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Outsourcing for Hotels 101

By [Michael Doyle](#), *Managing Director and Executive Vice President, CHMWarnick*

Hotels have historically outsource services to restaurant operators, parking and audio visual professionals, with resorts often outsourcing recreational services and landscaping as well. Today's options for outsourcing are much broader, as new firms have developed business models to provide expertise with greater efficiency at lower costs. Have you considered outsourcing your entire housekeeping operation? How about stewarding, overnight cleaning, or laundry operations? Other options could be banquet services, night cleaning, HVAC Services or Accounting Services.

As we develop this series of articles and focus on the evolving outsourcing opportunities, it is important to ask the question -- Why do Hotels outsource? Or, stated a little differently, Why should I challenge the traditional operations model and introduce uncertainties into my operation? Hotels outsource to meet the changing demands of the labor market, cope with high and increasing costs of benefits, better meet the needs of their guests, bring added expertise to the team and accomplish this at low cost with high margin benefits. In short, we outsource to maximize profitability.

Outsourcing does not necessarily mean a loss of quality or of control. The best firms bring expertise and talent to your team. Success is achieved when these third parties are fully integrated into the operation and not treated as outsiders. The successful operations have their third party partners participating in meetings both internal and external (yes - with clients), providing cost and revenue enhancement opportunities and being held accountable to the service delivery standards set by the Hotel Manager or Brand. Managers will also benefit from the additional resources from off-property leadership of these firms to fully leverage their expertise to drive performance.

Established third party firms have developed over the last several years and are dedicated in their area of expertise. They bring knowledge, experience and resources to meet the changes in demand posed by Hotel operations. These firms are the subject matter experts in their disciplines, often bringing capital resources in equipment and can be an excellent resource to Hotel managers in meeting changing needs, including the ability to flex with the business demands of the operation. Hotels have adapted and crafted over the years processes and practices to integrate these third parties into the operation and service culture. The benefit of this focus should result in a seamless experience for the client, complementing the efforts of the Hotel.

Integrating a third party into your operation takes careful planning and commitment. No matter the scale of initiative, it is critical to think through and identify the scope of their responsibilities. Doing the homework up front will avoid unnecessary issues in not only the execution of the contract but more importantly the service to your guests - even if the outsourced service is not forward facing to your guests. Here are some steps to consider taking in the development of the scope of work:

- Development of a detailed responsibility task list for each of the positions that will be outsourced
- Speaking with colleagues whom have outsourced (successfully and unsuccessfully) to learn about best practices and importantly lessons learned. Essentially, what would you do differently to make the integration more successful?

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Energy Benchmarking: Tracking Real Time Energy Usage

By [Scott Parisi](#), *President, EcoGreen Energy Solutions*

The hospitality industry is a unique sector when factoring in the total amount of guests that visit any given facility in a single year. Most commercial buildings do not see nearly the amount of people visiting their facilities in comparison to the lodging industry's visits. The Environmental Protection Agency has reported, "on average, America's 47,000 hotels spend \$2,196 per available room each year on energy."

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Hospitality Needs to Shift Its Attention to People

By [Rauni Kew](#), *Public Relations & Green Program Manager, Inn by the Sea*

In 1994 & 1995 a British economist working on corporate social responsibility coined two phrases- Triple Bottom Line, and later People Planet & Profit. The simple three word

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Conducting site visits to operations that have outsourced to see first-hand the performance

As asset managers, we also see the potential of engaging a third party as an opportunity to determine if there are processes or services that are either no longer necessary or may be redundant. A thorough review of the tasks may highlight these and may contribute to identifying some additional cost savings.

Following the development of your scope of work, distribute your RFP (request for proposal) to the qualified

organizations as you would with any services. You will benefit from a disciplined approach in conducting this process. Inviting bidders to visit the property will provide you with opportunity to develop a sense of their expertise and gauge a level of interest.

We highly recommend scheduling formal reviews of the bids as these structured settings allow you to through a Q&A approach to learn not only about the firm presenting themselves but also about best practices that may help you modify and refine your final plan. We find these meetings present the opportunity for the management team to also convey expectations and issues of critical importance to the operations and the hotel brand if there is one. Make sure you confirm the bidder is fully understanding of the scope so that their pricing is validated and you have no surprises.

Remember, the lowest cost bidder is not always the best in the long run, especially if they do not have your work plan properly priced. Managers tend to focus on the short-term and the potential transition. Take the opportunity to review the bid looking out six months, one year and beyond to confirm costs and structure. Where possible, involve key members of your team to support your effort as they will all bring a perspective to the process not to say a commitment to make the outsourcing initiative a success. Establishing buy-in from the operating team is a positive team building exercise as well.

Once the meetings have been held (even if there is only one bidder), the most important work as part of the decision process must be finalized. This is the refinement of the ROI (return on investment) and the structure of the business deal. ROI models need to look out beyond one year. Evaluate the agreement as such to provide you with the greatest benefit and flexibility. The agreement should outline clearly the services being provided along with the obligations of the hotel. In addition, make sure you focus on the following as it will impact pricing:

- Is the term providing maximum benefit - should it be 1, 2, 3 or 5 years?
- What does the renewal look like? Is it automatic, does the hotel have the right or does your third party partner? (As asset managers, we want to have control here in the renewal rights)
- Does the agreement encumber the asset for the ownership? (As asset managers, we look to have agreements terminable upon sale if the buyer does not wish to assume)

With the RFP, tours and bid meetings complete, you should now have all the information to factor into the ROI model. Comparing the proposed contract against current costs is only one part of the analysis. Factoring transitional costs should be included and if not fully identified, plug a range so you go into program with eyes wide open with realistic financial targets. The ROI should result in three outcomes:

- Validation of the decision to outsource (Yes or No)
- Establishment of measurable benchmarks for the team to track moving forward

Provide a framework for review with bidders to determine, if necessary, whether to reach out one more time for best and final offers. Do not be shy to request a final-and-best bid price following the bid review meetings.

What we have found in managing these processes is that you can also identify future milestone dates that need to be set and agreed upon. These would allow the parties an opportunity to evaluate performance so that necessary adjustments can be made to the program or processes of which some may impact costs (frequency of these reviews will be determined by complexity of the agreement).

Following the finalization of an agreement, you will now shift focus on the final steps of the process, while remembering that you are bringing in a new partner. Transition planning now becomes the primary focus. Make sure you are not only working with the key players involved with the company but also with the manager(s) and/or supervisor(s) that will be working at your property. Like any sports team, success is achieved when you have a game plan that contemplates likely outcomes but is prepared for adjustments, as there are always ones to be made. Intense focus should be placed on this step with frequent follow-up post transition touch points - daily meetings for a period of time may be required. There is no formula here as you need to do what is best for your hotel and your organization to make the plan work.

phrase describes a sea change in hotel operations that would take place over the next 2 decades. John Elkington's minimal catch phrases for the complex theories of sustainability were easy to understand and provided a simple road map for business. Recognizing cost savings from reductions in water, waste, energy and chemicals as well as the value of preserving regional icons as travel destinations, the Planet piece of Elkington's phrase is now accepted as mainstream hotel operation. [READ MORE](#)



The Wellness Trend in Hospitality

By Lawrence Adams, Principal, ForrestPerkins

Explore the evolution of wellness in hospitality from the early days of Greco-Roman Thermae to the thermal spas of Central Europe and US resort towns to ultra-modern spas in the heart of the Swiss Alps. As wellness takes on a renewed importance in hospitality, we see medical science-based technological innovation applied to the health and well-being of hotel guests through the Stay Well Rooms program created by health-centric real estate developer Delos. Learn how major hotel firms are incorporating robust wellness programs into their brands. Watch wellness evolve to satisfy growing market demands with technological advances and innovative programs. [READ MORE](#)



Luxury Tourism's Emphasis on Eco-Tourism

By Mandy Chomat, Executive Vice President of Sales & Marketing, Karisma Hotels & Resorts

Over the years, luxury has been defined by everything from fancy objects and shiny finishes to exceptional service and authentic experiences. Today's definition of luxury encompasses a new element, eco-consciousness. Whether a property is Platinum LEED certified and positions itself as "green" or simply promotes responsible practices, an element of eco-tourism is now the expectation at upscale hotels and resorts around the world. [READ MORE](#)

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Previously mentioned, you are hiring a partner. Integration into the culture and the processes of your property requires a full commitment. Treat them as if they are your own, as they will bring to your operation insight and expertise that may help you shape the property performance. If you do not take advantage here, you may be missing opportunities.

Stay tuned for future articles in this series that will explore specific areas of outsourcing and key considerations specific to partnering in departments such as food & beverage and housekeeping, among others.

Michael Doyle, CHA is a Managing Director and Executive Vice President of CHMWarnick. Doyle brings more than 30 years' experience in operating, developing and asset managing first-class hotels and resorts, and golf properties. He leads a team of senior asset managers in the oversight of a client portfolio of over 60 hotels, 27,000 guestrooms and \$15 billion in client investments. He is responsible for introducing best practices reporting standards, conducting operational reviews, identifying opportunities to create value through revenue enhancement and cost containment, and fostering positive working relationships with the property management teams to work to implement initiatives in support of owner investment goals. Mr. Doyle can be contacted at 978-522-7000 or mdoyle@chmwarnick.com. Please visit <https://www.CHMWarnick.com> for more information.

[Extended Bio...](#)

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Coming Up In The June Online Hotel Business Review



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FEATURE FOCUS

Sales & Marketing: Who Owns the Guest?

Hotels and OTAs are, by necessity, joined at the hip and locked in a symbiotic relationship that is uneasy at best. Hotels require the marketing presence that OTAs offer and of course, OTAs guest's email when it sends guest information to a hotel, effectively allowing OTAs to maintain "ownership" of the guest. Without ready access to guest need hotel product to offer their online customers. But recently, several OTAs have decided to no longer share a data, hotels are severely constrained from marketing directly to a guest which allows them to capture repeat business – the lowest cost and highest value travelers. Hotels also require this data to effectively market to previous guests, so ownership of this data will be a significant factor as hotels and OTAs move forward. Another issue is the increasing shift to mobile travel bookings. Mobile will account for more than half of all online travel bookings next year, and 78.6% of them will use their smartphone to make those reservations. As a result, hotels must have a robust mobile marketing plan in place, which means responsive design, one-click booking, and location technology. Another important mobile marketing element is a "Click-to-Call" feature. According to a recent Google survey, 68% of hotel guests report that it is extremely/very important to be able to call a hotel during the purchase phase, and 58% are very likely to call a hotel if the capability is available in a smartphone search. The June Hotel Business Review will report on some of these issues and strategies, and examine how some sales and marketing professionals are integrating them into their operations.

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