

What you need
to know about

Hotel Asset management

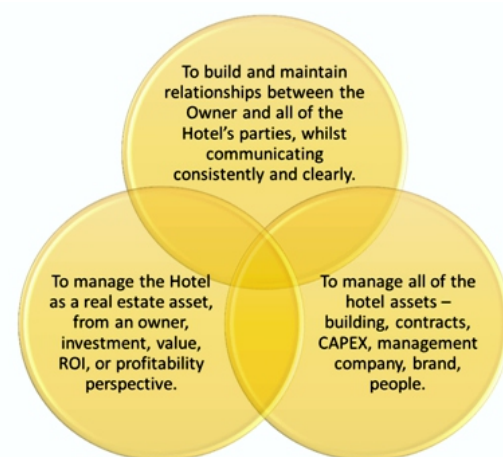
Now, in Africa, hotel asset management is attracting increasing interest from developers and owners and is set to grow in importance as the number of hotels continues to grow rapidly across the continent.

What is hotel asset management?

To find a definition that covers all aspects of hotel asset management is not easy. One example is the definition used in the book *Accounting and Financial Management, Developments in the International Hospitality Industry*, by Harris & Mongiello: 'The commitment of resources for the purposes of enhancing value and maximizing owner's returns'. This definition and indeed hotel asset management, generally, presupposes that ownership and operations are vested in different parties. Another good example of a definition of hotel asset management is given by senior lecturers Humphries and Judge, who developed the brand new module Hotel Asset Management (HAM) at the [Ecole Hôtelière de Lausanne](#) (EHL) in Switzerland. They look at it as a closely intertwined set of definitions:



» Several years ago, when hotel asset management was still in its early stages in Europe, I had the fortune to be tasked with looking after a UK portfolio of internationally branded hotels.



Source: Ecole Hôtelière Lausanne, Humphries & Judge, 2015

This definition looks at all aspects of hotel asset management, not just at trying to increase the numbers on the bottom line of an operating statement.

The asset manager aligns objectives between hotel owner and hotel operator, manages the relationship, and sets goals, monitors them, and reports.

Why does a hotel owner need a hotel asset manager?

You could also ask, why worry as a hotel owner about details and specifications if you like to look at the big picture? Perhaps the big question of any hotel owner would be why they would out source this responsibility to a supposedly better prepared professional. The answer is that an asset manager can free up a hotel owner's time by taking on those specific tasks, such as:

- Managing a refurbishment
- Renegotiating a contract
- Monitoring monthly operating statistics
- Ensuring that the hotel is reacting to changes in the market
- Maintaining a sustainable and excellent relationship with the operator
- Optimising the use of available space
- Creating revenue-generating initiatives that do not involve extensive additional cost – flow through to GOP

monitoring requires certain skills an owner may not possess, but which they can acquire through an asset manager. This way, an owner can focus on the big picture and at the same time make informed decisions to drive revenue.

To give you an example, we worked as the asset manager on the owner's side for a 1,000-room four-star central London hotel undergoing complete renovation. One of the tasks was to define and monitor the budget for small operating equipment, which for a hotel with 1,000 rooms,

several restaurants, and a large meeting space was significant. The owners, a large bank, had no experience (and really shouldn't have to either) in furnishing a hotel with thousands of cups, teaspoons, and other bits of small operating equipment. By keeping both owner and, most importantly, the operator updated on spending progress, we maintained the budget and saved the owners' time. The owners, through the involvement of the asset manager, maintained an excellent relationship with the management of the hotel.



This detailed research and

An asset manager can be contracted on a monthly basis – this is the most used form of contract due to the monthly reporting requirement of hotels. In addition, they are also used on an ad hoc basis, for example, during a refurbishment, whilst building an extension, or in a hotel's development phase.

If an owner needs monthly monitoring of a hotel, an asset manager should ideally be appointed for a minimum of 12 months, as suggested improvements may take time to come into effect. For example, if an asset manager sees an opportunity to increase revenue by sourcing outside membership for the hotel's health spa, it will take at least six months for the new sales strategy to fully reflect in terms of membership numbers.

The asset manager could be remunerated with a fixed fee per month, or with a fixed fee

supplemented by a variable element depending on the success of the asset manager's involvement.

Who can do it?

An asset manager needs experience on both the investment and hotel operations side to be able to balance the interests between owner and operator and maintain a successful relationship with both. Diplomatic skills are a must, communication skills vital, and organizations skills fundamental.

An owner should search for an asset manager with these combined skills and then can rest assured. What follows then is long-term planning and the drive of profitability with minimal cost impact as well as optimized asset value and appropriate exit strategy.

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