

Hotel management: The balance between luxury and profit

 By [Guy Stehlik](#)

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I remember the days when we hoteliers had the luxury of daydreaming of ways to delight our guests, conjuring up new ideas, even improving things that seemed to be working. Worrying about spoiling, delighting and pampering our guests was the central concern of every decision we made. Ahhh, the luxury....



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Nowadays it seems that our general managers and management teams are spending their hotel management moments worrying about cash flow, stressing over budgets, agonizing over revenue: in short, money.

Two kinds of hotels

There seem to be two kinds of hotels in South Africa: those that offer owners Return on Ego (ROE) and those that offer Return on Investment (ROI). There are a fortunate few hotels, probably more than we are aware of, who own the 'ego luxury', offering the most extraordinary services and enchantments to delight their guests. These hotels are up there with the best. If I am honest, I find myself jealous, a touch green with envy, at endless budgets and unrestricted expenditures, the ability to import or head-hunt the best management and staff for showcasing their superb offerings. But surely, if they don't also offer a Return on Investment, we must question how long (if ever) the hotel would take to show profitability.

As for the rest of us, striving for Return on Investment can be an uphill battle. Some hotels find it easier than others to create an ROI, but others, and even a few in the BON stable find it challenging to create healthy financials and strong cash flows. This is rarely due to bad operators or poor management. Rather, these properties are usually plagued with legacy issues. These types of hotels require immense effort: strong financial management skills, cash flow analysed daily, every single cent accounted for, strict supplier management and expenditure hoops, cherry picking of expenses, the requesting of three quotes for basic supplies, in other words, there are no luxuries.

The general managers fighting the battles to regain Returns on Investment can only be described as Trojans, warriors of the hotel industry, far removed from those bantering about luxuries and guest surprises.

ROI-challenged hotels

A typical working day for these ROI-challenged hotels is spent doing things outside of delighting guests, which is

fundamentally unfortunate. These Trojans are facing all sorts of pressures in this sordid cycle: if you cannot spend your energies on ways of delighting your guests, then the guests are unlikely to return. But to delight guests, there must first be profit.

While it is unrealistic and irresponsible to think that any business - a hotel, in particular - is not going to be affected by cash flow strains from time to time, it is equally unrealistic, and moreover unfair, to have cash flow hanging like the Sword of Damocles over the hotel. The ability of the general manager, supported by a head office and sales team, to trade out of these conditions is paramount.

Contrarily, what does a day look like for those hotels whose cash flow is inconsequential to the daily operations? Rocco Forte, famous for The Savoy Hotel and The Forte Group, held a daily morning meeting with his staff, boardroom style. He insisted that one seat at the boardroom table was reserved for the guest, always at the head: a guest-centric approach that surely hoteliers strive for. What a luxury to sit at a boardroom table without a rush to discuss the best style of 'turndown', the best chocolate to place on a pillow, the best coffee, how to reward guests, how to improve the flow of the breakfast buffet. These are the things hoteliers dream of focussing on.

While every business needs to be profitable, there is such a thing as a happy balance between profits and classy standards. In fact, you cannot achieve profits without having the right standards in place, even delightful ones.

The one will look after the other.

ABOUT GUY STEHLIK

Guy Stehlik is the CEO and founder of BON Hotels and Director of BON Hotels International West Africa. Having vast experience in all aspects of Hotel Management as well as having owned his own hotels, Guy created BON Hotels as an "owner-staff-community-guest" centric company to herald in and define an exciting new era in hotel management.

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