

## Profits are dropping

**Q. Profits are dropping at my Bradford Hotel. As a solution, I am considering becoming a franchisee and re-branding the property. Is this a good idea and how do I choose the best brand for my hotel?**

### Opinion

#### Is this a good idea?

Rebranding will not of itself address a decline in profits. Profit is the result of managing revenues and costs - and branding is unlikely to have a major impact on costs, except the obvious one of increasing them.

Ask yourself if revenues are falling and if the rate of decline can be slowed or reversed by rebranding or if rebranding can allow you to sell into markets currently not available to you.

Maybe the market is falling. You can test this by looking at the trend in your revenue generation index (RGI) against your competitive set. You should engage with Deloitte or TRI to obtain this data and then use the best consulting revenue manager to interpret the trend. This first phase will tell you objectively if something is wrong and will suggest the value gap that a rebranding exercise can help you close.

Franchisors will demand compliance to brand standards and this will bring a requirement for capital expenditure and will probably increase operating costs too. So you need to be sure that the marginal income that a franchise will bring provides a good return on investment.

#### How do I choose?

Well, not on price. You chose the best brand by making sure you know where you are weak and where your competitors are weak, as well as looking at the actual delivery by the different brands in these areas. Some brands will be stronger on business demand than leisure. Shop around, or use a consultancy. Understand the cost-benefit equation.

And don't ever underestimate the change that branding will bring to the culture of your business. Talk the options though with your management team and staff and make sure that they are onboard for the many changes that may have to take place.

For further thoughts, download the article entitled "**All change**" from <http://www.hotelsolutionspartnership.com/downloads.php>