

# TOP 10

## THINGS EVERY HOTEL OWNER SHOULD DO IN ADVANCE OF THE NEXT ECONOMIC SLOWDOWN

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HOTEL MANAGEMENT COMPANY WHERE INNOVATION EVOLVES.



# IT CAN'T GET MUCH ROSIER FOR HOTEL OWNERS AND OPERATORS TODAY.

We're seeing all-time highs in consumer confidence and travel bookings. Occupancy is up. ADR is up. While unemployment, gas prices, and transportation costs are down. By most measures, the hotel industry is robust and flourishing.

## What's not to love?

As much as you'd like to continue to lean back, riding high on your peak of prosperity, this is not the time to sit back on your laurels.

We live in a cyclical economy. What goes up, must come down. It's now that all of us should be thinking about the inevitable: Even after all of these years of economic recovery, there will be another downturn.

It's never too early to prepare your hotel to survive, and even thrive, should - and WHEN - tougher times hit.

Whether the next downturn is just around the corner or still years away, here are 10 steps savvy hotel owners and operators should make to build greater resiliency against future financial crises.

Number 1

## FIGHT THE URGE TO DROP RATES

When things start to collapse, as we saw with the last downturn - your natural instinct will be to slash rates in a desperate move to fill rooms. This hasty tactic can quickly transform you into your own worst enemy, leaving you bruised, broken and frantically struggling to recover lost revenue and lost ADR. When you implement the other steps on this list, you'll find that during an economic downturn, the hotels left thriving didn't succumb to compromising their pricing, reputation or brand.



# CASH FLOW

Number 2

## LEVERAGE

## PAST DATA

The best way to fortify your future is to study your past. Examine your hotel's data from the last economic plunge. Your hotel managers should be able to distill it down to its essentials and glean key insights. Ask them what could have been done better or what they wish was in place when the market started to sink. What part of your hotel continued to make a profit? Ramp up those areas of your business. Which market segments did you end up relying on more? Start earmarking dollars to target that audience. Which programs sucked up precious dollars and staff hours? Now's the time to research cost-effective and automated alternatives. To maintain revenue share, it's vital to understand your data so that you can strategically deploy the right resources when the time comes, both in terms of staff and funds.

Number 3

## SCRUTINIZE CASH FLOW PITFALLS

Keep an eagle eye on your cash flow and profit-and-loss statements and how your hotel management company handles your property's operations and vendors. Make sure they are vigilantly auditing all of their processes and vendor work to help prevent lapses and surprises. Vendors often can experience the same cost creep, so consider multiple vendors to keep them competitive and level the playing field. It's vital to establish an understanding that if you are going to be down cycling, your vendors and contractors will need to come with you.

Another strategy for increasing your hotel's cash flow, which is critical in any downturn, is by changing the credit terms from your vendors to your guests and clients. For instance, if a competing hotel has better credit terms with suppliers in 60 days and you pay in 30, you're leaving money on the table. On the other hand, if your group sales terms are too generous, you'll need to finance cash needs that would be better met by better collection and billing practices. Also, keep a strict eye to ensure that suppliers are giving you their best offers.



Number 4

## GET YOUR FINANCES IN ORDER

It is easy to get starry-eyed when your ADRs are up and revenues are climbing. Celebrate those profit-rich months, but don't ignore the imminence of a financial crisis. Just think back to the worst-hit victims of our last downturn. These were hotel owners who were faced with loan deadlines right in the crux of the downturn. And, if financing was restrictive then, imagine what it might be like next time, with more regulations in place and a stricter lending environment. Build a strategy to restructure debt now, so when the market tightens, your hotel can run a lean operation without being weighed with massive debt. Plus, start creating an environment of frugality. Encourage hotel staff and managers to save money and reward them for doing so. Be vigilant and closely monitor the financial health of your hotel.

Number 5

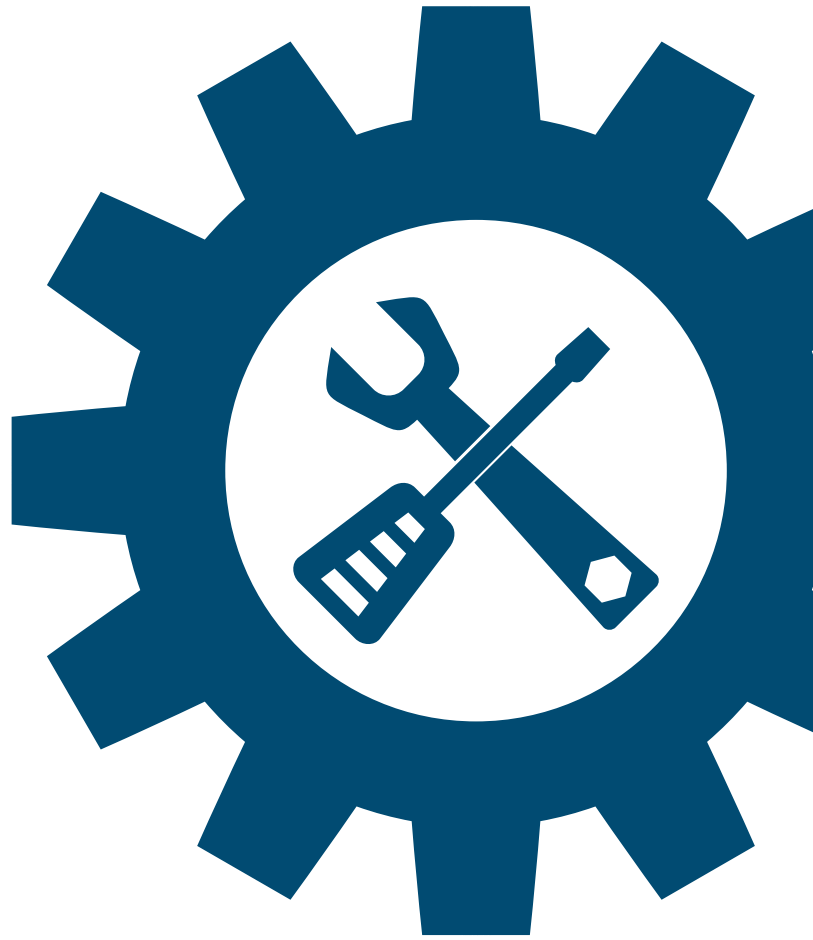
## KEEP TABS ON YOUR COMP SET

When the economy tanks, the fight for market share tends to intensify as hotels scramble to book rooms using all possible tactics in their arsenal. Sharpen your competitive edge now by getting familiar with who you're up against. Size up your comp set. Get familiar with their strengths and their weaknesses. Review their marketing and sales strategies, and what they're doing to boost revenue. Subscribe to their email newsletters, follow their social media accounts, and read their guest reviews. Smart hotel owners take a proactive approach to listening and looking for key insights into their competition. This intelligence will help you adapt to changing market conditions and stay ahead of your competitors.

# DEVELOP AN EMERGENCY BUSINESS PLAN



Different market conditions demand a different business strategy. Your hotel's financial goals will need to be rearranged to ride the downturn, so work out a contingency route now and be prepared to deftly prioritize your spending only to the areas that are key for business. Your emergency business plan should address operational and revenue-generating initiatives to deploy when the need occurs. And, your sales team will need to refocus their efforts on opportunities with the highest return, while your revenue managers should be keeping a watchful eye on your booking channels. By focusing on your highest-producing services first, you'll guarantee that your hotel will be operating from a position of strength when the lean times arrive.



Number 7

## STAY UP TO DATE ON IMPROVEMENTS AND RENOVATIONS

Nothing is worse than being the ugliest and the oldest on the block. With so many new hotel brands being introduced to the market in the past few years - many unabashedly going after coveted millennial travelers - older properties are under pressure to keep up with the market's expected modern amenities, chic aesthetics and Instagram-worthy experiences. If your hotel hasn't seen an update in years and it shows, take advantage of your current flourishing cash flow to invest in redesigns, renovations and overall improvements. Otherwise, once the economy slides, you'll discover that marketing a fading, aging property will drag you down faster than the rest.

Number 8

## INVEST IN QUALITY MARKETING ASSETS

When things start to tighten up, most hoteliers have the impulse to skimp on marketing to save money. The key is to invest in your marketing assets now, when your hotel is at its best and budget at its highest. Even during a downturn, your marketing materials - like your Website, mobile experience, photos - have the potential to impact whether someone will bounce or book. So, put money into building a stunning photo collection of your property. Hire a photographer experienced at shooting real estate, hotels, or architecture. Update your Website design, rework your marketing copy, and create short videos to share on your social media channels. When the storm hits, don't simply stop marketing. Just do it better and look for innovative free digital marketing tools (there are a ton out there) to help you weather the downturn.



Number 9

## BEWARE THE DOMINO EFFECT

If your hotel is brand affiliated, there are often loan covenants in place that can be triggered in the event of a default of the franchise agreement. Preserving strong brand relationships and being a good brand citizen begins and ends with adhering to established standards regarding product quality and service delivery. The best way to maintain control of your own destiny is to perform in the top half of the brand metrics and continue passing property brand inspections. Inevitably, this will keep you in the driver's seat.

Number 10

## **PAY FOR YOUR FRANCHISE LICENSE EARLY**

If your license is up in the next two to three years, you might want to consider an early renewal while cash flow is strong and the lending market is less restrictive. Not only will you be on stronger terms to negotiate now, but you also will be in an excellent position to withstand the cycle with a superior product, putting you in control.

## **CONCLUSION**

The storm clouds of an impending downturn might still be years away. Nonetheless, putting these smart systems in place will give you the flexibility and foresight to position your hospitality assets in anticipation of all economic cycles.

Financial downturns are inevitable, our cyclical history has proven that. But, don't panic. There's still time to minimize your risks. This is your opportunity to grab control of your hotel's destiny and steer your property to be a stronger and more resilient company that outperforms and outshines your comp set.



# ABOUT CHESAPEAKE HOSPITALITY

Chesapeake Hospitality is an exceptional third-party hotel management company with a track record of successful operations and outstanding financial performance. We have established an unparalleled reputation for results, specializing in repositioning and turnaround of existing assets, as well as renovation and development. For nearly 60 years, we've offered private equity, institutional and individual hotel investors and owners a unique opportunity to experience what's possible with a results-driven hotel management partner.

Passionate, experienced and hands-on executives drive each engagement, supported by best-in-business general managers who exemplify our values of honesty, integrity and humility. We are experts at balancing ownership's strategic vision with the practical immediacy of day-to-day operational demands.

Our proven framework of core operating principles includes strong financial and accounting controls, transparent communication with senior leadership, sophisticated revenue management strategies, established sales and marketing expertise, and creative and profit-generating food and beverage concepts.



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