

# The Bare Essentials of Repositioning Your Hotel

By *Steven Belmonte, CEO, Vimana Franchise Systems LLC*

There are several steps that can be taken to ensure smarter decisions when it comes to repositioning your hotel in the marketplace. Industry vet Steve Belmonte shares these steps that he believes will help your hotel to thrive in this economy whether you choose to renovate, reposition or reflag.

Intro Paragraph: When weighing the pros and cons of renovating a property and/or reflagging and repositioning it, few owners and operators think in terms of extra room nights that need to be sold. Hotel owners and operators need to start “doing their homework”. Steve Belmonte has put together 8 steps to get you on the road to success. From “shelving your ego” to “getting the maximum bang for your buck,” following these steps can help you to make smarter decisions when it comes to either renovating or repositioning your property in the marketplace.



So your current franchisor wants you to spend \$500K on upgrades? How many extra room nights do you have to sell to make an additional \$500K in profit?

No matter what size or type of hotel you own/operate or what market you compete in, your answer most likely is “a lot more than I might be able to in today’s competitive climate.”

Ironically, few hotel owners and operators think in terms of the extra room nights that are needed to be sold when weighing the pros and cons of renovating a property and/or reflagging and repositioning it. This is just one reason why some renovations and reflaggings fail to recoup an adequate return on investment and why capital markets for such projects today often are deemed too risky. These and dozens of other “cancers” are blackening what otherwise undoubtedly would be a much-brighter profitability picture for lodging.

Due diligence means ‘do your homework,’ which includes many steps along the road to success:

**Step 1:** Shelving your ego. Gain strength through surrendering. Perhaps for some, it’s time to admit that you may not be “the expert” and that an outside consultant with an unbiased view and proven technical expertise in these matters can save you considerable time, headaches and monies. At Hospitality Solutions, we have a saying: “The road in the U.S. lodging industry can be a difficult but prosperous journey. The shortest route to success is with someone who has led the way.”

**Step 2:** Understanding the two primary scenarios that trigger the need for a renovation:

1. Common sense tells you that your competitive stance in the marketplace is at risk. Your product is physically old and tired and the new kids on the block are eating your lunch; and/or
2. The franchisor of your brand informs you that certain changes/upgrades must be made to your property to retain the flag and keep your product fresh and competitive.

**Step 3:** Do the math and realize what kind of return you can conservatively expect in what period of time from a particular renovation and/or reflagging and repositioning. Those that sit down and do the math, often times realize that the extensive renovation required by the franchisors will do little more than cut into their already shrinking profit margin. Those who adequately and honestly leave their pride at the door will discover that the ROI will not be worth it and there are other solutions better suited to bolster performance for their particular property. In other words, because of market conditions as well as a competitive set, there may, in fact, not be a significant return on investment. Sometimes it becomes more profitable to simply reposition a property to another brand that will not impose unreasonable renovation requirements, mandates and may further offer you additional savings through significant fee reductions.

Watching expenses is always key. On occasion, properties should competitively bid all vendors regardless of long-term relationships and friendships. This includes food companies, insurance companies, printers, uniform companies, anything and everything including that large check you write to your franchise company each and every month. Good operators are cognizant of alternate opportunities that will provide them with what they need while at the same time, rendering a substantial savings all of which will fall to the bottom line.

**Step 4:** Realizing that although the numbers might point toward a major renovation and/or reflagging, your financial wherewithal at this point might not make this the most feasible or the most fiscally responsible decision. Honestly assessing your access to capital is the fourth step.

**Step 5:** Getting the maximum bang for your buck. When buying and building, it's all about location, location, location. When renovating, it's all about curb appeal, curb appeal, curb appeal. Regardless of what franchise company you utilize, it is imperative that the general manager utilizes all the resources available through the franchise company. Which may include IT tools, regional advertising, discounts to state travel guides, AAA, and frankly, a host of revenue producing programs that are most always opt-in. The franchise company cannot help a property garner more business if its management is not participating. Far too often these tools are readily available but underutilized by property management.

**Step 6:** Embracing the fact the renovations and reflaggings often go hand-in-hand. Frequently, a reflagging will require some renovation and depending on the brand, that can be a lot or a little. Having the right brand is crucial to your success. Again, do the math when it comes to your franchise. Understand what the annual fees all inclusive are going to cost your property and make sure you competitively shop your franchisor just like you would any other vendor. Try to find a franchisor that is reasonable, flexible and accessible.

**Step 7:** If when you find yourself in a position where you are unable to make the necessary upgrades that your franchisor requires, it may be time to consider repositioning yourself to a more economy oriented product or franchise. While many owners struggle with this, they should understand there is no shame in doing this. There are, in fact, many great economy based or lower mid-tier products available. Truthfully, would you rather be a crumbly mid-tier product with unhappy guests or a great economy

product that garners repeat business? Repositioning can often times help you meet your guests expectations as well as eliminate the need to invest significant renovation dollars into the property. Yes, it will affect your average rate, but after doing the math, you may find out that this is, in fact, a good alternative to consider.

**Step 8:** Step 8 is most likely one of the most important steps. Hotel owners need to realize that comatose management more often than not is the issue behind an underperforming property and that many major renovations can be forgone in many markets until day-to-day management and practices are where they need to be to bring you the occupancy, ADR and RevPAR needed to kick-start a serious renovation and repositioning. A big part of my work involves talking with hotel owners and general managers, desk clerks and bellhops, housekeepers and maintenance workers all over the country. I've done this for a long time, but it's only been over recent years that I've come away from too many of these conversations feeling like something is missing.

That missing "something" is pride, the sense we feel—or should be feeling—that we're proud to be what we are, proud of our employees, proud of our employers, and proud of our hotel, no matter whether it's a Four Seasons or a Motel 6. Part of the reason this sense of pride has dwindled so is that there's something lacking in our leadership. Maybe we aren't instilling pride because we aren't in tune with our employees, or because we're too busy to care as much as we should.

Or maybe it's because we don't understand what business we are in.

In the final analysis, we are in the people business... not the hotel business, not the real-estate business, not the consulting or catering or construction business—the people business. I don't think we've come to grips with this basic concept, and until we do, all the advertising, all the sales and marketing, all the public relations, and all the trendy management techniques in the world will not give us full return on our investment. Only when we realize what business we're in will we maximize our business potential—and our investment.

To ensure positive recommendations, your property needs to offer top-notch customer service to guests. Consider fun and interesting incentive programs for your staff. Also, make sure to reward them when they have done well. Never skimp on employee training and customer service focus. Consider them an investment. Creating a great working environment for your employees that makes them feel appreciated can make a huge difference in the standard of service that they provide to your guests.

So there you have it: 8 Simple Steps... Remember, they're simple but not easy. If it were easy, you wouldn't be reading this column. You'd be out on your yacht or golfing in the Caribbean! We strongly suggest that you follow these eight steps before spending hundreds of thousands or even millions of dollars. Again, these are just suggestions — much like we suggest you pull the rip cord when skydiving!

Vimana Franchise Systems LLC is a hotel franchise company owned by CEO Steve Belmonte, President Neal Jackson and Vice President Cory Jackson Jr. In May 2011, Vimana Franchise Systems launched the Centerstone brand as a three-segment franchise designed to create a fair and cost effective model for the hospitality industry. In November 2011, Key West Inns was re-launched under the Vimana Franchise ownership umbrella as a fun and uniquely themed leisure brand. For more information on Vimana Franchise Systems LLC, contact Steve Belmonte at (407) 654-5540 [steve@vimanafs.com](mailto:steve@vimanafs.com). Visit Vimana Franchise Systems online at [www.VimanaFS.com](http://www.VimanaFS.com). Visit Centerstone online at [www.centerstonehotels.com](http://www.centerstonehotels.com), on Twitter at @Centerstonehtls, or on Facebook at [www.facebook.com/Centerstonehotels](http://www.facebook.com/Centerstonehotels). Visit Key West Inns online at [www.staykeywesthotels.com](http://www.staykeywesthotels.com), on Twitter at @StayKeyWest, or on Facebook at <http://www.facebook.com/staykeywest>. Mr. Belmonte can be contacted at 407-654-5540 or [steve@centerstonehotels.com](mailto:steve@centerstonehotels.com) *Extended Bio...*