

Making an investment profitable

Q: I find myself in a dilemma: I don't want to sell my hotel business, but it just isn't going anywhere financially. How do I turn my economic future around and start making good profits?

The good news is that, if the owner doesn't want to sell the business, the likelihood is that, over time, the business will appreciate in value. A very reputable study has shown that the returns from a long-term investment in branded provincial UK hotel assets typically outstrips investments in the stock market, other categories of property or building societies. So assuming 'hold' is the investment strategy, how to make good profits and thus go somewhere interesting financially?

Investment should start by better understanding the markets and customers. Start off by determining your actual and potential customer needs and wants. Find ways to capture and assess customer feedback and learn how to predict customer purchasing behaviour.

Work hard at measuring customer satisfaction – monitoring not only satisfaction with the products (rooms, wedding packages, health club memberships) but also the service levels and monitoring customer satisfaction with problem resolution and communication.

Look out from your own business and monitor changes in the market or customer expectations.

Once you are understanding your customers better, understand your competitors. Monitor them and continually better their offerings.

Once the hotel owner has improved this process, attention should change to developing a new vision and strategy. This will start by monitoring the external environment to understand identify economic trends, political and regulatory trends. There'll need to be an assessment of technology innovations and also identification of key social and cultural changes.

From these, the investor can move on to define the hotel concept and its strategy – such as what the relevant markets for the business from tomorrow onwards are and what the long term vision is. This understanding will facilitate an assessment of the organisation needed to deliver the vision and strategy – What is core and what should be outsourced? What is the role of a brand? Are there key alliances that should be formed?

All investments need TLC to blossom; hotels are no different.

End

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