



By Rick Swig

This Year's Critical Issues Will Escalate If Industry Doesn't Address Them Now

AT THE START OF THE YEAR, THE INTERNATIONAL Society of Hospitality Consultants determined what would be the top 10 issues for the industry in 2007. They were, in order: labor and skills shortages; construction costs; technology; changing demographics and their impact on travel trends; future of hotel profits; branding; distribution revolution; travel restrictions; global emerging markets; and capital availability. Now that the year is halfway complete, let's see how their predictions panned out.

ISHC noted that the availability of labor was the most critical issue. Hotels are now importing workers from Jamaica, the Philippines and various other locations just to support basic housekeeping and culinary services. In terms of salaried positions, hotel expansion and human resource attrition have reduced the experience and skills available for

product slicing and dicing to be considered.

Revenue managers are the new and dominant force, but can they figure out a way to successfully mix rate increases and market penetration tactics to boost profits? When will most markets learn to charge rates that are adequate to overcome expense growth and prevent further cutbacks on quality and service standards?

PricewaterhouseCoopers identified 24 new hotel brands in the last two years. Will any of them get the critical traction necessary to build familiarity with the customer?

Meanwhile, the transformation of global distribution systems in the 1990s helped to somewhat level the playing field. In many cases, the Internet has become the new distribution medium. Hotel operators, however, are now struggling to get their websites found over the clutter of key words and other optimizers.

And just when the dollar hits an all-time low, the US government makes it even more difficult for international travelers to gain entrance to the greatest travel bargain in decades. Meanwhile, greater global competition for travel currency has stimulated emerging destinations. Tourism has become the number-one industry in too many locations, and traditional destinations may be sustaining volume but losing market share. Why go to Vegas when there is Macau? Dubai is now the resort superstar. Luxury travel is as accessible in the "third world" as it is in the first world. Domestic leisure destinations and the US government's marketing initiatives need makeovers in order to compete.

Lastly, capital availability is contingent on maintaining investor and lender interest. Support will continue as long as the hotel industry's cyclical expansion continues. The gap between cap rates and interest rates is thinning, so is it time to worry about the length of the cycle?

All of these critical issues are only continuing to escalate, rather than subside, in 2007. And 2008 may be too late to start concentrating on them. ♦

The views expressed in this article are those of the author and not Real Estate Media or its publications.

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Can revenue managers figure out a way to successfully mix rate increases and market penetration tactics to boost profits?

key positions. The industry must take some aggressive action, from improving pay scales to pressuring the government to adjust immigration policies, if it is to attract a workforce to deliver the services expected by customers.

Construction and renovation costs have continued to soar in 2007. Global pressures on resources have overwhelmed even the most liberal budgets, while the ability to deliver goods on time to match renovation schedules has declined.

Technology continues to alter the ways hoteliers manage their businesses and customers make their purchases. Hotel owners and operators who have fallen behind the curve must invest now to catch up, whether it relates to operations, marketing and distribution or guest entertainment and telecommunications.

Demographic studies are proving that boomers, Gen X and Gen Y travelers are coming together to create a culture clash with their different moods and whims. And if you add travelers from emerging markets such as China and India, or the various subsectors within those demographic groups, from seniors and singles to families and gay travelers, there is even more