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Do asset managers play a role in revenue, profit generation?

By CJ Arlotta on

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ASSET MANAGEMENT REPORT

NATIONAL REPORT—The asset manager's role has evolved over the years. These businesses are becoming more and more active, working hand in hand with management companies. What hasn't changed: the asset manager's end goal for clients.



"Asset managers do play a key role in revenue and profit generation," said J.B. McKibbon IV, asset manager of McKibbon Family Investment Fund at McKibbon Hospitality. "An asset manager will typically select the management company that will operate an asset, which has a significant impact on overall financial performance. Beyond management selection, asset managers continue to work with management teams to ensure the owner's interest are kept top of mind."

Fern Kanter, managing director/EVP of CHMWarnick, said asset managers "hold the operating team to task on initiatives, measuring progress, results, performance and the continual pursuit of improvement. Believe it or not, another performance influencer is knowledge.

Having worked with a wide range of properties, brands, managers and markets, asset managers pass down their unique perspective—depth and breadth of experience—to their clients."

This acquired experience enables asset managers to challenge the status quo. "One idea begets another, which sparks another, and where you end up may not look anything like where you started, but this fluid approach to value enhancement can only come once the conversation is started—and asset managers do just that," she said.

Over time, the asset manager's role has become more active, regularly engaging and working with management to positively impact future performance. "I expect this level of involvement to continue, particularly as dynamics continue to change at warp

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speed,” Kanter said. “And, in this environment, the most successful asset managers have evolved to becoming equally a resource for management as they are an agent for ownership.



“We introduce new ideas, technologies and best practices, allowing management to be more nimble in their application of strategies that have already proven successful elsewhere,” Kanter continued. “We bring great efficiency to the process when there is no time for long periods of experimentation.”

Of course, for asset managers, the ultimate objective is to maximize hotel revenues and profits. “One of the benefits of having an experienced asset manager is that they can identify if the hotel is running at full potential and know how to course correct if the hotel is not achieving its optimal performance,” said Erik Johnson, VP of asset management at Benchmark Owner Advisory Group.

That being said, experienced asset managers are also capable of adapting to an industry becoming more complex each day. “With the ever-expanding distribution channels and customer base, as well as all the changes in revenue management, technology and legislation, the asset manager not only has to stay current to stay relevant, but also should be in front of the trends in the industry and how they relate to the needs of the property owner,” he said.

Asset managers willing to learn have the best chance of surviving in today’s current environment. “My best advice is to read, read and read some more to stay abreast of current trends, be more anticipatory of future issues and incorporate that knowledge into your conversations with the operating team and KPIs by which they are measured,” Kanter said. Without continued education, asset managers are doing a disservice to themselves and their clients by leaving potential revenue on the table.

“Asset managers are increasingly collaborating with management teams to share and implement best practices and improve performance,” McKibbin said. “They are also proactively investigating and testing new technologies to boost sales and save on costs.

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If an asset manager can bring something to the table that a management company doesn't already have, it's a win-win."

Geographic expertise can propel the value of asset managers. For example, some markets make it harder for management companies to hire employees (for instance, much of the labor force in Manhattan is unionized). Aware asset managers—those mindful of regulations and city codes—can help properties streamline any potential issues ahead of time.



"Having local market experience provides advantages in having a better understanding of market dynamics and a better anticipation of slow cycles," Johnson said.

Not having geographic relevance isn't always a deal breaker, though. "It sounds contradictory, but there are benefits to coming in with market knowledge, and also to coming into a market eyes wide open with no preconceived notions to limit your sphere of perceived opportunities," Kanter said.

What's more important at times than geographic reach? Being able to obtain intelligence and use it to assess performance. "Having a trusted network of the right contacts in the market, and the skills and proven track record of how best to leverage the operating team and their local market is where the rubber meets the road for asset managers," she said. "The relationship aspect of asset management trumps individual market knowledge every time."

Expectations from owners continue to rise; they're demanding more from their asset managers. "Asset managers are being called upon to expand the playbook well beyond traditional plays, with an eye toward the future," Kanter said. "Asset managers must become even more diligent and creative in looking to new, smarter (i.e., more profitable) ways of growing revenue, as well as finding efficiencies that can be created through new technologies or strategic partnerships."

Leveraging new technology can assist asset managers with navigating today's landscape. "Technology is really changing the way we work, and disrupters continue to shape the environment to which we must adapt," she said.

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For example, new technology solutions can help asset managers reduce property costs. “If you want to maintain or grow margins in this environment, you must be creative,” McKibbon said. “Asset managers should be focused on ways to reduce cost without being a detriment to the property. Recently, I have been focused on productivity improvement technologies that can lower the overall cost of labor.”

Using technological advancements to help properties generate revenue is how some see the future of the asset management field. It’s about collecting data and leveraging it.

“The future in asset management is business intelligence (BI),” Johnson said. “Hotels produce a ton of data, and the ability to collect, analyze and reach data in a dynamic manner can have a huge impact on a hotel’s bottom line. Asset managers are, or will be, focused on developing or enhancing their BI platforms, so that they can better track and predict hotel performance.” HB