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NEW OPENINGS BRING NEW CHALLENGES

The Asia Pacific region is experiencing a hotel construction boom. Based on years of strong economic growth and investor confidence, more hotels are constructed in our region on an annual basis than in any other place in the world. KLAUS KOHLMAYR from IdeaS Advantage examines the health of the sector.

The frantic pace in which hotels are being constructed and opened is leading many in the industry to question whether these hotels are adequately prepared for the challenges they face in optimising their revenue potential.

According to the global authority for hotel real estate, Lodging Econometrics, as of October 2007 there were a total of 1555 hotels with a combined 366,679 rooms under construction in the 24 countries making up the Asia Pacific region.

While increased construction is occurring throughout the entire region, development in China – particularly in the lead-up to the Beijing Olympics – has been underpinning our regional boom. In total, China has 7882 different projects underway with a combined 222,591 rooms. China currently accounts for 50 percent of all planned projects in the region and a staggering 60 percent of all guestrooms.

Hong Kong, as a financial and transportation hub in the Asia Pacific region, is also experiencing record levels of construction. This, in part, can be attributed to the expected freeing up of the Hong Kong economy, which will allow for Chinese investors, both individuals and institutions, to openly invest in the market. In preparation for this economic resurgence Hong Kong is expected to open 50 new hotels in coming years, split evenly between Hong Kong Island and Kowloon Island.

In spite of the rising number of hotels and resorts opening annually throughout the Asia Pacific region, however, many hotels are struggling to reach their optimal revenue potential due to inadequate pre-opening preparation and a lack of in-depth pricing and channel strategies.

With a hotel typically requiring nine to 12 months post-opening to achieve its full potential, every effort must be undertaken to ensure a hotel is 'revenue optimised' from well before its doors open, thereby ensuring a higher revenue flow and, in turn, a better return of investment for both hotel owners and hotel managers alike.

PRE-OPENING PHASE

There are many areas that need to be covered throughout the pre-opening phase of a hotel, ranging

from establishing market segment strategies to undertaking comprehensive competitor evaluation, pricing research and processing and forward planning. It is also important that all hotels follow a structured, standardised approach to pre-opening to ensure consistent and effective results from day one.

Being adequately prepared prior to a hotel opening is of particular relevance in India, where current economic growth has driven record levels of hotel and lodging construction in recent times. With 261 projects currently underway and a total of 47,647 rooms, India is second behind China in terms of hotel construction.

Hotels, such as those new facilities being built in India and throughout the region, should consider addressing their pre-opening processes in three stages, which allow for a mixture of on-site training and strategy preparation.

A strategy setting process, in which pre-opening revenue, marketing processes and actions are developed, should be undertaken six to nine months before a hotel is to open and ideally consist of:

- a hotel strategic analysis, including a study of micro-market/overall economic factors that could affect the hotel's performance
- a thorough analysis of the market and competitive set, including competitor value/benefits positioning across a range of price points
- sophisticated pricing structures, based on market conditions, segmentation and hotel positioning
- relevant channel strategies according to product positioning and market environment and cement 'product positioning' (i.e. hotel descriptions, room type descriptions, etc) through all channels, and
- development of market segmentation strategies and action plans, together with the sales and marketing department, with a particular focus on business with long lead times (wholesale/groups etc.).

A pre-launch process, such as that carried out within the IDEaS pre-opening support program, which ensures that all stakeholders are fully trained and able to implement appropriate revenue management strategies, is also vital. This process should be undertaken around three months prior to a hotel's opening and focus on check-



ing that all systems and channels are revenue optimised, all revenue influencers are appropriately equipped with knowledge and tools are in place to maximise a hotel's performance from day one.

Lastly, all staff working alongside or within the hotel revenue management team need to be provided with guidance and support during the hotel's crucial initial operating period, between 60 and 90 days after opening. Continued staff support once a new hotel has opened, together with post-opening strategy evaluation, will ensure staff are able to meet their set strategies and handle market expectations as they develop.

The success of a particular hotel or resort can be decided in the initial few months, both in terms of industry reputation and financial success, making

the implementation of an appropriate and flexible revenue management program essential. **FM**

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