

Hotel Occupancy- Peaks, Valleys and the benefits of Staffing Organizations

June-2009

Written By: Mark J. Yunka



Economic times are changing habits of consumers to a point where hotel historical trends are no longer valid. Worldwide hotel occupancy is down with America being particularly hard hit in spite of the devalued dollar as it posted an 18.7% decline in overall revenue YTD as of May 2009 (Source Smith Travel Research). Growth areas for the industry continue to be the Middle East and Africa. Hawaii has always been a favorite designation for travelers. However, this past January 2009 occupancy rates were 66%, which were the lowest rate since the 9/11 terror attacks. Of additional concern in the industry are the loan delinquency rates. Morgan Stanley analysts were recently quoted as saying "The hotel loan delinquency rate is currently 4.7 percent and is likely to reach 8.2 percent -- the peak rate in the 2001 economic downturn -- by the end of the year. Just days ago, Red Roof Inn, a discount chain with 350 properties, became the latest to default on \$361.4 million in loans. We are not pessimists, but as long as we observe a continued delay in the economic recovery world-wide, we can only forecast that the hotel industry recovery would also be prolonged to 2011 or beyond. With this continued uncertainty and instability with current hotel occupancy, consumer trends and the general economic condition, your organization needs to continue to look for nontraditional solutions to these opportunities.

Industry Trends

"*Staycations*," a new term to the tourism industry, seems to be on the rise with many families staying either home or near home on vacation. With the headaches of travel, rising fuel costs and instability in the marketplace, this new type of family vacation provides families with a "stress free" bigger bang for the buck experience for travelers. Many travelers are taking advantage of last minute hotel specials which can cause tremendous spikes in hotel occupancy. These occupancy swings could also lead to higher operating costs and quality issues at their properties that ultimately could adversely impact the experience of the guest. Additionally, internal corporate budgetary pressures are forcing many hotels to reforecast sales models several times over the course of this past year. Many other unforeseen escalations in operating costs are placing significant pressures on the bottom-line of even the most "well-oiled" establishments. Premier properties are now offering weekend getaways and other discount specials to increase occupancy in the expectation of reducing and offsetting some of their own facilities fixed burden and overhead.

During a recent poll of premier properties in Orlando, it was found that there was a significant shift of revenue away from the fixed pre-booked blocks of rooms normally enjoyed by the business conventions, meetings and large event planners. This trend historically was very seasonal and carried with it a high degree of predictability as many larger events were pre-booked well in advance. These events were lavish and carried with them significant opportunities for many departments, like the food and beverage area, to capitalize on these travelers. As in most situations, budgetary constraints were not on the agenda for their trips. Conversely, the transient or local "staycation" traveler has placed a burden on not only the ADR (average daily rate) but other profit centers in the property to maintain their cost structure. Hotels, more than ever, are relying upon third party web services to market available rooms through the internet at discounted rates. However, in spite of these significant changes in the market, internal hotel staffing models and structure remain largely unchanged. This is a major pitfall that can lead a property to the brink of disaster. Especially in this economic climate the rule of thumb is "Change or be changed".

Solving the Cost /Quality Equation

General Managers continue to search for unique opportunities and strategies to produce additional revenue in this downturned economy. Surprisingly, with the economy struggling, there is a significant shift in on-line marketing budgets as a percentage of the total budget. Given the importance of cost containment in each department, other line item costs throughout the property are also under close scrutiny. Department heads and managers are pushed to identify new cost saving alternatives that will produce bottom-line profits. With the significant fluctuations and unpredictability of the market, establishing the appropriate level of department labor is a critical if not impossible task. Obviously, with labor being the sole largest budgetary line item, this requires the most significant attention. Unfortunately, good intentions do not always translate into positive productive actions as these employee related issues are always the most sensitive and difficult ones to deal with.

Through research and discussion, it has been found that some hotel managers feel that they can manage these significant swings in daily occupancy rates while they control labor costs. Without the aid of a crystal ball this cannot be effectively accomplished. You either incur high levels of overtime or pay significant fixed expenses maintaining those “special project” payrolls that remain constant even though your occupancy declines. Another disadvantage of this situation is that managers will need to allocate hours evenly across your department staff which can also result in some of your key employees leaving the organization for more stable employment. As a result of this highly unpredictable market, more and more hotels are turning to the assistance of professional staffing companies that can supplement your staffing needs. Through the utilization of an effective staffing company, a hotel can accommodate those spikes in business without the hiring headaches, HR issues and management problems of dealing with an untrained workforce. In many instances, it is like having your own life insurance policy for your hotel. The benefits are obvious as your management team will be able to accommodate your staffing requirements without the HR headaches. This is also a way to immediately reduce your organizations fixed overhead burden.

Finding a diamond in the ruff

Selection of the correct staffing partner is critical as it has been proven that working with the wrong vendor can even be a more grave a mistake than not working with one. However, there are many quality service partners that can afford your property a “value added” solution. More important than just having physical staff is the quality of the individuals and the support and management that the staffing company will provide. In many instances, through proper negotiation, you can find that professional staffing companies will offer extensive screening practices along with identifying what your own individual culture and operating practices are. This painstaking process can assist your own internal management team in finding some key vendors resources that are in the market. To avoid some of the pitfalls in selecting a business partner always insure that your vendor screening is comprehensive by adhering to some of the basics below:

Screening Your Staffing Company 101 Basics:

1. Identify what levels of services are offered by the company other than a warm body. Cheap labor is not the solution. In some instances those organizations may expose your organization to other concerns that go well beyond budgetary issues. Remember the simple adage of “you get what you pay for”.
2. Find a company that provides a comprehensive solution. Check references as things on paper might sound good but the proof is in the actual service provided.
3. If it sounds too good to be true it usually is. Steer clear of these land mines. Having worked with many hotels in the past , I have found that many prestigious organizations do not conduct the proper due diligence prior to initiating an agreement with a staffing company.

4. Communicate your anticipated min/max staff requirements by department and identify your expectations to the organization. Clear lines of communication coupled with realistic expectations produce positive results.
5. Identify what your organizations SOP (standard operating practices) are and request them to prove to you how they will be able to fulfill your needs. Pre-screening candidates while conducting orientations is critical if the staffing company is to succeed. You want a service company who is results oriented.
6. Request reasonable service guarantees from the staffing company with specific expectations. This will eliminate the quality vendors from the ones that provide no service at all.
7. Validate the staffing organization's recruiting and training procedures in advance of moving forward.
8. Contact other references and perform a thorough examination of the company's historical performance.
9. Validate I-9 compliance; visa work status, insurance requirements along with the vendor's other hiring practices. Also validate the vendor's financial strength to insure that your partnership is long lasting.
10. Insure that the staffing company provides you with background checked, drug screened & qualified contract labor staff. Many organizations have advanced screening procedures for their own employees. Yet when they utilize a staffing company, they place little to no emphasis on these aspects for their contract labor.

Benchmark your vendor's performance

Through the proper supplementation of temporary staff obtained from a staffing partner, you will find that your overall direct labor costs per room and even your management costs will decrease. Another benefit of having the temporary labor associates blended with your existing staff is that they typically contribute to a high level of motivation and increased productivity at your property with your existing hotel staff. Workers from agencies realize that their employment is subject to close scrutiny daily and as a result the individual's performance is better. This creates a competitive environment with your existing workforce. Effective supervision of this supplemental staff is also critical to recognize and control your costs. Insure that your staffing organization oversees the activities of their staff as this is a free management benefit that you should take advantage of. Many temporary agencies bring a wealth of experience from their customer base of "best practices" that is engrained into their staff that can also be beneficial to your organization. Simply have the willingness to ask questions and listen to answers. During a recent interview with one of the premier staffing organizations in Florida, a simple training concept of a 10-Step custom SOP for the hotel turned into a significant benefit that hotels not only thought well of, but also implemented with their own staff.

Time Management Systems

The days of the time clock, cards, badges and timesheets are numbered. Many properties are embracing the new SaaS (Software as a Service) technology that is providing mobile solutions to labor/time management. In order for a premier staffing organization to be effective, they will need to utilize a time management solution rather than an unintelligent time clock or time sheet. The obvious benefits of a TMS (Time Management Solution) is that the staffing company can now offer pro-active management assistance to the client company to insure the level of service and employee standards are met. This also in turn translates to service benefits for the hotel. Many hotels are also integrating the new ATIT (About Time Information Technology) product offered by Simplistic Solution at their own property. This simple but effective tool provides your management team with real-time information to your most important resource your associates. You will have the ability to manage your employee and contract labor cost in real time mode from virtually any mobile device anywhere in the world! With the connectivity of this application to the internet, and ease of use, it can now place the additional power of information into the staffing company and hotel hands thereby making the relationship one that will afford each high efficiencies and significant cost savings. It can also be easily integrated into any payroll system at any property.

By selecting the appropriate labor staffing organization coupled with a time management system, you can respond to the challenges facing every organization. This one two approach will also allow you and your company to maintain a high level of service at a reduced cost which will give your hotel a competitive advantage in today's' ever changing worldwide tourism industry.

Umbrellas are great for rainy days and can provide you with temporary shelter from the elements. Similarly, staffing organizations can also assist your company during these unsettled days ahead. In order to gain the benefit from these organizations every organization needs to consider utilizing a real-time labor management system like "ATIT" (About Time Information Technology) application from Simplistic Solution. For more information on ATIT or how we can assist your organization visit us on the web at www.simplisticsolution.com .

Mark J. Yunka, is president and founder of Simplistic Solution, LLC., and can be reached at (352) 596-6880. He is an accomplished president of many companies and has been consulting with corporate executives in the Hospitality, Food Service, Distribution and Manufacturing industries for over 26 years. His areas of expertise include corporate restructuring, budgeting, sales and marketing, labor efficiencies, inventory management, along with numerous projects on improving warehouse and distribution efficiencies. He is an IT expert and has created his own mobile application development organization that offers modular mobile applications utilizing the SaaS platform. Each application is designed with his "no manuals approach" and is billed on a monthly service fee basis.



Copyright ©Simplistic Solution 2009