

Nobody Asked Me, But... No. 24

Loose Cannon, Fair Franchising, Manhattan Hotel Profits, Hotels of the Future, Interesting Miscellany, Quote of the Month

By Stanley Turkel, MHS, ISHC

1. Loose Cannon at Hotel Business Magazine - The recent printed apology by Jerry Merkin, Publisher Emeritus (Hotel Business January 7-20, 2007) regarding his gross misstatements about Lodging Econometrics put us all on notice that his opinions are often suspect. It was patently unfair for Merkin to confuse construction starts with forecasts for new openings.

Question: Why does the otherwise on-target Hotel Business continue to publish Merkin's off-target opinions?

2. Fair Franchising is Not an Oxymoron- Chain hotel companies (franchisors) try to convince hotel owners (franchisees) that they are partners in business. Their advertisements try to make owners believe that they are in the same business as franchisees. Never forget that franchise companies are in the business of selling franchises while franchisees are the business of renting rooms to hotel guests. The reality is that they are in vastly different businesses. Most franchisees do not receive any area protection from franchise companies who reserve the right to place a similar or sister brand hotel in the same market area.

Chains try to mitigate this competition by hiring outside consultants to measure the impact of the proposed new franchised property on the existing franchise. Stephen Rushmore, president and founder of HVS International says,

“The process of quantifying economic impact is so subjective and fought with bias, any hotel chain that relies on this approach is an attempt to appear fair and reasonable is shirking its responsibility to protect the interests of its existing owners. A much more equitable approach would be to negotiate a geographic area of exclusivity with the prospective franchisee that would require (franchisees) approval prior to granting a new franchise within the territory.”

3. 2006 Was The Most Profitable Year Ever for Manhattan Hotels- With 2006 average room occupancy at 85.5% up from 85.0% in 2005 and RevPAR up 18.1% in 2005 and 11.2% in 2006, Manhattan set all- time records in 2006. Ross Woods, principal of Hotel Investment Strategies says “over the past three years, Manhattan’s lodging market has experienced the most spectacular come-back of any hotel market in recent memory. The unprecedented turn-around in Manhattan’s lodging market demonstrates the resilience of New York City as the worlds’ leading business center and the professionalism of City’s lodging industry leaders.

Despite about 3,700 new rooms entering the New York market over the next three years, average room occupancy is forecast to remain in the high 80’s.

4. Hotels of the Future- the Hotel 1000 in Seattle runs on a Net-based platform that controls everything from the concierge’s wireless headset to water pressure in your room. The guestrooms are modern but comfortable with a free ultrahighspeed Internet connection, a 40” L.C.D. screen that does quadruple duty as a 5.1 virtual surround-sound theater, computer screen, satellite radio and digital art studio. There’s also a touch-screen VoIP phone that schedules wake-up calls, calls for your car from the valet, orders breakfast and checks your flight status- all with surprising ease. In the bathroom there is a deep soaking tub and a separate marble-walled shower. The tub fills from a hole in the ceiling without splashing. The Hotel 1000 has a popular restaurant, BOKA Kitchen & bar, 24-hour room service, a cozy lounge and a fourth-floor library with a fireplace comfortable reading chairs and an excellent book collection including Thoreau’s essays. (New York Times, October 15, 2006).

Other hotels operate on the cutting edge with hi-tech gadgets:

- At the new Regent South Beach (www.regenthotels.com) visitors checking into one of the 27 rooftop suites are given the Regent pocket butler, a cell phone the size a credit card that can be attached to a keychain and used anywhere in South Florida. Unlike normal phones, however, the pocket butler has only four buttons- one each to contact the guest services, the hotel’s chauffeurs, the hotel concierge and a personal 24-hour butler.

- At the five-star Rome Cavalieri Hilton (www.cavalieri-hilton.it) guests are handed a personal “city navigator”. It is both an MP3 player, with two loaded audio tours and a digital camera, making it easy for visitors to take snapshots during the six-hour walks. Once back at the hotel, the concierge will download the photos onto a compact disc.
- Starting April 1, guests at the Hilton Arc de Triomphe (www.hilton-paris.com/arcdetriomphe) in Paris will be able to rent a TAO city P.D.A. in either English or French for 10 euros (or \$13.50 at \$1.35 to the euro). The device has a detailed touch-screen map fitted with a G.D.S. system- a handy feature when navigating the 12 avenues that radiate from Etoile. Not only can it map the way to hundreds of restaurants, bars and shops, it also serves as a guide to hundreds of historic sites and works of art in the city’s museums.

5. Interesting Miscellany

- Number of sheets used on one QE 2 trans-atlantic voyage: 11,600
- Roasting chestnuts smell better than they taste
- By 2010, the University of Michigan Survey Research Center predicts that RV’s will be owned by 8.5 million households outpacing overall U.S. household growth of 6%. The first six months of 2006 saw a 14.3% increase in delivery of new RV’s.
- New timeshare sales in North America were up over 9% in 2005 as compared to 2004.
- Remember that even in this robust travel economy, 36% of all hotel rooms are empty every night on average.

6. Quote of the Month- “Our lives begin to end the day we become silent about things that matter.”

Dr. Martin Luther King, Jr.

Stanley Turkel, MHS, ISHC operates his hotel consulting office as a sole practitioner specializing in franchising issues, asset management and litigation support services. Turkel’s clients are hotel owners and franchisees, investors and lending institutions. Turkel serves on the Board of Advisors at the NYU Tisch Center for Hospitality, Tourism and Sports Management. He is a member of the prestigious International Society of Hospitality Consultants. His provocative articles on various hotel subjects have been published in the Cornell Quarterly, Lodging Hospitality, Hotel Interactive, Hotel Online, AAHOA Lodging Business, Bottomline, New York Times, etc. If you need help with a hotel operations or franchising problem such as encroachment/impact, termination/liquidated damages or litigation support, don’t hesitate to call 917-628-8549 or email stanturkel@aol.com.