



10 Red Flags it May Be Time to Change Your Hotel Management Company

SYNERGYHOTELS.COM



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BIGGER IS NOT ALWAYS BETTER

Owning a hotel represents a significant investment of capital, time, and energy. Unlike other forms of active investment, a hotel is as much an operating business as it is income producing real estate. Accordingly, building a team that will operate your hotel to meet or exceed brand standards and guest expectations is critical. Without the support of an engaged and visible management partner, the prospect of operational success and return on investment are more likely a mirage than a reality.

Hiring a hospitality management company is a common solution for many hotel owners seeking subject matter expertise and professional support. It's important to note however, that not all management companies are the right fit for your hotel. As with anything, "one-size-DOES NOT-fit-all." It's important to find a management partner that fulfills a hotel's specific needs—bigger is not always better.

In 2021, Synergy Hospitality Management conducted interviews with four of our hotel investors to discuss their prior experiences with the challenges of working with larger management companies.

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Across the board, it was noted there had been a lack of transparency, little or no time given to strategize key priorities with ownership, and an absence of trust in larger firms to find solutions to problems with the hotel's best interest in mind. In recent years, the industry has seen large scale consolidation of management companies, often leaving investors feeling as if their hotel is a small fish in a big pond; competing for time, attention, and resources within the new, larger management company portfolio.

If the challenges our investors have faced resonate, the future of your hotel may feel uncertain. If you aren't sure of the warning signs of having the wrong management company—or worse, a hotel that may be failing to deliver on its full potential return on investment—we've outlined the 10 red flags to consider.

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The Red Flags

There are early warning signs that a hotel is struggling, but when do you know it's time to make a change? As a hotel owner, you are seeking a return on your investment. However, if your management group is not paying attention to the details, your hotel may be leaving money on the table.

From profitability, to talent, to processes, there are key factors that contribute to the success of your hotel. Is your hotel and on-property management team operating as profitably and successfully as it could?

Knowing the signs is just as important as knowing what to do about it.

Lack of Attracting & Retaining Top Talent

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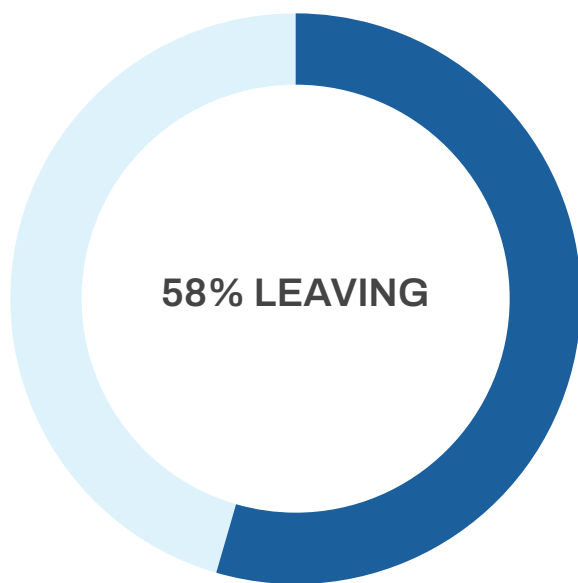
Saying employees are the backbone of your business is a cliché because it's true.

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But a hotel's team is more than that. They are the heart of a hotel's character, and they create the substance of its charm and personality that produce great guest experiences. Attracting top talent is just as important as attracting guests. A number of factors have made it difficult to hire staff in the last two years, but not impossible. If your hotel suffers from poor employee retention, consider these red flags.

1. High Turnover

58% of hospitality workers stated they were planning to leave their jobs by the end of 2021.



- Hospitality Workers Leaving
- Hospitality Workers Staying

Let's face it, working in the hospitality industry can be a demanding career and that has become even more evident over the last two years. Lack of leadership and support are two reasons why the turnover rate is higher in the hospitality industry than many others. Hiring the right people is key! At Synergy we believe in hiring for passion and personality, and training for skill. Keeping employees engaged, setting clear goals, and promoting work-life balance are important in the retention of a hotel's workforce. Having a proactive recruiting and retention plan to stay ahead of hiring and turnover trends is also critical.

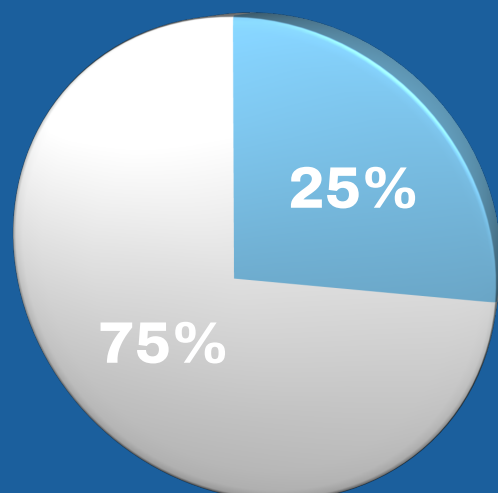
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25% of hospitality workers reported they would not want to work in the industry again.

2. Toxic Culture

A toxic culture can develop slowly over time, especially if there is a lack of alignment between Management and Ownership over objectives. When there is a disconnect, there is often poor collaboration between departments and resulting in inefficient operations and low team morale.

Toxic culture and high turnover go hand in hand. Your on-property management team, led by your management company, should be prioritizing the creation of a positive workplace experience that keeps good team members engaged.



Failing Reaching Financial Goals



As Hotel owners ourselves, Synergy knows that metrics like Return on Investment (ROI), Gross Operating Profit (GOP), and Revenue Generation Index (RGI) may keep you up at night. Having clear visibility of your hotel's operating statistics allows hotel owners and operators to adapt to current conditions. Consider it a red flag if your management company doesn't prioritize your hotel's financial performance.

3. Profitability

Failing to achieve revenue targets is an obvious sign a hotel is underperforming. However equally as important is controlling costs regardless of achievement of revenue targets. For hotel owners who want to maximize their revenues and return on investment, controlling cost and maximizing flow-through to the bottom line of the financial statement should be top of mind.

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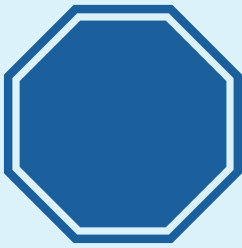
Flawed Process

Hotels are complex organizations with dozens of moving parts that must work together seamlessly to maintain efficiency and high customer satisfaction. From hotel check-in to the deep-cleaning process, established procedures are required to successfully operate and deliver remarkable experiences to hotel guests. Whether your hotel's existing processes appear flawed, or it lacks processes entirely, be on the lookout for these three red flags.



4. Lack Of Risk Management

It is imperative that hotels have a risk management process in place to minimize the financial impact when the unexpected happens. Active risk transfer procedures should be in place to manage a hotel's exposure from hazards created by third parties and sub-contractors. additional specific risk areas for owners and managers to consider include:



Safety:

An unsafe work environment can lead to insurance claims, costly workers compensation premiums, and even lawsuits from staff or guests who state they were hurt on property.



Cybersecurity:

Guests share their information like credit card numbers, addresses and personal preferences trusting their information is being kept safe by the hotel.



Security:

An untrained staff can put your guests at risk by carelessly providing room keys without proof of identity or expose you to litigation by guests and co-workers.



5. Hotel Records Are Disorganized or Missing

Are your vendor contracts outdated or missing? The post-it notes around your front desk are bound to get lost, so it's important to have a plan to manage hotel records. Database management software tools help boost efficiency, keep up to date records on-hand, ensure operational continuity, and streamline vendor contract information for employee use.

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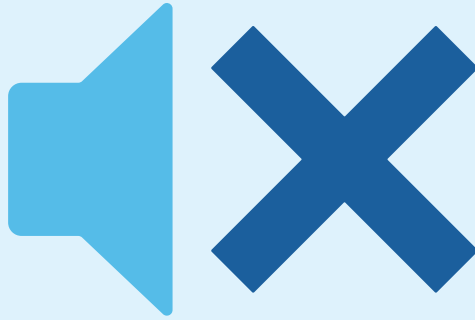
6. Poor Cleanliness and Lack of Preventative Maintenance

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Failed brand Quality Assurance inspections and guest complaints about property issues are indicative of poor management procedures, the lack of good systems, and ultimately, the loss of revenue and flow-through efficiency.

Preventative maintenance plans help keep your asset in top condition ensuring a more positive guest experience and a longer lifespan of your FF&E. With proper procedures, owners are able to minimize unexpected scenarios. If these programs are not in place, your hotel likely has a pattern of negative guest comments regarding condition issues.

When systems that ensure high levels of cleanliness and maintenance are not in place, a hotel's guests see things like overflowing trash receptacles, weed-filled landscape beds, and unlit light bulbs. This conveys an appearance of haphazard, reactive management and results in dissatisfied guests. A management company that is present and attentive should implement a culture of pride and care among the hotel team that ensures appropriate attention to detail.



A Silent Sales & Marketing Strategy



Traditional sources of hotel room night demand may not have fully returned in all markets. Does your sales team know where to uncover new, untraditional sources of business? If your current management team doesn't have a dynamic and adaptive marketing plan in place outlining key strategies, it's time to take action.

Further, online reviews & ratings are often the first areas potential guests check out before booking your hotel. In today's digital world, successfully managing your online reputation is crucial to winning new guests.

7. Lagging STR Performance

How does your hotel compare to your competition?

Is your hotel exceeding fair share in MPI, ARI, and GRI?

Is your hotel recovering faster than your hotel's competitive set?

If you cannot answer affirmatively, chances are your sales deployment may need to be re-aligned. A management company's lack of knowledge in the local market and where to find alternative sources of demand can result in a hotel missing revenue targets. It is critical that your hotel's management company takes the time to know and understand the dynamics of your hotel's market. Without "boots on the ground" an effective sales effort is impossible.

Ultimately, it takes a team approach to evaluate trends and implement strategy for future performance compared to competitors.

8. Managing your Online Reputation

In today's digital age, your guests have an instant ability to share their feedback about their experience with the world. Negative reviews can reduce guest preference significantly, especially if there is no one managing your hotel's online presence. From poor placement on OTA sites to potentially putting your franchise relationship in jeopardy, not having a cohesive plan to improve the hotel's digital reputation has a wide impact.

Taking the “Partner” Out of Partnership

Lastly, and most critically, your management company should essentially be your partner, subject-matter expert, and helping hand. Open communication, trust, and mutual respect keep a relationship between a hotel owner and a management partner strong. Without this foundation, there will be no results. An effective management partner is prepared with solutions ready for approval when problems arise. Collaborating with a local firm increases your chances of frequent representation, market knowledge, and hands-on involvement.



9. Lack of Transparency and Alignment

With larger firms often come hidden fees, little to no collaboration on action plans, and a reactive approach to issue resolution. As we've stated before, hotel management is not a "one-size fits all" proposition. Each hotel is unique, notwithstanding being part of a seemingly homogeneous brand. What has worked in the past for one hotel may not work for another if all circumstances are not consistent. Further, often hotel owners and on-property management teams get left in the dark by their management company when problems arise.



10. No Local or Infrequent Representation

Large firms often lack the resources necessary to simply be present at your hotel as their profitability and shareholder return depends on spreading regional managers across a dozen or more geographically dispersed hotel locations. Smaller regional firms are relatively more local to your hotel and are able to be there for you when you need them. Most important, they should prioritize their relationship with you and your hotel by investing the time to understand it.

Why Synergy?

Synergy Hospitality Management is a regional leader in hotel management and development consulting services in the Philadelphia area. We are built with the knowledge and dynamic ability to assist hotel developers with the conceptual and physical development of hotel assets; from construction, brand selection and market analysis, to staff onboarding, opening day and beyond. We serve hotels within a radius that allows our experts to offer localized attention and a high-touch approach to property and employee needs. Our goals are aligned with our hotels to seek incremental growth by paying attention to detail using forward thinking and offering solutions as problems arise. By keeping our management practices streamlined and focused, we can identify practical and profitable strategies for hotel properties to continually outperform the marketplace.





We are passionate about creating a culture and work environment that attracts, nurtures, develops and rewards the most talented and dedicated team members in our industry. To us, the theory is simple: successful cultures equal successful hotels. A positive, team-focused culture that empowers passionate employees to take ownership of their work and above all, value the team experience and shared values we commit to daily is our secret.

Synergy Hospitality Management

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