted brand names and well-established standards of service, national and regional direct marketing, co-marketing programs, and volume purchasing discounts.

All brands share extensive market research, use proprietary reservation systems and a room inventory tracking system, which is extremely technology intensive and eliminates waste. By monitoring quality control and extensively promoting the brand names, Wyndham offers its independent franchise owners franchise fees that are relatively low compared to the increased profitability they gain.

Through franchising, the company limits its own risks and is able to keep overhead costs low. Wyndham also limits the volatility in the business as best as they can because fees come from revenue, not the franchisee's profitability. A further advantage of being a franchiser of such dimension is that the company is even more protected from the cyclical nature of the economy than are other franchise ventures.

Wyndham Vacation Ownership is the largest vacation ownership business when measured by the number of vacation ownership interests. Wyndham Vacation Ownership develops, markets, and sells vacation ownership interests and provides consumer financing to owners through its three primary consumer brands: Wyndham Vacation Resorts, WorldMark by Wyndham, and Wyndham Vacation Resorts Asia Pacific.¹³

Wyndham Vacation Ownership has developed or acquired approximately 185 vacation ownership resorts throughout the United States, Canada, Mexico, the Caribbean, and the South Pacific that represent approximately 23,000 individual vacation ownership units and more than 900,000 owners of vacation ownership interests.¹⁴

Wyndham Exchange and Rentals helps to deliver vacations to more than 3.7 million members in approximately 100 countries. Wyndham provides exclusive access for specified periods to more than 106,000 vacation properties, including vacation ownership condominiums, traditional hotel rooms, villas, cottages, bungalows, campgrounds, city apartments, second homes, fractional resorts, private residence clubs, condominium hotels, and yachts. With a portfolio of more than 30 brands, Wyndham delivers unique vacation experiences to over four million leisure-bound families each year.¹⁵

Wyndham has been named to the Diversity Inc. 25 noteworthy companies that are raising diversity management leaders. Wyndham has also been ranked among the best 100 greatest companies in America by *Newsweek* magazine, who also ranked Wyndham among the top 100 greenest companies in America.

franchisor's methods for running the business could result in the termination of your contract and your forced removal from the business.

Finally, the franchisor may not be performing well, thereby hurting your local business. Also, they may allow other franchisees to open units so near to your operation that your business is adversely affected.

Buying a franchise can be a very rewarding business experience in many ways. But like any other business venture, it requires research and a full discussion with family, friends, and business advisors, such as your accountant and attorney. You should carefully weigh whether you are psychologically suited to be a franchisee. Perhaps you perform more effectively in a corporate structure as an employee. Perhaps you are better suited to starting your own business from scratch. A careful analysis can help you make an informed decision. Buying a franchise such as Subway, Cold Stone Creamery, or Sea Master cruises is a lot cheaper—as in a few thousand dollars—compared to \$1 million-plus for a hotel or even a McDonald's. A key question to be answered before you buy a franchise is whether you are better suited to being a franchisee or an independent entrepreneur.

Referral Associations

Referral associations offer similar benefits to properties as franchises, albeit at a lower cost. Hotels and motels with a referral association share a CRS and a common image, logo, or advertising slogan. In addition, referrals may offer group-buying discounts to members, as well as management training and continuing education programs. Each independent hotel refers guests to each of the other member hotels. Hotels and motels pay an initial fee to join a referral association. Size and appearance standards are less stringent than those in a franchise agreement; hence, guests may find more variation between the facilities than between franchise members.

Preferred Hotels and Resorts Worldwide is a consortium of 185 independent, luxury hotels and resorts united to compete with the marketing power of chain operations. It promotes the individuality, high standards, hospitality, and luxury of member hotels. It also provides marketing support services and a reservation center.

With the decrease in airline commissions, referral organizations—especially those at the luxury end of the market—are well placed to offer incentives to agents to book clients with the referral group's hotels. An example is awarding trips to the property for every 10 rooms booked. Another, for instance, is when the referral hotels offer, for instance, a 20 percent commission to travel agents during slow periods.

Three luxury Boston-area preferred properties—the Boston Harbor Hotel, the Bostonian Hotel, and the Charles Hotel in Cambridge, Massachusetts—joined together in promoting a St. Patrick's Day weekend package. Preferred Hotels in Texas—the Mansion on Turtle Creek and Hotel Crescent Court

The Ciragan Kempinski Palace Hotel
Istanbul, Turkey.



in Dallas, La Mansion del Rio South in San Antonio, and the Washington Hotel in Fort Worth—launched a major, year-long promotion that includes a tie-in with major retail, credit card, and airline partners.

In addition to regional marketing programs, the referral associations that handle reservations for members have joined Galileo International's Inside Availability Service. This gives agents access to actual rates and room availability that are not always available on the standard CRS databases.

Leading Hotels of the World (LHW) was set up in 1928 as Luxury Hotels of Europe and Egypt by 38 hotels, including the London Savoy; the Hotel Royal in Evian, France; and the Hotel Negresco in Nice, France—each was interested in improving its marketing. The organization operated by having hotels advise their guests to use the establishments of fellow members. It then opened a New York office to make direct contact with wealthy American and Canadian travelers wishing to visit Europe and Egypt.

LHW, which is controlled by its European members, acts as an important marketing machine for its members, especially now, with offices around the world providing reservations, sales, and promotional services. All the hotels and offices are connected by a central computer reservation system called ResStar. The number of reservations members receive from Leading Hotel members varies from place to place, but with more than 430 member hotels, it must be beneficial.

Like LHW, Small Luxury Hotels of the World (SLH) is another marketing consortium in which 79 independently owned and managed hotels and resorts are members. For more than 35 years, it has sought to market and sell its membership to the travel industry and to provide an inter-hotel networking system for all members. Each hotel is assessed and regularly checked to ensure that it maintains the very highest standards.

Management Contracts

Management contracts have been responsible for the hotel industry's rapid boom since the 1970s. They became popular among hotel corporations because little or no up-front financing or equity is involved. Hotel management companies often form a partnership of convenience with developers and owners who generally do not have the desire or ability to operate the hotel. The management company provides operational expertise, marketing, and sales clout, often in the form of a CRS.

Some companies manage a portfolio of properties on a cluster, regional, or national basis. Even if the hotel corporation is involved in the construction of the hotel, ownership generally reverts to a large insurance company or other large corporation. This was the case with the La Jolla, California, Marriott Hotel. Marriott Corporation built the hotel for about \$34 million, and then sold it to Paine Webber, a major investment banking firm, for about \$52 million on completion. Not a bad return on investment!

The management contract usually allows for the hotel company to manage the property for a period of five, 10, or 20 years. For this, the company receives as a management fee, often a percentage of gross and/or net operating profit, usually about 2–4.5 percent of gross revenues. Lower fees in the two-percent range are more prevalent today, with an increase in the incentive fee based on profitability. Some contracts begin at two percent for the first year,

increase to 2.5 the second, and to 3.5 the third and for the remainder of the contract.¹⁶

Today, many contracts are for a percentage of sales and a percentage of operating profit. This is normally 2 + 2 percent. Increased competition among management companies has decreased the management contract fees in the past few years. In recent years, hotel companies increasingly have opted for management contracts because considerably less capital is tied up in managing as compared with owning properties. This has allowed for a more rapid expansion of both the U.S. and international markets.

Recent management contracts have called for an increase in the equity commitment on the part of the management company. In addition, owners have increased their operational decision-making options to allow them more control over the property. General managers have increased responsibility to owners who also want their share of profit.

Today, hotel management companies exist in an extremely competitive environment. They have discovered that the hotel business, like most others, has changed and they are adapting accordingly. Today's hotel owners are demanding better bottom-line results and reduced fees. Management companies are seeking sustainability and a bigger share of the business. With international expansion, a hotel company entering the market might actively seek a local partner or owner to work within a form of joint venture.



Hyatt Hotels operates most of its hotels by management contract rather than owning them all.

► Check Your Knowledge

1. What main factor changed the nature of the hotel industry? What impact does it have today?
2. What are some of the benefits and drawbacks to being a franchisee?
3. In your own words, define *franchising* and *management contracts*.
4. Explain the nature of a referral association and some of the benefits such an arrangement offers.

Real Estate Investment Trust

Real estate investment trusts (REITs) have existed since the 1960s. In those early days, they were mostly mortgage holders. But in the 1980s, they began to own property outright, often focusing on specific sectors such as hotels, office buildings, apartments, malls, and nursing homes. An REIT must have at least 75 percent of its assets in real estate. Today, about 300 REITs, with a combined market value of \$70 billion, are publicly traded. Investors

like them because they do not pay corporate income tax and, instead, are required to distribute at least 95 percent of net income to shareholders. In addition, because they trade as stocks, they are much easier to get into or out of than are limited partnerships or the direct ownership of properties. In the hotel industry, REITs are clearly where the action is. As with any investment, the investor is looking for a reasonable return on the investment. Anyone can buy stocks of REITs or other publicly traded companies; first, it is wise to ensure that the company is well managed and financially sound before putting any money down. The leading REIT corporations are Patriot American Hospitality, Wyndham Hotels, and Starwood Lodging Trust.

INTRODUCING CONRAD HILTON AND HILTON HOTELS CORPORATION

“King of Innkeepers” and Master of Hotel Finance



Before he was 18, Conrad Hilton had worked as a trader, a clerk, a bellboy, and a pianist. By age 25, he had worked in politics and banking.

In 1919, while visiting Cisco, Texas, Conrad Hilton had intended to take advantage of the oil boom by buying a small bank. Instead, he found bank prices prohibitive and hotels so overbooked he could not find a place to sleep. When one owner in Cisco complained he would like to sell his property in order to take advantage of the oil boom, Hilton struck a deal. He bought the Mobley Hotel with an investment of \$5,000. Hilton rented rooms to oil industry prospectors and construction workers. Because of high demand for accommodations and very little supply, Hilton rented rooms in eight-hour shifts, for 300-percent occupancy. On some occasions, he even rented out his own room and slept in a lobby chair.

Because Hilton knew the banking business well and had maintained contacts who would lend him money for down payments on properties, he quickly expanded to seven Texas hotels. Hilton's strategy was to borrow as much money as possible to expand as rapidly as possible. This worked well until the Great Depression of the early 1930s. Hilton was unable to meet the payments on his properties and lost several of them but did not declare bankruptcy.¹⁷

Hilton, like many great leaders, even during the Depression years had the determination to bounce back. To reduce costs, he borrowed money against his life insurance and even formed an alliance with the National Hotels Corporation.

Hilton's success was attributed to two main strategies: (1) hiring the best managers and letting them have total autonomy and (2) being a careful bargainer who, in later years, was careful not to overextend his finances. Conrad Hilton had begun a successful career in the banking business before he embarked on what was to become one of the most successful hotel careers ever.

Hilton's business and financial acumen is legendary. The *New York Times* described Conrad Hilton as "a master of finance and a cautious bargainer who was careful not to overfinance" and as someone who had "a flawless sense of timing."¹⁸ In 1954, Conrad acquired the Statler Hotel Company for \$111 million, which at the time was the world's most expensive real estate transaction.

Hilton was the first person to notice vast lobbies with people sitting in comfortable chairs but not spending any money. So he added the lobby bar as a convenient meeting place and leased out space for gift shops

and newsstands. Most of the additional revenue from these operations went directly to the bottom line. Today, Hilton Hotels Corporation includes Conrad Hotels, DoubleTree, Embassy Suites Hotels, Hampton Inn and Hampton Inns & Suites, Hilton Hotels, Hilton Garden Inn, Hilton Grand Vacation, Homewood Suites by Hilton, and the Waldorf Astoria Collection. These brands total thousands of hotels in cities all over the world, and “Be my guest” is still the gracious and warm way guests are received. There are 4,100 Hilton brand hotels today, and they are owned by the Blackstone Group.¹⁹

Hotel Development

Hotel ownership and development is very **capital intensive**. It takes millions of dollars to develop a property. New hotels are built as a business venture by a developer, and because the developer expects to make a **fair return on the** (substantial) **investment**, a **feasibility study** is done to assess the viability of the project—this is generally required by lenders. The feasibility study examines the market area’s demand and supply, including any potential or real competition in the pipeline. The feasibility study determines the degree to which the proposed hotel project would be financially successful. Revenue projections based on anticipated occupancy, average daily rate, and revenue per available room are presented. The feasibility study also helps determine the type of hotel that would best suit the market and is used by the developer to obtain financing for the project. One of the most important documents is a **Summary Operating Statement**, which details revenues and expenses for a period; an example of a Summary Operating Statement is given in Figure 2–1. Also of interest is the source and disposition of the industry dollar. An example is given in Figure 2–2.

In Figure 2–1, note that close to 70 percent of a hotel’s revenue and most of the profit comes from the sale of rooms. About 26 percent of revenue comes from food and beverage sales. In Figure 2–2 we can see that the average hotel room revenue is slightly different, at 66.6 percent. Each hotel will have a slight variation on these figures according to its own individual circumstances. Note in Figure 2–2 how high the percentage of wages, salaries, and benefits are at 46.7 percent.

Obviously, there needs to be a gap in the market in which a segment is currently not being served (e.g., the hip, lifestyle boutique hotels such as Hotel Indigo), plus a new hotel is expected to take some business away from existing properties if the room rates are close in price. There are two views on new hotels versus remodeled hotels as far as room rates and profits are concerned. It is often difficult for a new property to make a profit for a few years because of the higher cost of construction and the need to become known and to gain a good market share. On the other hand, a remodeled hotel has the cost of remodeling to pay for plus higher operating costs for energy and maintenance, so the two options tend to almost cancel each other out.

Today, many larger hotels are developed as part of a mixed-use project. The hotel could be near or next to a convention center, business, or

	2014 Dollars Per Available Room	Change From Prior Year	2014 Percent of Revenue	2014 Dollars Per Occupied Room
Revenue				
Rooms	\$ 45,360	7.6 %	71.3 %	\$ 166.05
Food and Beverage	15,526	5.9	24.4	56.84
Other Operated Departments	2,177	4.3	3.4	7.97
Rentals and Other Income	590	4.8	0.9	2.16
Total Revenue	\$ 63,653	7.0 %	100.0 %	\$ 233.01
Departmental Expenses*				
Rooms	\$ 11,893	5.9 %	26.2 %	\$ 43.54
Food and Beverage	11,585	4.1	74.6	42.41
Other Operated Departments	1,530	2.1	70.3	5.60
Total Departmental Expenses	\$ 25,008	4.8 %	39.3 %	\$ 91.55
Total Departmental Income	\$ 38,645	8.5 %	60.7 %	\$ 141.47
Undistributed Operating Expenses				
Administrative and General	\$ 5,566	4.4 %	8.7 %	\$ 20.37
Sales and Marketing	5,228	5.8	8.2	19.14
Property Operations and Maintenance	2,784	3.8	4.4	10.19
Utilities	2,241	5.1	3.5	8.20
Total Undistributed Expenses	\$ 15,818	4.9 %	24.8 %	\$ 57.90
Gross Operating Profit	\$ 22,827	11.2 %	35.9 %	\$ 83.56
Management Fees	\$ 2,278	8.7 %	3.6 %	\$ 8.34
Income Before Fixed Charges	\$ 20,550	11.5 %	32.3 %	\$ 75.23
Fixed Charges				
Property and Other Taxes	\$ 2,245	2.5 %	3.5 %	\$ 8.22
Insurance	614	4.0	1.0	2.25
Total Fixed Charges	\$ 2,859	2.8 %	4.5 %	\$ 10.47
Net Operating Income**	\$ 17,690	13.0 %	27.8 %	\$ 64.76
Percentage of Occupancy	74.8 %	3.1 %		
Average Daily Rate	\$ 166.05	4.3 %		
RevPAR	\$ 124.27	7.6 %		
Average Size (Rooms)	248	(0.2)%		

* Expressed as a percent of departmental revenue.

** Before deduction for rent.

Figure 2-1 • A Full-Service Hotel Summary Operating Statement.

(Courtesy of PKF Hospitality Research.)

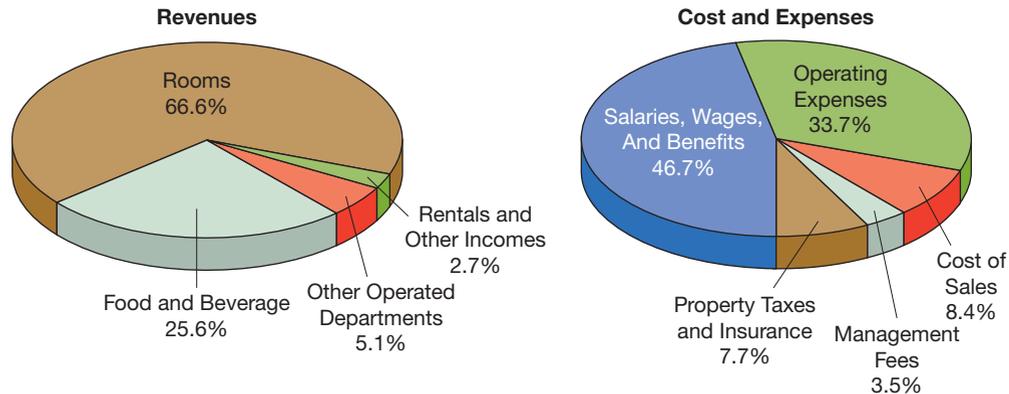


Figure 2-2 • Source and Disposition of the Industry Dollar.

(Courtesy of PKF Hospitality Research.)

attraction. The hotel may also have a residential component (as in residences if it's a Ritz-Carlton or a condotel) and may include a spa.

Older hotels are generally renovated about every seven years. This is because they become dated and would otherwise likely lose market share, which equals decreased profit—or even a loss. Older hotels have an advantage over new ones—or should have an advantage as a result of positive recognition in the market. Additionally, most if not all of their mortgage may be paid off, so their debt service is likely easier on the cash flow than it is for a new hotel. Older hotels may have more charm, but they are more expensive to maintain. Older hotels should also have built up repeat business through guest loyalty, something a new hotel needs to do.

Kimpton hotels have an amazing collection of boutique properties. In 1981, Bill Kimpton pioneered the boutique hotel concept in the United States. His dream was to provide weary travelers with a haven of comfort, service, security, and style. (Kimpton hotels were bought by Inter-Continental Hotels Group in 2015). According to Market Metrix Hospitality Index™, Kimpton has the highest customer satisfaction scores (higher than 93 percent) and emotional attachment scores (89 percent) of any hotel company operating in the United States.²⁰

Hotel chains are introducing new brands to their portfolio as they identify market segment needs. Marriott has the Autograph collection of diverse independent hotels—boutique Arts, Iconic historic, Boutique Chic, Luxury Redefined, and Retreat properties.²¹ Starwood has almost 140 Aloft hotels. Hyatt has introduced Andaz, a boutique-style hotel that is vibrant yet relaxed, with each hotel reflecting the unique cultural scene and spirit of the surrounding neighborhood.²² Hyatt has also introduced Ziva and Zilara properties for the inclusive market that have unusual amenities like floating fire pits, dolphin experiences, and interactive dining.

The Economic Impact of Hotels

Hotels provide substantial **direct** and **indirect economic impact** to the communities in which they are located. For direct impact, consider a hotel that has an average of 240 guests a night, each of whom spends \$250 at the hotel



Aloft Tempe, Arizona.

and in restaurants and stores in the community per day. That would mean $\$240 \times \$250 \times 365 \text{ days} = \21.9 million a year infused into the local economy.

The indirect impact comes from the ripple effect, which we describe in the tourism chapter; this is where money is spent by the employees (wages and salaries) of the hotel in the community. It is also money used by the hotel to purchase all the items to service the guests. Communities also benefit from the Transient Occupancy Tax (TOT), otherwise known as the bed tax. Interestingly, the TOT tax averages 12.62 percent in the United States, or \$12.39 a night nationwide.²³ In addition, the hotel and its guests and employees also pay local taxes on the purchases they make. This all adds up to a considerable economic impact. Every dollar collected by a hotel eventually recycles, or

multiplies itself, creating many levels of economic activity in communities. This multilevel economic activity generated by a hotel's business is estimated by using economic multipliers for revenues, wages, salaries, and employment. If we take just the revenue impact, we can see that if a hotel's annual sales are \$4,250,000 and the revenue multiplier for that area is 1.979, then the total revenue impact for the year would be \$8,410,750. If we consider the employment impact, we note that if the example hotel has 160 employees and the employment multiplier for the area is 1.62, then the hotel will generate 259 jobs in the area.²⁴ Figure 2-3 illustrates the multiplier effect of hotels.

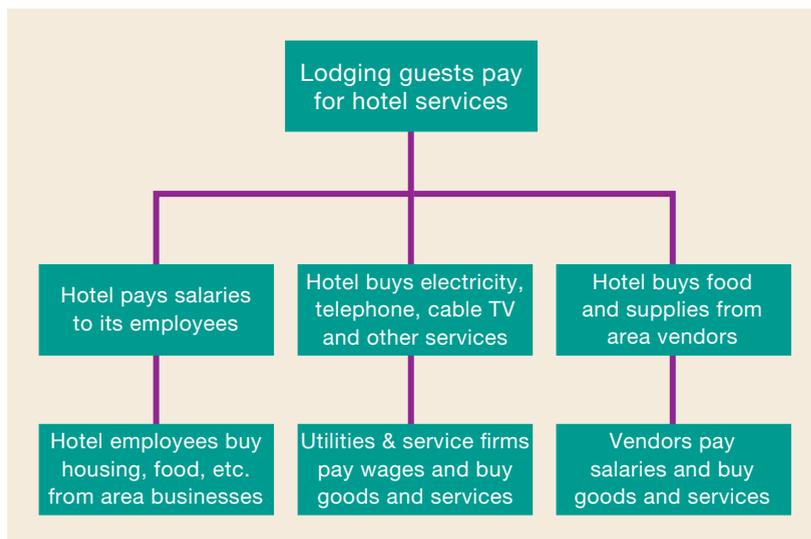


Figure 2-3 • The Multiplier Effect of Hotel Dollars on a Community.
(Courtesy of the American Hotel and Lodging Association.)

► Check Your Knowledge

1. Explain a Real Estate Investment Trust (REIT).
 2. What is the difference between direct and indirect economic impact?
 3. Identify the two views with regard to new hotel versus remodeled hotel development.
-

Classification of Hotels and Lodging Properties

LEARNING OBJECTIVE 2

Explain the diamond rating classification of hotels.

According to the AH&LA, as of year-end 2013, the U.S. lodging industry consisted of 52,887 hotels and motels, with a total of 4,926,543 guest rooms with \$163 billion in sales. The average revenue per available room was \$68.64 and the average occupancy was 62.2 percent.²⁵

The Lodging Industry

Hotels may be classified in several ways and may have one or more affiliations. For instance, hotels may be classified using the Smith Travel Research (STR) hotel classification system, the Forbes Travel Guide Five-Star rating process, and the American Automobile Association (AAA) Five-Diamond award system. Smith Travel, Forbes, and AAA have all expanded their rating practices outside the United States.

Smith Travel Research, founded in the United States in 1985, is the industry leader in the collection, analysis, and dissemination of hotel performance data and research. Smith Travel Research collects data on hotel properties, competitive set, and the industry within and outside the United States and issues STAR reports, which summarize hotel and market performance on a weekly, monthly, and annual basis. Smith Travel Research classifies hotels using a scale system such as luxury, upper upscale, upscale, upper midscale, midscale, and economy.

Hotel Affiliations

A hotel may have multiple affiliations including being part of a chain, parent company, operation (such as corporation, franchise, or independent), management company, owner, asset management company, and/or a member of a membership or marketing group.

When a hotel belongs to a chain, it is affiliated with a specific hotel brand. In 2013, there were 22 chains in the United States, with 50,000 or more rooms and 24 chains in the world with 75,000 or more rooms. Parent hotel companies such as Marriott International, Hilton Worldwide,

and Wyndham Worldwide will often have a variety of different types of chains. In the cases of the big chains, there is often a different type of hotel for each type of hotel classification. A parent company may have a range of high-end, middle, and low-end chains or they may concentrate in one area. Hilton Worldwide owns the Conrad and Waldorf-Astoria brands, which are classified as the company's luxury hotels; Embassy Suites and Hilton brands, which are classified as upper upscale; Hilton Garden Inn and Homewood Suites brands as upscale; and Hampton Inn and Doubletree Club brands as upper midscale. Popular hotel brands that are classified as midscale include Wyndham Worldwide's Howard Johnson and Ramada brands or Choice Hotels International's Quality Inn or Sleep Inn brands. Examples of hotels that are classified as economy include Wyndham's Days Inn or Super 8 brands and Choice Hotel's Econo Lodge or Rodeway Inn brands.

Hotels may also be classified as corporate, franchise, or independent. A **corporate hotel** is a chain hotel owned or managed by the chain or parent company. A **franchise hotel** is a chain hotel run by a third party, where the chain receives some sort of franchise fee. An **independent hotel** is not affiliated with a chain or parent company. In 2012, there were 4,320 corporate chain hotel properties, 25,467 franchise chain hotel properties, and 22,467 independent hotel properties in the United States.

Hotels may also be affiliated with a **management company** that operates the hotel on behalf of another party. In 2012, there were 29 hotel management companies in the United States and 40 worldwide. Some chains or parent companies manage their own hotels, while others may manage a variety of hotel chains. The top global management companies in 2012 included MGM Resorts, Caesars Entertainment, Interstate Hotels, Merrylin Holding Ltd., and Aimbridge Hospitality.

There are many companies that own multiple hotels. As of 2012, there were 22 owner companies in the United States and 37 owner companies worldwide with 10,000 rooms or more. Some well-known hotel owner companies include Host Hotels & Resorts, Caesars Entertainment, Morgan Stanley Real Estate, Starwood Hotels and Resorts, and Walt Disney World Resorts.

Hotels may also be affiliated with one or more membership and marketing groups that provide various benefits, such as marketing assistance and reservation services. The top worldwide membership groups include such organizations as World Hotels, Hotelleriesuisse, Leading Hotels, Preferred Hotels, and Historic Hotels of America.

Hotels may now be classified as a quasi-chain. Quasi-chains have recently come into existence and are basically a cross between a chain and a marketing group for independent hotels. The majority of these new types of chains have been created in order to bring independent hotels under a parent company flag or brand. The independent hotels can take advantage of the many benefits that membership in a parent company can bring, including purchasing, marketing, reservations, and so on. Some of the newest quasi-chain hotel brands include Autograph Collection by Marriott; Luxury Collection by Starwood; Andaz, Zilara, and Ziva by Hyatt; and Ascend by Choice Hotels.

Hotel Classification by Rating System: AAA and Forbes

The AAA has been inspecting and rating the nation's hotels since 1977. About three percent of the 59,000 (29,000 hotels and 30,000 restaurants) properties inspected annually throughout the United States, Canada, and Mexico earn the five-diamond award, which is the association's highest award for excellence. In 2013, the five-diamond award was bestowed on 124 lodging establishments in the United States, Canada, the Caribbean, and Mexico.²⁶ AAA uses descriptive criteria to evaluate the hotels that it rates (see Figure 2-4).

HOW TO EARN A FIVE-DIAMOND AWARD

Courtesy of **James McManemon, M.S.**, University of South Florida
Sarasota–Manatee

Patrick McDevitt, the general manager of a prestigious hotel chain, is a 20-year veteran with his company, and well known for his management of hotel properties that look to earn the AAA Five-Diamond Award. McDevitt has just earned the award for his current hotel, which marks the fourth time one of the hotels he has managed earned the AAA Five-Diamond award. He stresses that earning this award requires achieving five simple, but effective steps.

Step 1: **SELECTION** of talent is essential. When looking for potential employees, match characteristics that are natural to the individual with what is needed for the position and daily job functions. If you are looking for a front desk attendant, hire someone who naturally smiles all of the time and has an approachable demeanor.

Step 2: Providing a thorough **ORIENTATION** for new employees before they begin their position, which goes something like this:

Day 1: Classroom training on company values (credo, service values, standards).

Day 2: Technical training in classroom; take the company values and apply them to real-world situations:
(1) Assisting guests to a location; (2) engaging guests in conversation and building relationships with them.

Day 3: Introduce employees to a personal trainer who closely trains them over the next 20 days to ensure that they know how to perform their job. The personal trainer then certifies an employee upon successful completion of training or fails them if they do not exceed expectations.

Step 3: On **DAY 21** of working with a personal trainer, employees are brought back into a classroom setting to discuss what they have learned on the job so far, ensure that they understand and uphold the company's philosophy, seek further training if needed, and provide feedback about what they either like or dislike about the job directly to the general manager (the general manager shares this knowledge with top executives in order to make adjustments to the environment or to give further help and training).

Step 4: During the **DAILY LINE UP**, department managers hold a 15-minute meeting each shift to review company standards and highlight one of the service values in order to reinforce what has been taught. Also, during this time, guest comments are reviewed and stories are told that highlight how service values are incorporated into real-world situations.

(continued)

HOW TO EARN A FIVE-DIAMOND AWARD *(Continued)*

Step 5: Employee **RECOGNITION** is given when an employee is caught doing something right in order to encourage that behavior.

That's it; simple, but effective. This process is used to ensure all new employees are polite, knowledgeable about their job responsibilities, and fulfill guest requirements. In addition, a guest's needs are anticipated by offering or performing extra services in every interaction. Service must be quick, seamless, and unobtrusive.

- One-diamond properties have simple roadside appeal and the basic lodging needs.
- Two-diamond properties have average roadside appeal, with some landscaping and a noticeable enhancement in interior décor.
- Three diamonds carry a degree of sophistication through higher service and comfort.
- Four diamonds have excellent roadside appeal and service levels that give guests what they need before they even ask for it.
- Five-diamond properties have the highest service levels, sophistication, and offerings.

Similar to the system used by AAA, Forbes Travel Guide classifies hotels using a five-star rating system. Out of the 50,000 hotels in the United States, Forbes rates and recommends about 8,000 properties a year. Of those, only a few dozen earn the five-star rating. Only facilities that meet the Forbes Travel Guide rigorous standards are rated and listed in both the travel guides and on the Forbes Travel Guide Web site. Deteriorating or poorly managed establishments are deleted from the list. The Forbes Travel Guide Star Award classification is as follows:

- Five-star properties are exceptional hotels that provide a memorable experience through virtually flawless service and the finest of amenities. Staff are intuitive, engaging, and passionate and eagerly deliver service above and beyond the guests' expectations. Hotels were designed with the guest's comfort in mind, with particular attention paid to craftsmanship and quality of product.
- Four-star properties provide a distinctive setting with many interesting and inviting elements to enjoy throughout the property. Attention to detail is prominent from design concept to quality of products provided. Staff are accommodating and take pride in catering to the guest's specific needs.
- Recommended properties are well-appointed hotels with enhanced amenities that provide travelers with a strong sense of location, whether for style or function. They may have a distinguishing style and ambience in both the public spaces and guest rooms.²⁷

Figure 2-4 • Summary of AAA Diamond Rating Guidelines.
 (Reprinted from <http://www.aaasouth.com>, by permission of AAA.)

General	 Simple roadside appeal Limited landscaping	 Average roadside appeal Some landscaping	 Very good roadside appeal Attractive landscaping	 Excellent roadside appeal Professionally planned landscaping	 Outstanding roadside appeal Professional landscaping with a variety of foliage and stunning architecture
Lobby	Adequate size with registration, front desk, limited seating, and budget art, if any	Medium size with registration, front desk, limited seating, carpeted floors, budget art, and some plants	Spacious with front desk, carpeted seating area arranged in conversation groupings, good-quality framed art, live plants, luggage carts, and bellstation	Spacious or consistent with historical attributes; registration and front desk above average with solid wood or marble; ample seating area with conversation groupings and upscale appointments including tile, carpet, or wood floors; impressive lighting fixtures; upscale framed art and art objects; abundant live plants; background music; separate check-in/-out; bellstation	Comfortably spacious or consistent with historical attributes; registration and front desk above average; ample seating with conversation groupings and upscale appointments; impressive lighting fixtures; variety of fine art; abundant plants and fresh floral arrangements; background music; separate check-in/-out; bellstation that may be part of concierge area; concierge desk
Guestrooms	May not reflect current industry standards	Generally reflect current industry standards	Reflect current industry standards	Reflect current industry standards and provide upscale appearance	Reflect current standards and provide luxury appearance
Service	Basic attentive service	More attentive service	Upgraded service levels	High service levels and hospitality	Guests are pampered by flawless service executed by professional staff

Hotels may also be classified according to geography, location, price, and type of services offered. This allows guests to make a selection on these categories as well as personal criteria.

Using a geographic orientation, hotels may be classified as world, continent, subcontinent, country, market, or submarket. According to the United Nations World Tourism Organization (UNWTO), there are four continents in the world: Americas, Europe, Mideast/Africa, and Asia Pacific. Each continent has several subcontinents. The Americas includes North America, South America, Central America, and the Caribbean. The subcontinent North America has a number of regions, including New England, Middle Atlantic, South Atlantic, East North Central, East South Central, West North Central, West South Central, Mountain, and Pacific.

Besides being part of a continent, subcontinent, or region, a hotel will also be classified as belonging to a market. The market in which a hotel belongs to is one of the most important geographic categories for a hotel general manager. A market is usually thought of as a city, but sometimes a market is thought to represent other areas such as rural areas outside of major cities. It is important for hotel owners and management to understand the market they operate in, as the performance of a hotel is measured against other properties in their market and sometimes against properties operating in other markets. Worldwide, the top 35 metro markets for hotels include Shanghai, China; Beijing, China; Las Vegas, Nevada, USA; Orlando, Florida, USA; and London, England. The top 25 markets in the United States in 2012 included Orlando; Chicago; Washington, DC/Maryland/Northern Virginia; New York; and the Los Angeles–Long Beach markets.

In addition to being classified in a specific market, hotels may be classified as belonging to a tract or submarket. In the United States, there may be multiple tracts in a market. In a metro market, there is often a tract for the downtown area, sometimes referred to as the central business district, and other tracts for other parts of a city such as north or south parts of the city.

While the Forbes Five-Star and AAA Five-Diamond categorizations are popular for consumers to understand how a hotel is classified, the Smith Travel Research scale categorization is popular for the hotel industry to classify hotels. Smith Travel uses a seven-scale categorization, with six categories for chain hotels (e.g., economy, midscale, upper midscale, upscale, upper upscale, and luxury) and one scale category for independent hotels.

Smith Travel Research focuses on hotel ADR rather than features or amenities when positioning chains into a scale group. It is important to note that luxury hotels are often found in larger, urban cities or resort communities, upper upscale hotels are often located in larger cities and urban or suburban locations where there is more business conducted, and economy and midscale hotels in smaller cities, rural, and roadside locations.

The hotel industry also classifies hotels by location or features and benefits. A hotel may be located in an urban or city center, suburban, airport, interstate or freeway, resort, small town/rural, casino, full-service, extended-stay, all-suite, convention, or bed and breakfast.

Following is a list of hotel classifications:

City Center and Suburban: May include luxury, first-class, full-service, convention, midscale, economy, boutique, extended stay, corporate housing, and all-suite hotels.

Resort: May include luxury, midscale, economy suites, condominium, timeshare, convention, boutique, all-suite, all-inclusive, or a mixed-use hotel (e.g., includes a full-service hotel, condominiums, homes, and fractional ownership/timeshare units on property).

Airport: May include luxury, full-service, midscale, economy, and all-suite hotels.

Freeway: May include midscale, economy, and all-suite hotels.

Casino: May include luxury, upper upscale, and midscale hotels with an attached casino operation.

Rural and Small Town: May include a mix of midscale, economy, and bed and breakfast hotels.

Alternatively, the hotel industry may be segmented according to price. Figure 2–5 gives an example of a national or major regional brand-name hotel chain in each segment.

City Center and Suburban Hotels

City center and suburban hotels, by virtue of their location, meet the needs of the traveling public for business or leisure reasons. These hotels could be luxury, midscale, business, suites, economy, or residential. They offer a range of accommodations and services. Luxury hotels offer the ultimate in décor, butler service, concierge and special concierge floors, secretarial services, the latest Wi-Fi or in-room technology, computers, fax machines, beauty salons, health spas, 24-hour room service, swimming pools, tennis courts, valet service, ticket office, airline office, car rental, and doctor/nurse on duty or on call. Figure 2–5 shows hotels by price segment.

Generally, they offer a signature restaurant, coffee shop, or an equivalent recognized name restaurant; a lounge; a named bar; meeting and convention rooms; a ballroom; and possibly a fancy night spot. The Drake Hotel in Chicago is an example of a city center luxury hotel. An example of a midpriced hotel in New York City is the Ramada Hotel; an economy hotel is the Day's Inn; and a suites property is the Embassy Suites.

Resort Hotels

Destination resorts appeal to both leisure and group travelers. They are often a destination unto themselves and are developed to be all-encompassing, where the guest may not ever need to go off-property for entertainment, recreation, meeting, or relaxing. There are approximately 350 destination resorts in the United States. Resort hotels came of age with the advent of rail travel. Increasingly, city dwellers and others had the urge to vacation in locations they found appealing. Traveling to these often

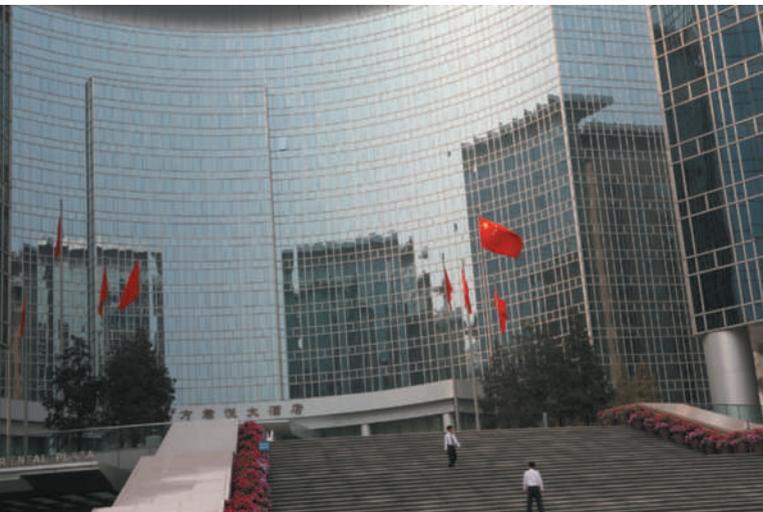
LEARNING OBJECTIVE 3
Classify hotels by rating system type, location, and price.

Economy \$55–\$89	Midprice \$149–\$220	Upscale \$169–\$249	Luxury \$259–\$659	All-Suites \$159–\$249
Holiday Inn Express	Holiday Inn Fairfield Inn		Crowne Plaza Hotel InterContinental	
Fairfield Inn	Courtyard Inn Residence Inn	Marriott	Marriott Marquis Ritz-Carlton	Marriott Suites
Days Inn		Omni	Renaissance	
EconoLodge	Radisson Inn	Radisson		Radisson Suites
Ramada Limited	Ramada Inn	Ramada		Ramada Suites
	Sheraton Inn Four Points	Sheraton	Sheraton Grande	Sheraton Suites
Sleep Inn	American Inn	Hyatt	Grand Hyatt Hyatt Regency Hyatt Park	Hyatt Suites
Comfort Inn	Quality Inn Wingate	Clarion Hotels		Quality Suites Comfort Suites
Extended Stay America	Hilton Inn	Hilton	Hilton Towers	Hilton Suites
Thrift Lodge	DoubleTree Club	DoubleTree		DoubleTree Suites
Travelodge Hotels	Travelodge Hotels	Forte Hotels	Forte Hotels	
Motel 6	Country Inn & Suites	Westin	Westin	Spring Hill Suites
Super 8	La Quinta Red Roof Inn Best Western Hampton Inn			Homewood Suites by Hilton Hampton Suites Embassy Suites

Note: Some brands' price ranges may overlap because of location and seasonal pricing.

Figure 2-5 • Hotels by Price Segment.

Beijing, China Oriental Plaza facade of Grand Hyatt hotel.



more exotic locations became a part of the pleasure experience. In the late 1800s, luxury resort hotels were developed to accommodate the clientele that the railways brought. Such hotels include the famous Greenbrier at White Sulphur Springs, West Virginia; the Hotel del Coronado near San Diego, California; the Breakers in Florida; and the Homestead at Hot Springs, Virginia.

The leisure and pleasure travelers of those days were drawn by resorts, beaches, or spectacular mountain scenery. At first, many of these grand resorts were seasonal. However, as automobile and air travel made even the remote resorts more accessible and an increasing number of people could afford to visit, many resorts became year-round properties.

Resort communities sprang up in the sunshine belt from Palm Springs to Palm Beach. Some resorts focus on major sporting activities such as skiing, golf, or fishing; others offer family vacations. Further improvements in both air and automobile travel brought

exotic locations within the reach of the population. Europe, the Caribbean, and Mexico became more accessible. As the years passed, some of the resorts suffered because the public's vacation plans changed.

The traditional family month-long resort vacation gave way to shorter, more frequent getaways of four to seven days. The regular resort visitors became older; in general, the younger guests preferred the mobility of the automobile and the more informal atmosphere provided by the newer and more informal resorts.

Hyatt hotels have organized a program consisting of a variety of activities for children, thereby giving parents an opportunity either to enjoy some free time on their own or join their children in fun activities. Many resort hotels began to attract conventions, conferences, and meetings so that they could maintain or increase occupancy, particularly during the low and shoulder seasons.

Guests go to resorts for leisure and recreation. They want a good climate—summer or winter—in which they can relax or engage in recreational activities. Because of the remoteness of many resorts, guests are a kind of “captured clientele,” who may be on the property for days at a time. This presents resort managers with some unique operating challenges. Another operating challenge concerns seasonality: Some resorts either do not operate year-round or have periods of very low occupancy. Both present challenges in attracting, training, and retaining competent staff.

Many guests travel considerable distances to resorts. Consequently, they tend to stay longer than they do at transient hotels. This presents a challenge to the food and beverage manager to provide quality menus that are varied and are presented and served in an attractive, attentive manner. To achieve



Copper Mountain, Colorado.

this, resorts often use a cyclical menu that repeats itself every 14–21 days. Also, they provide a wide variety and number of dishes to stimulate interest. Menus are now more health conscious—lighter and low in saturated fats, cholesterol, salt, and calories.

The food needs to be presented in a variety of ways. Buffets are popular because they give guests the opportunity to make choices from a display of foods. Barbecues, display cooking, poolside dining, specialty restaurants, and reciprocal dining arrangements with nearby hotels give guests even more options.

With increased global competition, not only from other resorts but also from cruise lines, resort managers are challenged to both attract guests and to turn those guests into repeat business, which traditionally has been the foundation of resort viability.

To increase occupancies, resorts have diversified their marketing mix to include conventions, business meetings, sales meetings, incentive groups, sporting events, additional sporting and recreational facilities, spas, adventure tourism, ecotourism, and more.

Because guests are cocooned in the resort, they expect to be pampered. This requires an attentive, well-trained staff; hiring, training, and retaining a competent staff present a challenge in some remote areas and in developing countries.

There are a number of benefits to operating resorts. The guests are much more relaxed in comparison to those at transient hotels, and the resorts are located in scenically beautiful areas. This frequently enables staff to enjoy a better quality of life than do their transient hotel counterparts. Returning guests tend to treat associates like friends. This adds to the overall party-like atmosphere, which is prevalent at many of the established resorts.

INTRODUCING VALERIE FERGUSON

Senior Vice President, Operations, Denihan Hospitality Group and
Past Chair of the American Hotel & Lodging Association



To most, “making it big” seems like a regular statement and a task easily achieved. To Valerie Ferguson, well, it comes with a lot of work, dedication, and heart. She speaks often about seizing opportunities and adding self-interest to what you do for your career.

For this African American woman, life wasn’t always easy. As the managing director of Loews Philadelphia Hotel and regional vice president of Loews Hotels, she had a lot to say about what got her to where she is now.

One of her most important role models was her father, Sam Ferguson. She says, “My father and I had a great relationship in which he supported me, but in which he never put any images in front of me about what I should shoot for.”

After high school, Valerie applied to and was accepted at the University of San Francisco, where she earned a degree in government. Eventually realizing that law wasn't where her heart was, she decided to move out to Atlanta where she got a job as a night-time desk clerk at the Hyatt Regency. She fell in love with the hotel industry and saw it as a challenge. Soon enough, though, she realized that the challenges she was really facing were issues of race and gender. She explains, "I was raw in my approach to the business world, but I soon came to realize that it takes more than working hard. To succeed, a person must be able to proclaim his or her goals."

Through the years, Valerie has managed several hotels for Hyatt and Ritz-Carlton. Her outstanding work and devotion to the hospitality and lodging industry have not gone unrewarded. Ed Rabin, executive vice president of Hyatt and an early Ferguson mentor, says, "From the get-go, she demonstrated an ability and willingness to understand and learn the business and win over guests, colleagues, and peers in the process."

When Loews was being opened, Valerie was thrilled with the adventure of being with a still-growing company. President and CEO of Loews, Jonathan Tisch, became a close friend as they served together on the board of the American Hotel and Lodging Association (AH&LA). In 1994, Valerie ran for a seat on the AH&LA's executive committee and eventually succeeded Tisch as chair. She was the first African American and second woman to serve as AH&LA chair.

She comments on the hospitality industry: "The hospitality industry is one of the last vestiges of the American dream, where you can enter from very humble beginnings and end up a success." The great relationship she has with people has been a great contribution to her well-deserved success.

Ferguson has come a long way in her career and is now SVP of Operations at Denihan where she provides leadership support to five hotels. She is proud of what she is doing and doesn't believe that she has stopped climbing the ladder of success. She is fighting to make other women and minority members realize that there is a whole world of opportunities out there and they should set their goals high. She believes that equality of opportunity "should not come as the result of a mandate of the federal government or as the result of pressure from groups outside this industry. The impetus for change must come from within the hearts and souls of each of us."

Sources: *Lodging* 23, no. 5 (January 1998); Loews Hotels and Resorts, *Welcome to Loews Hotels*, www.loewshotels.com (accessed October 26, 2011); American Hotel & Lodging Association; Robert A. Nozar, "Newsmaker Interview: Valerie Ferguson."

Airport Hotels

Many airport hotels enjoy high occupancy because of the large number of travelers arriving and departing from major airports. The guest mix in airport hotels consists of business, group, and leisure travelers. Passengers with early or late flights may stay over at the airport hotel, whereas others rest while waiting for connecting flights.

Airport hotels are generally in the 200- to 600-room size and are full service. To care for the needs of guests who may still feel as if they are in different time zones, room service and restaurant hours may be extended or even offered around the clock. More moderately priced hotels have vending machines.

As competition at airport hotels intensified, some added meeting space to cater to businesspeople that want to fly in, meet, and fly out. Here, the

airport hotel has the advantage of saving the guests from having to go downtown. Almost all airport hotels provide courtesy van transportation to and from the airport.

Convenient locations, economical prices, and easy and less costly transportation costs to and from the airport are some reasons why airport hotels are becoming intelligent choices for business travelers. Airport hotels can mean a bargain for groups, especially considering that the transportation to the hotel and back from the airport is usually free or is very inexpensive, says Brian Booth, director of sales and marketing at the Dallas Hyatt Regency Airport Hotel. One of the most conveniently located hotels in the country is the Miami International Airport Hotel, which is located within the airport itself.

Freeway and Interstate Hotels and Motels

Freeway hotels and motels came into prominence, with the help of the Interstate Highway Act, in the 1950s and 1960s. They are smaller than most hotels—usually fewer than 50 rooms—and are frequently mom-and-pop establishments or franchised (such as Motel 6). As Americans took to the open road, they needed a convenient place to stay that was reasonably priced with few frills. Guests could simply drive up, park outside the office, register, rent a room, and park outside the room. Over the years, more facilities were added: lounges, restaurants, pools, vending machines, game rooms, and satellite TV.

Motels are often clustered near freeway off ramps on the outskirts of towns and cities. Today, some are made of modular construction and have as few as 11 employees per hundred rooms. These savings in land, construction, and operating costs are passed on to the guest in the form of lower rates.

Casino Hotels

The casino hotel industry is now coming into the financial mainstream, to the point that, as a significant segment of the entertainment industry, it is reshaping the U.S. economy. The entertainment and recreation sector has become a very important engine for U.S. economic growth, providing a boost to consumer spending, and thus creating tremendous prosperity for the industry. One of the fastest-growing sectors of the entertainment field is gaming, which is discussed in Chapter 11.

The gaming business is strictly for adults; in addition to gaming, a multinational fine cuisine for dining, health spas for relaxation, dance clubs, and dazzling shows are available. Casino hotels are now marketing themselves as business hotels. They include in their rooms work space, Wi-Fi, a fax, a copier, and computer data ports. Other amenities include a full-service business center, travel bureau, and room service. Larger casino hotels also attract conventions, which represent a lucrative business. There

are now more than 150 hotels on Native American tribal land. They cater to an increasing number of guests who want to stay and be entertained as well as gamble.

Conference and Convention Hotels

Conference and convention hotels provide facilities and meet the needs of groups attending and holding conventions. Apart from this segment of the market, conference and convention hotels also attract seasonal leisure travelers. Typically, conference hotels focus on providing conference and meeting facilities and typically meet the guidelines of the International Association of Conference Centers (IACC). Convention hotels on the other hand, usually have a minimum of 300 guest rooms and a minimum of 20,000 square feet of meeting space and larger public areas to accommodate hundreds of people at any given time. Convention hotels have many banquet areas within and around the hotel complex. These hotels have a high percentage of double occupancies, and rooms have double queen-sized beds. Convention hotels may also offer a concierge floor to cater to individual guest needs. Round-the-clock room service, an in-house laundry, a business center, a travel desk, and an airport shuttle service are other amenities found in convention hotels.



The Universal Portofino Bay Hotel in Orlando, Florida, is a popular convention hotel modelled after Portofino, Italy.

Full-Service Hotels

Another way to classify hotels is by the degree of service offered: full-service, economy, extended-stay, and all-suite hotels. Full-service hotels offer a wide range of facilities, services, and amenities, including many that were mentioned under the luxury hotel category: multiple food and beverage outlets including bars, lounges, and restaurants; both formal and casual dining; and meeting, convention, and catering services. Business features might include a business center, secretarial services, fax, in-room computer hookups, and so on.

Most of the major North American cities have hotel chain representation, such as Four Seasons, Hilton, InterContinental, Choice, Hyatt, Marriott, Omni, Wyndham, Radisson, Loews, and Starwood. Each of these



A La Quinta Inn.

chains has a portfolio of brands in different market segments: deluxe, such as Marriott's Ritz-Carlton and the JW Marriott; luxury, such as Renaissance; and luxury boutique, such as Edition and Autograph, a collection of high-personality independent hotels.

Economy/Budget Hotels

After enjoying a wave of growth for most of the last 20 years, the economy hotel segment may be close to the saturation point. There are about 25,000 properties in this segment with many market categories. The economic law of supply and demand rules: If an area has too many similar properties, then price wars usually break out as they try to attract guests. Some will attempt to differentiate themselves and stress value rather than discounting. This adds to the fascination of the business.

An economy or budget hotel offers clean, reasonably sized and furnished rooms without the frills of full-service hotels. Popular brands in this market sector are Hampton Inn, Fairfield Inn, Holiday Inn Express, Best Western, Travelodge, Motel 6, Microtel, Days Inn, Choice's Sleep Inn, Roadway Inn and Econo Lodge, Wingate, Super 8, Baymont Inn, and Country Inn. These properties do not have restaurants or offer substantial food and beverages, but they do offer guests a continental breakfast in the lounge or lobby.

These chains became popular by focusing on selling beds, not meals or meetings. This enabled them to offer rates about 30 percent lower than the midpriced hotels can. Economy properties, which represent about 15 percent of total hotel rooms, have experienced tremendous growth.

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Boutique Hotels

Boutique hotels offer a different lodging experience compared to mid- to large chain hotels. Boutique hotels have a unique architecture, style, décor, and size. Hotels in this category often promote themselves as stylish, cool, hip, and luxurious. As of 2012, there were approximately 700 boutique hotels in the United States and more than 2,500 in the world. They are smaller than their chain competitors, with about 25–125 rooms and a high level of personal service. Some examples of boutique hotels are the trendy South Beach retro types, Kimpton Hotels, Rosewood, Kessler Collection, Joie de Vivre Hotels, Edition from Marriott, and the avant-garde hotel George in Washington, D.C.

A DAY IN THE LIFE OF JASON SAMSON

General Manager, Hilton Garden Inn, Sarasota, Florida



Hospitality has been in my blood ever since I began working at Rosen Hotels and Resorts while I was at the Rosen College at UCF. I worked at the front desk and as VIP concierge for two years. After graduation, I worked for Hilton in Ft. Lauderdale at DoubleTree. There, I worked as front office manager, housekeeping manager, and in sales and marketing. Later, I transferred to an ownership group and worked in a variety of positions and locations as well as in asset management at the corporate level.

I have been in this market since 2005 managing a 121-room property overseeing all facets from sales and marketing to food and beverage and property operations, as well as in accounting/profit and loss generations, as an ambassador for the property in the community, and with the chamber of commerce and visitor's bureau.

Not that there is such a thing as an average day in this business, but normally I arrive and "walk" the property to check on the departments and their staffing levels. I begin with the restaurant, and I help out if needed. If help is not needed, I continue on to housekeeping. I try to maintain a presence in the housekeeping department and will check several rooms every day. I'll then return to the restaurant and "walk tables." I usually talk to guests, but on weekends they are busier so I will help out. I also spend time in the lobby as hotel ambassador greeting and saying farewell to guests.

At 10 A.M. I have a quick stand-up meeting with department heads in my office to go over the day and review any important topics. Afterward, I check my e-mail. If I have not done so already, I'll review the reports from the previous day's business. Naturally, I do spend time on human resource-related issues and on corporate items such as forecasting, budgeting, accounts receivable, and accounts payable. I also focus on revenue management with the director of sales. We do daily, weekly, and monthly revenue strategies and ensure that all booking channels are live. Finally, I review our service scores and reply to guest's correspondence. Then it's out to the front desk and lobby once more to meet and greet incoming guests.

Courtesy of Christopher Walker.

A good example of a chain boutique hotel is Hotel Indigo, part of the InterContinental Hotels Group. Hotel Indigo provides an oasis where guests can escape the hectic pace of travel and think more clearly, work more productively, and rest more refreshingly. It offers an environment that doesn't just shelter guests but inspires and re-energizes them. That's the idea behind Hotel Indigo.²⁸

Extended-Stay Hotels and All-Suites Extended-Stay Hotels

Some hotels cater to guests who stay for an extended period. They do, of course, take guests for a shorter time when space is available; however, the majority of guests are long term. Guests take advantage of a reduction in room rates based on the length of their stay. The mix of guests is mainly business and professional/technical guests, or relocating families.



Homewood Suites by Hilton all-suite hotel.

The options for this type of lodging may range from a guest room to a studio or a three-bedroom apartment. Extended-stay properties, otherwise known as corporate housing, often quote weekly or monthly rates and the stay may vary between short- and long-term rentals. Guests often stay between more than one week and less than six months. The units are typically furnished, complete with linens and a stocked kitchen, and the type of extended stay property will dictate the amenities and services it provides. For instance, housekeeping services may be provided, but it may be offered weekly versus daily. Swimming pools, fitness centers, tennis courts, and limited food and beverage may also be offered.

Candlewood Suites, Extended Stay America, Homestead Studio Suites, Hawthorn Suites, Baymont Inns and Suites, Residence Inns, and Homewood Suites are popular brands in this segment of the lodging industry. All-suites extended-stay hotels typically offer approximately 25 percent more space for the same amount of money as the regular hotel in the same price range. The additional space is usually in the form of a lounge and possibly a kitchenette area.

Embassy Suites, owned and operated by Hilton Hotels Corporation; Residence Inns, Fairfield Suites, and Town-Place Suites, all by Marriott; Extended Stay America; Homewood Suites; and Guest Quarters are among the popular brands in the all-suites, extended-stay segment of the lodging industry. Several of the major hotel chains have all-suites extended-stay subsidiaries, including Radisson, Choice Hotels (which dominate the economy all-suites segment with Comfort and Quality Suites), Sheraton Suites, Hilton Suites, Homegate Studios, and Suites by Wyndham Hotels. These properties provide a closer-to-home feeling for guests who may be relocating or attending seminars or who are on work-related projects that necessitate a stay of greater than about five days.

There are now more than 2,500 all-suites extended-stay properties. Many of these properties have business centers and offer services such as grocery shopping and laundry/dry cleaning. The designers of extended-stay properties realize that guests prefer a homelike atmosphere. Accordingly, many properties are built to encourage a community feeling, which allows guests to interact informally.

Condotels, Timeshare, and Mixed-Use Hotels

As the word suggests, a condotel is a combination of a hotel and condominium. Developers build a hotel and sell all, or parts of the property, as condo units, and owners can opt to place their unit into a pool for rental or use and allow access to all resort facilities and amenities. The hotel operating company gets a cut of the money from renting the units and so does the owner. The owner of the condo unit may have exclusive right to

the use of the unit for a fixed period of time (usually one month); other than that, the hotel operating company knows that it can rent out the condos.

Some new hotels are developed as mixed-use properties, meaning that a hotel may also have “residences”—real condos that people use, so they are not for renting like condotels—along with amenities such as a spa and sports facilities. Mixed-use hotels can also be a part of a major urban or resort development, which may include office buildings, convention centers, sporting facilities, or shopping malls.

Bed and Breakfast Inns

Bed and breakfast inns, or B&Bs as they are familiarly known, offer an alternative lodging experience to the normal hotel or motel. According to *TravelASSIST* magazine, B&B is a concept that began in Europe and started as overnight lodging in a private home. A true B&B is an accommodation with the owner, who lives on the premises or nearby, providing a clean, attractive accommodation and breakfast, usually a memorable one. The host also offers to help the guest with directions, restaurants, and suggestions for local entertainment or sightseeing.

There are many different styles of B&Bs with prices ranging from about \$30 to \$300 or more per night. B&Bs may be quaint cottages with white picket fences leading to gingerbread houses, tiny and homey, with two or three rooms available. On the other hand, some are sprawling, ranch-style homes in the Rockies, multistoried town homes in large cities, farms, adobe villas, log cabins, lighthouses, and many stately mansions. The variety is part of the thrill, romance, and charm of the B&B experience.²⁹

There are an estimated 25,000 bed and breakfast places in the United States alone. B&Bs have flourished for many reasons. Business travelers are growing weary of the complexities of the check-in/checkout processes at some commercial hotels. With the escalation of transient rates at hotels, an opportunity has been created to serve a more price-sensitive segment of travelers. Also, many leisure travelers are looking for accommodation somewhere between a large, formal hotel and staying with friends. The B&Bs offer a homelike atmosphere. They are aptly called “a home away from home.” Community breakfasts with other lodgers and hosts enhance this feeling. Each B&B is as unique as its owner. Décor varies according to the region of location and the unique taste of its owner. The owner of the bed and breakfast often provides all the necessary labor, but some employ full- or part-time help.

A Bed and Breakfast in Yorkshire, England.



► Check Your Knowledge

1. What is the role of Smith Travel Research?
2. Identify the characteristics of one through five-diamond, as well as one through five-star, hotels.
3. List the characteristics of each hotel segment highlighted.

Best, Biggest, and Most Unusual Hotels and Chains

So, which is the best hotel in the world? The answer may depend on whether you watch the Travel Channel or read polls taken by a business investment or travel magazine. Magazines like *Travel + Leisure* and Web sites like TripAdvisor invite readers to vote for their favorite hotels and then they publish the list, so it's more of a popularity poll. However, the results are interesting and are not split into several categories: best in Asia, best in the Caribbean, best romantic, best city, and so on. One recent list had the Golden Well Hotel, Prague, Czech Republic as number one, whereas another had The Oberoi Vanyavilas, Rajasthan, India. High on the list was the Fairmont Mara Safari Club, Masai Mara, Kenya and the Earth Lodge at Sabi Sabi Private Game Reserve, Kruger National Park, South Africa. The Mandarin Oriental hotel in Bangkok, Thailand has been rated number one in the world; so, too, has the Intercontinental Hong Kong and the Connaught of London. Each list picks other hotels. The largest hotel in the world is the Izmailovo Hotel in Moscow with 7,500 rooms, followed by the 7,372-room MGM Grand in Las Vegas and the Venetian Hotel, also in Las Vegas, which has 7,117 rooms.

A bedroom in an ice hotel.



The Best Hotel Chains

The Ritz-Carlton and the Four Seasons are generally rated the highest-quality large chain hotels. The Ritz-Carlton Hotel Company has received all the major awards the hospitality industry and leading consumer organizations can bestow. It has received the Malcolm Baldrige National Quality Award from the U.S. Department of Commerce—the first and only hotel company to win the award and the first and only service company to win the award two times, in

1999 and 1992. Ritz-Carlton has long been recognized as the best luxury hotel chain in the industry. Amanresorts has been awarded the Zagat best hotel group in the world, and Rosewood Hotels & Resorts have several outstanding properties.

TECHNOLOGY SPOTLIGHT

The Use of Technology in Property Management



Technology has become an inseparable part of the hotel business. As mentioned in the Technology Spotlight in Chapter 1, there are about 65 different applications in a typical full-service hotel. This number is around 35 for a limited-service hotel. The use of technology starts even before a guest checks in to a hotel. More than half of hotel guests book their hotel rooms electronically. This means that guests use either direct or indirect reservation/distribution channels. Direct reservation/distribution channels include walk-in, phone call to the hotel, hotel's Web site, and hotel chain's Web site (central reservation system). Indirect reservation/distribution channels include online travel agencies such as Expedia.com, Travelocity.com, Orbitz.com, and opaque travel agencies where the consumer does not know the brand of the hotel until after the purchase is completed. These opaque online travel agencies include priceline.com and Hotwire.com. A distribution/reservation system typically performs the following basic functions: (1) selling individual reservations, (2) selling group reservations, (3) displaying room availability and guest lists, (4) tracking advance deposits, (5) tracking travel agent bookings and commissions, and (6) generating confirmation letters and e-mails and various reports.

Each hotel has a property management system (PMS). The functions of the PMS are enabling guest reservations, enabling guest check-in/out, enabling staff to maintain guest facilities, keeping accounting for a guest's financial transactions, and tracking guest activities. The PMS is often interfaced to central reservation systems and global reservation systems. This way, when a guest makes a reservation from a hotel chain's Web site such as Hilton.com or Marriott.com, the reservation is automatically transferred to the hotel's property reservation system. This interface allows the hotel to control the room inventory on a real-time basis and to manage the revenue management process efficiently. The revenue management module of the PMS also uses advanced technology systems. Hotels use the revenue management system to calculate the rates, rooms, and restrictions on sales in order to best maximize the return. These systems measure constrained and unconstrained demand along with pace to gauge which restrictions—for example, length of stay, nonrefundable rate, or close to arrival. Revenue management teams in the hotel industry have evolved tremendously over the last 10 years, and in this global economy, targeting the right distribution channels, controlling costs, and having the right market mix plays an important role in yield management. Yield management in hotels is selling rooms and services at the right price, at the right time, to the right people.

The use of technology continues after the reservation. When the guest checks in, the reservation details are found in the PMS and an electronic key card is cut. The guest can use this electronic card to access his or her room and other general areas of the hotel such as fitness room, pool area, and concierge club. There are many more technology applications in the guest room. We will cover those in the next chapter.

The Most Unusual Hotels

Among the world's most unusual hotels are ones like the Treetops Hotel in one of Kenya's wild animal parks—literally in the treetops. The uniqueness of the hotel is that it is built on the tops of trees overlooking a wild animal watering hole in the park.

Another magnificent spectacle is the ICEHOTEL, situated on the shores of the Torne River in the old village of Jukkasjärvi in Swedish Lapland. The ICEHOTEL is built from scratch on an annual basis with a completely new design, new suites, new departments, even the “Absolut Ice Bar,” a bar carved in ice with ice glasses and ice plates. The ICEHOTEL can accommodate more than 100 guests, with each room having its own distinct style. The hotel also has an ice chapel, an ice art exhibition hall, and, believe it or not, a cinema.

Australia boasts an underwater hotel at the Great Barrier Reef, where guests have wonderful underwater views from their rooms.

Japan has several unusual hotels. One is a cocoon-like hotel, called a capsule hotel, in which guests do not have a room as such. Instead, they have a space of about 4 feet × 7 feet. In this space is a bed and a television—which guests almost have to operate with their toes! Such hotels are popular with people who get caught up in the obligatory late-night drinking with the boss and with visiting professors, and who find them the only affordable place to stay in expensive Tokyo.

One of the highest hotels in the world, in terms of altitude, is the Hotel Everest View. It is nestled in the Himalayan mountain range at an altitude of 13,000 feet. Weather permitting, there is a marvelous view of Mount Everest. As many as 80 percent of the guests suffer from nausea, headaches, or sleeplessness caused by the altitude. No wonder the hottest-selling item on the room-service menu is oxygen—at \$1 a minute.

LEARNING OBJECTIVE 4
Discuss the concept and growth of vacation ownership.

Timeshare, Vacation Ownership, and Fractional Ownership

From its beginnings in the French Alps in the late 1960s, the timeshare industry, otherwise known as **vacation ownership** or fractional ownership, has become the fastest-growing segment of the U.S. travel and tourism industry, increasing in popularity at the rate of about 15 percent each year. Vacation or fractional ownership is a form of real estate ownership or right to use a property in part. These types of properties are often resort or urban condominiums, town homes, or single family homes, in which multiple parties own and have rights to the property and amenities. Ownership and access are designated in defined periods of time (e.g., one week, two weeks, a month, etc.), and the units may be owned forever or on a specified period of time lease or right-to-use basis.

Vacation ownership offers consumers the opportunity to purchase fully furnished vacation accommodations in a variety of forms, such as weekly intervals or in points-based systems, for a percentage of the cost of ownership. For a one-time purchase price and payment of a yearly maintenance fee, purchasers own their vacation either in perpetuity (forever) or

for a predetermined number of years. Owners share both the use and cost of upkeep of their unit and the common grounds of the resort property. Vacation ownership purchases are typically financed through consumer loans of five to 10 years duration, with terms dependent on the purchase price and the amount of the buyer's down payment. The average cost of a vacation ownership is \$14,800–\$18,500.³⁰

Vacation clubs, or point-based programs, provide the flexible use of accommodations in multiple resort locations. With these products, club members purchase points that represent either a travel-and-use membership or a deed real

estate product. These points are then used like money to purchase accommodations during a season, for a set number of days at a participating resort. The number of points needed to access the resort accommodation varies by the members' demand for unit size, season, resort location, and amenities.

Henry Silverman, formerly of Avis Budget—which owns the Indianapolis, Indiana–based Resort Condominiums International (RCI)—said that a **timeshare** is really a two-bedroom suite that is owned rather than a hotel room that is rented for a transient night. A vacation club, on the other hand, is a “travel-and-use” product. Consumers do not buy a fixed week, unit size, season, resort, or number of days to vacation each year. Instead, they purchase points that represent currency, which are used to access the club's vacation benefits. An important advantage to this is the product's flexibility, especially when tied to a point system. Disney Vacation Club is one major company that uses a point system. General manager Mark Pacala states, “The flexibility of choosing among several different vacation experiences is what sets the Disney Vacation Club apart from many similar plans. The vacation points system allows members to select the type of vacation best suited to their needs, particularly as those needs change from year to year.” Each year, members choose how to use their vacation points, either for one long vacation or for a series of short getaways.³¹

The World Tourism Organization has called timeshares one of the fastest-growing sectors of the travel and tourism industry. Hospitality companies are adding brand power to the concept with corporations such as Marriott Vacation Club International, the Walt Disney Company, Hilton Hotels, Hyatt Hotels, Choice Hotels, InterContinental, and even the Ritz-Carlton and Four Seasons participating in an industry that has grown rapidly in recent years. Still, only about four percent of all U.S. households hold vacation ownership.



Condos in Cabo San Lucas, Mexico.

RCI estimates that the figure could rise to 10 percent within the next decade for households with incomes of more than \$75,000. It is not surprising that hotel companies have found this to be a lucrative business.

RCI, the largest vacation ownership exchange (that allows members to exchange vacations with other locations), has more than 3.7 million member families living in 100 countries. There are more than 4,500 participating resorts, and members can exchange vacation intervals for vacations at any participating resort, and to date, RCI has arranged exchange vacations for more than 54 million people.³² Vacation ownership is popular at U.S. resorts from Key West in Florida to Kona in Hawaii and from New York City and Las Vegas to Colorado ski resorts.

Interval International is a vacation exchange network made up of more than 2,900 resorts and more than two million member families in over 80 nations worldwide.³³ Interval does not own or manage any of the resorts, but rather provides members—vacation owners from around the world—with a variety of exchange services to enhance their vacation experiences. Members can exchange a stay at their home resort for a stay at one of the timeshares supported by Interval International.

By locking in the purchase price of accommodations, vacation ownership helps ensure future vacations at today's prices at luxurious resorts with amenities, service, and ambience that rival any of the world's top-rated vacation destinations. Through vacation exchange programs, timeshare owners can travel to other popular destinations around the world. With unparalleled flexibility and fully equipped condominiums that offer the best in holiday luxury, vacation ownership puts consumers in the driver's seat, allowing them to plan and enjoy vacations that suit their lifestyle.

Timeshare resort developers today include many of the world's leading hoteliers, publicly held corporations, and independent companies. Properties that combine vacation ownership resorts with hotels, adventure resorts, and gaming resorts are among the emerging timeshare trends. The reasons for purchasing most frequently cited by current timeshare owners are the high standards of quality accommodations and service at the resorts where they own and exchange, the flexibility offered through the vacation exchange opportunities, and the cost effectiveness of vacation ownership. Nearly one-third of vacation owners purchase additional intervals after experiencing ownership. This trend is even stronger among long-time owners: More than 40 percent of those who have owned for eight years or longer have purchased additional intervals within the timeshare.

Travel the World through Exchange Vacations

Vacation ownership offers unparalleled flexibility and the opportunity for affordable worldwide travel through vacation ownership exchange. Through the international vacation exchange networks, owners can trade their timeshare intervals for vacation time at comparable resorts around the world. Most resorts are affiliated with an exchange company that administers the exchange service for its members. Typically, the exchange company directly solicits annual membership. Owners individually elect to become members

of the affiliated exchange company. To exchange, the owner places his or her interval into the exchange company's pool of resorts and weeks available for exchange and, in turn, chooses an available resort and week from that pool. The exchange company charges an exchange fee, in addition to an annual membership fee, to complete an exchange. Exchange companies and resorts frequently offer their members the additional benefit of saving or banking vacation time in a reserve program for use in a different year.

International Perspective

We are all part of a huge global economy that is splintered into massive trading blocks, such as the European Union (EU) and the North American Free Trade Agreement (NAFTA) among Canada, the United States, and Mexico, with a total population of 444.1 million consumers.³⁴

The European Union (EU), with a population of more than 509 million people in 28 nations, is an economic union that has removed national boundaries and restrictions not only on trade but also on the movement of capital and labor.³⁵ The synergy developed between these 28 member nations is beneficial to all and is a form of self-perpetuating development. As travel, tourism, commerce, and industry have increased within the European Economic Community (EEC), which could soon expand by another five nations, and more in the future, so has the need for hotel accommodations.

In the Middle East, in countries like Dubai and Abu Dhabi, United Arab Emirates, several very impressive hotels and resorts have been added as part of a strategy to encourage more tourism to and within the region and the world. Once the airport is capable of handling several international flights daily, then soon hotels are built to cater to the traveler's needs. Now, these cities are gateways to the region and host international conferences.

NAFTA will likely be a similar catalyst for hotel development in response to increased trade and tourism among the three countries involved. But Argentina, Brazil, Chile, and Venezuela may also join an expanded NAFTA, which would become known as the Americas Trading Bloc.

It is easy to understand the international development of hotels given the increase in international tourism trade and commerce. The growth in tourism in Pacific Rim countries is expected to continue at the same rate as in recent years. Several resorts have been developed in Indonesia, Malaysia, Thailand, and Vietnam, and China and India have both seen hotel growth. Further international hotel development opportunities exist in Eastern Europe, Russia, and the other republics of the former Soviet Union, where some companies have changed their growth strategy from building new hotels to acquiring and renovating existing properties. Hotel development in China has

Burj Al Arab hotel, Dubai, United Arab Emirates.





Raffles Singapore, a world-famous classic hotel.

exploded with nearly all the major companies rushing to establish themselves in this important emerging market.

In Asia, Hong Kong's growth has been encouraged by booming economies throughout Southeast Asia and the kind of tax system for which supply-siders hunger. The Hong Kong government levies a flat 16.5 percent corporate tax, a 15 percent individual income tax, and no tax on capital gains or dividends. Several hotel corporations have their headquarters in Hong Kong. Among them are Mandarin Oriental Hotel Group, The Peninsula Hotels, and Shangri-La Hotels and Resorts, all world-renowned for their five-star status. They are based in Hong Kong because of

low corporate taxation and the ability to bring in senior expatriate executives with minimal bureaucratic difficulty.³⁶

In developing countries, once political stability has been sustained, hotel development quickly follows as part of an overall economic and social progression. An example of this is the former Eastern European countries and former Soviet republics that for the past few years have offered development opportunities for hotel corporations.

LEARNING OBJECTIVE 5
Discuss sustainable/green lodging.

Sustainable or Green Lodging

Today, of necessity, developers are more environmentally conscious because it can cost far more not only to build a lodging facility but also to run it if it is not sustainable. By using local materials, a new hotel or resort can save money on the cost of materials plus the cost of transporting those materials from a distance, or even importing them. Given the weak U.S. dollar, it increases costs if materials must be imported.

The cost of energy has increased so much in recent years that lodging construction now incorporates ways of using natural lighting and building energy-efficient buildings. Energy-efficient buildings require far less air-conditioning than do conventional buildings because they use materials such as darkened glass and lower-wattage lighting that produces lower temperatures.

How can hotels, motels, lodges, and resorts become more sustainable? There are many ways in which to assess how to save energy and recycle.

There are eight steps you can take to start an effective, sustainable lodging program including:

1. Organize a waste reduction team;
2. Conduct a waste assessment;
3. Establish waste reduction goals;
4. Secure recycling markets;
5. Set up a collection and storage system;
6. Buy recycled products.

Lighting can account for 30–40 percent of commercial electricity consumption. This can be reduced by the following strategies:

- Use lighting only when necessary—employ motion detectors.
- Use energy-efficient fixtures and lamps.
- Use low-wattage lighting for signs and décor.
- Avoid over-lighting wherever possible.

Water conservation is another method that can greatly reduce waste. Today, many hotels are replacing showerheads, toilets, and faucets with low-flow water devices. Low-flow showerheads can save 10 gallons of water every five minutes of showering. That means a savings of over \$3,000 annually if 100 people shower each day, and water and sewer costs are one cent per gallon.³⁷ Other water conservation methods include only washing full loads of dishes and laundry, serving drinking water by request only, asking guests to consider reusing towels, and restricting lawn watering.

Fairmont Hotels and Resorts³⁸ are among the leading sustainable lodging companies whose projects fall into three key areas: (1) minimizing the company's impact on the environment by making ongoing operational improvements, mainly in waste management and energy and water conservation; (2) working at a corporate level to foster high-profile partnerships and accreditations that help promote environmental issues and to share its stewardship message; and (3) to follow best practices, which include working at individual properties to develop innovative ways to reduce the carbon footprint of hotels.

Career Information

A variety of career options are directly and indirectly related to hotel development and classification. Some examples include working in the corporate office to develop hotels or searching out locations, negotiating the deals, and/or organizing the construction or alterations. This involves knowledge of operations plus expertise in marketing, feasibility studies, finance, and planning. Similarly, consulting firms like PKF Consulting have interesting positions for consultants who provide specialized services in feasibility studies,

marketing, human resources, and accounting and finance due diligence (a check to ensure that the cost of purchasing a property is reasonable and that all systems are in working order). Working for a consulting firm usually requires a master's degree plus operational experience in an area of specialty. AAA and Mobil both have inspectors who check hotel standards. Inspectors are required to travel and write detailed reports on the properties at which they stay.

Good advice comes from Jim McManemon, general manager of the Ritz-Carlton, Sarasota, Florida: "It is important to have a love of people, as there is so much interaction with them. I also suggest working in the industry to gain experience. Actually, it is a good idea to work in various departments while going to school so you can either join a management-training program or take a supervisory or assistant management position upon graduation. Work hard, be a leader, and set an example for the people working with you."³⁹

Trends in Hotel Development and Management

LEARNING OBJECTIVE 6

Identify trends influencing the hotel business.

Courtesy of Dr. Greg Dunn, Senior Lecturer & Managing Director, University of Florida, Eric Friedheim Tourism Institute.

- *Capacity control.* Refers to who will control the sale of inventories of hotel rooms, airline seats, auto rentals, and tickets to attractions. Presently, owners of these assets are in control of their sale and distribution, but increasingly control is falling into the hands of those who own and manage global reservation systems and/or negotiate for large buying groups. Factors involved in the outcome will be telecommunications, software, available satellite capacity, governmental regulations, limited capital, and the travel distribution network.
- *Safety and security.* Important aspects of safety and security are terrorism, the growing disparity between the haves and have-nots in the world, diminishing financial resources, infrastructure problems, health issues, the stability of governments, and personal security.
- *Assets and capital.* The issues concerning assets and capital are rationing of private capital and rationing of funds deployed by governments.
- *Technology.* An example of the growing use of *expert systems* (a basic form of artificial intelligence) would be making standard operating procedures available online, 24 hours a day, and establishing yield management systems designed to make pricing decisions. Other examples include increasing numbers of smart hotel room and communications ports to make virtual office environments for business travelers and the impact of technology on the structure of corporate offices and individual hotels.

- *New management.* The complex forces of capacity control, safety and security, capital movement, and technology issues will require a future management cadre that is able to adapt to rapid-paced change across all the traditional functions of management.
- *Globalization.* A number of U.S. and Canadian chains have developed and are continuing to develop hotels around the world. International companies are also investing in the North American hotel industry.
- *Consolidation.* As the industry matures, corporations are either acquiring or merging with each other.
- *Diversification within segments of the lodging industry.* The economy segment now has low-, medium-, and high-end properties. The extended-stay market has a similar spread of properties, as do all the other hotel classifications.
- *Rapid growth in vacation ownership.* Vacation ownership is the fastest-growing segment of the lodging industry and is likely to continue growing as the baby boomers enter their fifties and sixties.
- *An increase in the number of spas and the treatments offered.* Wellness and the road to nirvana are in increasing demand as guests seek release from the stresses of a fast-paced lifestyle.
- *Gaming.* An increasing number of hotels are coming online that are related to the gaming industry.
- *Mixed-use properties.* An increasing number of hotels are being developed as multiuse properties, meaning hotels with residences (condominiums), spas, and recreational facilities.
- *Sustainable lodging development.* There is increasing development of lodging facilities with environmental designs, construction, and operating procedures.
- *Culinary selectiveness.* There is a rise in the development of appearance, ambience, and food quality at restaurants within hotels with hoteliers realizing the potential for increased revenue through food and beverage outlets. Additionally, dining has become a more interactive experience with consumers becoming more knowledgeable and interested about their food selections. Chefs are required to focus more on sustainability, organic and local ingredients, low-calorie meals, and popular culinary trends. Current trends include “farm to table,” “small-plate,” and “snackification.”⁴⁰

► Check Your Knowledge

1. Explain timeshare, vacation, and fractional ownership.
 2. Identify several sustainable or green lodging strategies.
 3. List and explain some trends in hotel development.
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CASE STUDY

Condotels

In recent years, several new lodging brands have been introduced by leading hotel chains to the market. Among the names of these brands are DoubleTree, Candlewood Suites, Home-wood Suites, Mainstay, Spring Hill Suites, and so on. In addition, there is Hyatt, which recently purchased AmeriSuites, which it has renovated and now calls Hyatt Place.

A hot trend in lodging development is condo hotels, called condotels. With condotels, a developer can more quickly raise the funds necessary from investors than from other traditional sources such as banks and finance houses. As a result, it makes sense for developers to encourage investors by offering an arrangement for owners to have exclusive use of the unit for a fixed number of days a year (typically 30–60 days) and for the hotel company to rent out the units/rooms for the remainder of the year. The cost of development is high and ranges from an average of \$800–\$900 per square foot up to a high of \$1,400.

Despite the rave reviews on Wall Street for condotels, there are some unresolved issues. With time, who will develop and pay for the replacement of furniture, fixtures, and equipment (FF&E)? What are the association dues, and what form will the relationship take between the owners, the developer, and the hotel company? There are the additional complexities for the hotel operator—such as space for meetings, restaurants, and recreation—and how many rooms will be available on any given night. Yet, the payoffs for both individual investors—owners and hotel operating companies—are good to great. With 78 million baby boomers ready to retire, the prospects look very good to all concerned.

Discussion Questions

1. So what is in a name? Is Hyatt right to use the name Hyatt Place?
2. Is InterContinental or Hilton wrong not to include their name, as in Hilton Hampton Inn or Hampton Inn by Hilton? What is your opinion?
3. Which other areas of the United States are good potential locations for condotels, and why?
4. Will condotels split into various segments like other lodging properties have?

Summary

1. Improved transportation has changed the nature of the hotel industry from small, independently owned inns to big hotel and lodging chains that are operated using concepts such as franchising and management contracts.
2. Hotels can be classified according to location (city center, resort, airport, freeway), types of services offered (casino, convention), and price (luxury, midscale, budget, and economy). Hotels are rated by Mobil and AAA (five-star or five-diamond rankings).

3. Vacation ownership offers consumers the opportunity to purchase fully furnished vacation accommodations, similar to condominiums, sold in a variety of forms, such as weekly intervals or point-based systems, for only a percentage of the cost of full ownership. According to the World Tourism Organization, timeshares are one of the fastest-growing sectors of the travel and tourism industry.
4. Every part of the world offers leisure and business travelers a choice of unusual or conservative accommodations that cater to personal ideas of vacation or business trips.
5. The future of tourism involves international expansion and foreign investment, often in combination with airlines, and with the goal of improving economic conditions in developing countries. It is further influenced by increased globalization, as evidenced by such agreements as NAFTA.

Key Words and Concepts

capital intensive
corporate hotel
fair return on investment
feasibility study
franchise hotel
franchising

direct economic impact
independent hotel
indirect economic impact
management company
management contracts

real estate investment trusts
(REITs)
referral associations
summary operating statement
timeshare
vacation ownership

Review Questions

1. Why do you think an entrepreneur would choose to purchase a hotel instead of acquiring a franchise?
2. Evaluate the importance of various hotel rating systems.
3. Critically assess the trends that you feel will have the biggest impact on the future of the global hospitality industry.

Internet Exercises

1. Organization: **The Doyle Collection Hotel Group**

Summary: Originally called Jurys, The Doyle Collection Hotel Group is an Irish family-owned hotel group that operates eight properties across the United States, England, and Ireland. The company has one hotel each in Cork, Bristol, and Washington, DC; two in Dublin; and three in London.

- (a) What are your views on the group's DISCOVERY loyalty program?
- (b) What are the employee opportunities within The Doyle Collection Hotel Group?

2. Organization: **Glion Institute of Higher Education**

Summary: The Glion Institute of Higher Education ranks among the top hospitality management schools in the world. It has campuses in Switzerland and the

United Kingdom and offers undergraduate and postgraduate degrees as well as an on-line MBA for hospitality professionals.

(a) Evaluate the growth of online education in the field of hospitality management.

(b) Do you think that the sterling reputation of Swiss hotel schools such as the Glion Institute of Higher Education is a key factor in their continued growth? Also list the main Swiss hotel schools and review each of their competitive advantages.

Apply Your Knowledge

1. Compare and contrast the role of the front office manager in a five-star hotel in Sydney as compared to one in a five-star hotel in London.
2. Select any destination and explain why a hospitality classification system should be used there.

Suggested Activities

1. Is there a hotel chain illustrated in this chapter that you would like to visit or work with? Give a reason for your answer.
2. List the advantages and disadvantages of studying hospitality management online.

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