

The Textbook of Hospitality

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AFTERWORD

GLOSSARY



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Introduction

At Inverlochy Castle in Scotland, guests are greeted by the proprietor at the foot of an elegant, stone staircase, as they walk to the dining room to enjoy a meal prepared by a chef from Buckingham Palace.

Guests arriving at the Plaza Hotel in New York City find French perfume and chilled champagne waiting in their rooms. The furnishings are suitable for the bedrooms of European royalty.

When a plane lands at Tongatapu in the idyllic South Pacific kingdom of Tonga, an enthusiastic throng of Polynesians greets every traveler like a celebrity.

At the Bangkok Regent, guests wake every morning to find their shoes perfectly shined.

At the Hotel Plaza Athenee in Paris, the staff memorizes the name of every client upon arrival. When they depart, guests feel as if they have been visiting a close personal friend.

At the intimate Mataqi Island Resort in Fiji, departing clients listen from their boat as the melodic farewell songs of the hotel staff drift over the turquoise waters.

All these are images of hospitality – of warm greetings, fine accommodations, and friendly actions. Behind these images are highly skilled, trained professionals who chose a career unlike any other. For the people who serve on the staffs of hotels, motels, and resorts around the world, hospitality is not merely a tradition; it is a way of life.

A dictionary defines hospitality as the friendly reception and treatment of strangers. For most people, hospitality means entertaining guests with courtesy and warmth. Hospitality is also an industry made up of businesses that provide lodging, food, and other services to travelers. The main components are hotels, motels, resorts, and restaurants. In all of these businesses, the "friendly reception and treatment of guests" is paramount to success.

In a broad sense, the hospitality industry might refer to any group that is engaged in tourism, entertainment, transportation, or lodging, including cruise lines, airlines, passenger railways, car rental companies, and tour operators. However, the two main segments are the **lodging industry**, which may also be referred to as the hotel industry, and the **food and beverage industry**, which may also be referred to as the restaurant industry. The lodging industry is made up of businesses that provide temporary

housing for pay. Such a business is called a **lodging establishment**, and the people who stay in it are called guests or clients.

Hotels, convention centers, resorts, motels, and inns all are types of lodging establishments. A particular hotel is referred to as a property. Two or more properties owned or operated under the same name or managed by the same company make up a chain. The people who work at a property often refer to the hotel as "the house."

Lodging establishments, including hotels, convention centers, and bed-and-breakfast inns, represent the seventh largest industry in the world and generate approximately US \$36,000,000,000 (22,464,000,000,000 RMB) in annual sales.

The modern hospitality industry is complex and diverse. The owners of hotel properties range from small business owners to multinational corporations. Grand hotels like the Paris Ritz, Waldorf-Astoria, and Sheraton Palace were once famous for their grandeur and size, but most hotels today have fewer than 100 rooms and are operated by independent business people.

A career in the hospitality field is one of the most challenging, yet most highly specialized, professions. When people stay in a hotel or dine in a restaurant, few of them realize how many different skilled workers are required to make the operation run smoothly – and profitably. Career opportunities abound for trained workers entering the hospitality field. The work environment is interesting, with numerous opportunities for advancement.

In this textbook, you will explore the lodging industry past and present, then examine how a modern hotel operates. You will explore reservations, room management, front desk operations, guest services, and hotel automation systems. To apply what you learn, you will create and operate your own hypothetical "hotel," managing all of the functions that are required to keep your hotel operating efficiently and profitably.

The Employment Outlook in the Hospitality Industry

The hospitality industry provides numerous opportunities for employment and advancement. The constant development of new hotels, the expansion of existing chains, and the opening of new resorts create a continual demand for trained professionals in all employment categories. A steady supply of job openings is usually available at almost any mid-size or large hotel.

CHAPTER 1

The Hospitality Industry Past

Chapter Objectives

After completing this chapter, you should be able to perform the following tasks:

1. Identify important historical figures and events that influenced the shape of the hospitality industry.
2. Explain the origin of the word hotel.
3. Describe the features of early inns.
4. Explain the contributions made by Isiah Rogers, Ellsworth M. Statler, Conrad Hilton, Kemmons Wilson, Howard Johnson, and Willard Marriott.
5. Describe how trends will affect the future of the hospitality industry.

The Lessons of the Past

The past and present of the hospitality industry are closely linked. Today's lodging and restaurant industries are the result of many centuries of social and cultural evolution. Comfortable, sanitary lodging once was considered the exclusive privilege of the wealthy, but with the rise of industry and the spread of transportation, hospitality became available to the common citizen. Advances in transportation enabled more people to travel greater distances at less cost, spreading tourism across the globe.

From meager origins, the hospitality industry rose to become a powerful economic influence. Today, many countries and U.S. states rely heavily on hospitality and tourism for the employment and well-being of their people. A world without hotels or restaurants is almost unthinkable in the context of modern life.

Today's lodging industry is complex and diverse. To understand why this is so requires a brief journey through its history. From the inns of Biblical times to modern resort complexes, the evolution of the lodging establishment has both influenced and been influenced by social, cultural, economic, and political changes in society.

Origins of the Hospitality Industry

When ancient humans first ventured beyond their tribal settlements, there were, of course, no hotels to accommodate them. These early travelers were of two basic types: warriors and traders. Traveling conquerors pitched their own tents as they saw fit, but merchants seeking to trade tools, clothing, and livestock in new lands placed a real value on hospitality. Early travelers traded merchandise, such as ornaments, cloth, or animals, for lodging. Almost certainly, innkeeping was one of the first commercial enterprises, and hospitality was one of the first services for which money was exchanged.

The inns of ancient times offered little more than a cot or bench in the corner of a stable. Many such establishments were no more than private residences that offered temporary lodging to strangers. Guests stayed in large communal rooms where sanitation or privacy were nonexistent. The rates were reasonable – about two cents per night – but the company was rough; travelers shared the same quarters with their horses and livestock.

In the Third Century A.D., the Roman Empire developed an extensive system of brick-paved roads throughout Europe and Asia Minor.

For the convenience of travelers, a chain of roadside rest areas and inns was constructed along the major thoroughfares, extending from Spain to Turkey.

It was not until the Industrial Revolution of the 1700s that European taverns began to combine food and beverage service with lodging. Little attention was given to sanitation. Travelers were forced to share beds as well as rooms with other travelers, and the rates were expensive. But the inns and taverns where merchants and soldiers spent the night were unsuitable for aristocrats. To accommodate wealthy travelers, luxurious structures were erected, with private rooms, individual sanitation, and all the comforts of a European castle. These elegant, new establishments adopted the French word for mansion, *hotel*. The rates were well beyond the means of common citizens.

Throughout the 1800s, innkeepers improved their services and continued to build larger and more amply equipped properties. Most of these establishments were located in seaport towns and were operated in conjunction with taverns. But the tendency of people to travel provided a constant inspiration to lodging operators

The first American hotel, the City Hotel, opened in 1794, in the bustling seaport of New York City, which at the time had a population of about 30,000. Unlike any previous lodging establishment, the City Hotel was not just a residence or tavern to which guest rooms had been added. Instead, it was a large, self-contained building – one of the largest in New York – with 73 guest rooms and no other purpose than lodging.

The City Hotel inspired the construction of other pioneering hotels. First came the Exchange Coffee House in Boston, then a second City Hotel in Baltimore, followed by the Mansion House in Philadelphia and the Adelphi Hotel in New York. The Adelphi had the distinction of being the first high-rise structure in New York. These hotels became important social centers and, unlike their European counterparts, welcomed anyone who could afford the reasonable rates.

The Golden Age of Hotels

In 1829, an architect named Isaiah Rogers undertook the construction of a large new hotel in Boston. His creation, which was named Tremont House, was the earliest first-class hotel and the signpost of a revolution in hospitality. Tremont House was the first hotel to offer private rooms with locking doors. Each guest room had a wash basin, a water pitcher, and a bar of soap. Other innovations included a full-time service staff, including a bellhop, to greet and assist guests. A French restaurant was located in the lobby. Tremont House was the forerunner of a new generation of prestigious lodging establishments. It was followed in Chicago by the

Grand Pacific, the Palmer House, and the Sherman House; in St. Louis, by the Planters; and in Omaha, by the Paxton.

In 1874, in San Francisco, a banker and former ship's carpenter, William Chapman Ralston, set out to erect the most luxurious hotel in the world. Ralston arrived in California during the Gold Rush, but made his fortune in banking. His grandiose creation, the Palace Hotel, boasted 800 rooms and stood seven stories high – a symbol of San Francisco's transition from a boom town to an established city. The architectural plan was based on that of European palaces, with marble floors, a great domed roof of opaque glass, and three large courts supplying light and air to the interior rooms. The 40,000 square feet of marble pavement was supplied by 15 different quarries, and for the interior finishing, precious woods were imported from 13 countries. The first modern luxury hotel, the Palace had its own electrical plant, a water supply filled from artesian wells, fire sprinklers, and air conditioning.

The Palace and the first-class hotels that followed appealed to the extremely wealthy and, like traditional European hotels, were well beyond the means of the average citizen.

A Room and a Bath for a Dollar and a Half

In the early 1900s, a new type of traveler appeared – the traveling businessman. For this type of traveler, lodging was a dilemma; the grand hotels were too expensive, but the old-style inns too unsanitary. To accommodate this new type of hotel guest, Ellsworth M. Statler invented the commercial hotel. The first Statler Hotel opened in Buffalo, New York in January, 1908.

Statler took the concept of private, sanitary rooms and added the notion of a private bath. A light was installed inside every entry for added security. Every guest received a free pitcher of ice water and a morning newspaper. Statler's slogan was "a room and a bath for a dollar and a half." His architectural designs, engineering concepts, and service ideas became the foundation for all subsequent lodging establishments, from motels to luxury resorts.

After World War I, numerous hotels were built in large cities and smaller outlying communities. In 1927, the 3,000-room Stevens Hotel (later renamed the Conrad Hilton) opened in Chicago and, for several decades, remained the largest hotel in the world. Shortly afterward, construction on a new luxury hotel, the Waldorf-Astoria, began in New York City.

The Great Depression nearly wiped out the hotel industry. Following the stock-market crash of 1930, 85 percent of the nation's hotels went

bankrupt. But one hotel operator, Conrad Hilton, managed to stay afloat as a result of his oil and gas investments.

As a teenager, Hilton had earned his keep by meeting the train at 3:00 A.M. and renting out spare bedrooms in his father's house to traveling salesmen. The rate for one night was \$2.50, which included three meals cooked by Hilton's mother and sisters. Later, after fulfilling his military duty, Hilton decided to go into business for himself. He eventually purchased a rundown hotel, the Mobley, in Cisco, Texas and, after months of renovation, transformed the operation into a profit-making enterprise.

In 1942, he acquired the Town House in Los Angeles and, a year later, the Roosevelt and Plaza hotels in New York City. Seven years later, he achieved his lifelong ambition of owning the Waldorf-Astoria. In later years, Hilton Hotel Corporation bought or built numerous luxury hotels around the world and engaged the two largest hotel chains of the time – Sheraton and Statler – in fierce competition. Eventually, Sheraton acquired the entire Statler chain, forming what was then the world's largest lodging organization.

With the conclusion of World War II, the hotel industry underwent an unexpected transition. People began to travel as never before. With increasing numbers of automobiles on the roads, travelers began touring the country with their families. For this new type of traveler – the vacationing family unit – the formality of a traditional hotel was inappropriate. Families traveling in their cars needed casual lodging that was accessible from major highways and had ample facilities for parking. The motor hotel, or as it is known today, the motel, permanently transformed the American hospitality industry.

The early motels were small and had fewer than 50 rooms. Most were so-called properties, owned and operated by families. As the motel industry grew, the size and quality of motels expanded as well. By 1960, the average motel consisted of 100 rooms with a separate parking space for each unit.

The Holiday Inn Story

In 1952, Kemmons Wilson, a businessman from Memphis, Tennessee, began building a chain of standardized hotels across the United States. At the time, Wilson perceived the roadside motel business as "the greatest untouched industry." The first Holiday Inn was located on the outskirts of Memphis, which is still home to the corporation's headquarters.

The property had 120 guest rooms, each with a private bath, air conditioning, and telephone. Additional features included a swimming pool, free ice, free parking, and dog kennels. Children under 12 could stay free in the room with their parents. Though they are considered standard in the lodging establishments of today, these amenities were revolutionary for the hotel industry of the time.

From its modest beginnings, the Holiday Inn system grew into the world's largest lodging chain, with more than 315,000 guest rooms in 1,600 hotels in 50 states and 52 countries. The 100th Holiday Inn opened in Tallahassee, Florida in September, 1959. The 1,000th property opened in San Antonio, Texas in 1968. By the end of the 1960s, a new Holiday Inn hotel was being completed somewhere in the world at the rate of one every two and one half days.

In February, 1980, Holiday Inns acquired Harrah's and became the largest casino operator in the nation. In 1982, the company began construction on the first Embassy Suite and Crowne Plaza hotels. The following year, Holiday began developing limited-service Hampton Inns, which are now an independent chain. Holiday Inn is now a brand of the Inter-continental hotel group.

Howard Johnson

In 1925, a patent medicine salesman named Howard Johnson borrowed 500 dollars from a friend to purchase a drug store and soda fountain in Quincy, Massachusetts. Experimenting with a hand-cranked freezer in the basement of the store, Johnson came up with his own line of ice cream which, within years, made his soda fountain the most popular eatery in town. Adding hamburgers, hot dogs, and sandwiches to the menu, he converted the drugstore into the world's first Howard Johnson's restaurant.

By 1954, Johnson had opened 400 restaurants and decided to expand into the lodging trade. The first Howard Johnson Motor Lodge opened in Savannah Georgia that year. In 1959, Johnson handed over the reins of his small business empire to his son, Howard Brennan Johnson, who oversaw the chain's operations until 1980, when the company was sold to a British conglomerate, Imperial Group plc. The Johnson family's company-owned restaurants are currently operated by Marriott Corporation, under the Bob's Big Boy name. The Howard Johnson lodging chain is now managed by Prime Motor Inns, Inc. of Fairfield, New Jersey.

Willard Marriott

Another famous hotelier, Willard Marriott, got his start as the owner of an A & W fast-food restaurant in Washington, DC. In 1928, Marriott converted his regional chain of soft drink stands into sandwich shops specializing in barbeque beef sandwiches.

Marriott expanded into the lodging field 20 years later and eventually built a \$5.3 billion hotel empire. The world's second largest hotel chain, Marriott

Corporation today operates Roy Rogers and Bob's Big Boy restaurants, as well as full-service Marriott hotels, all-suite Residence Inns, and limited-service Courtyard hotels.

The Rise of the Economy Hotel

Hilton, Sheraton, Howard Johnson, Holiday Inn, and Marriott continue to be well known. But in the 1960s, a new type of lodging outlet – the economy, or budget, hotel – entered the picture. These new lodging establishments sold only room space, without food or beverage service. To save on construction costs, economy hotels were built on inexpensive land and had small lobbies. They also had small staffs, without bellhops or door attendants. By minimizing costs, the budget motel was able to offer room rates far lower than their competitors. The new chains rose rapidly to prominence; of the ten largest lodging organizations in the world today, half fall in the economy category.

The first successful economy hotel, Travelodge, opened in Tacoma, Washington in 1956, but the chain did not begin to grow nationwide until 1966. The Travelodge chain was confined to California for nearly eight years, and the corporate logo depicted a golden bear (the California state symbol) on the verge of falling asleep. Travelodge is now a subsidiary of Trusthouse Forte, a luxury chain based in the United Kingdom.

The first no-frills budget motel, Motel Six, opened in 1963. By the early 1970s, the idea of the low-rate motel had captured the imaginations of investors and travelers alike. Construction of budget motels spawned more than 150,000 new rooms in the 3-year period between 1972 and 1975.

The Age of Competition

The largest economy-hotel chain, Days Inn, was founded in 1970 by an real estate developer from Atlanta, Georgia, named Cecil B. Day, who opened six simple motels. Two years later, a Days Inn executive, Richard Kessler, noticed intense construction activity in the Orlando, Florida area. Kessler convinced Day to begin building new motels near the construction site. The object of the construction was Disney World, and, because of Kessler's foresight, Days Inns became the primary lodging provider to customers of one of the world's major tourist attractions. By 1990, the Days organization had become the largest economy motel chain in America.

By 1973, the number of travelers staying in motels surpassed the number of people staying in full-service hotels. To compete with these low-end properties, mid-market hotel chains introduced their own limited-service



hotels, combining some of the features of a full-service hotel with the cost savings of a budget motel. Holiday Inns created the limited-service Hampton Inn chain, and Marriott created Courtyard hotels.

Upward expansion also took place during the 1970s. Holiday Corporation created Crowne Plaza hotels to appeal to upscale business travelers, and Ramada Inns created Renaissance Inns to compete with first-class hotels.

By 1980, the hotel market appeared to be nearing saturation, with a surplus of rooms that created low occupancy rates throughout the industry. This predicament inspired another period of innovation in hotel design. From 1988 to 1990, the most rapid expansion occurred in all-suite hotels, in which all accommodations have separate living and sleeping quarters. Embassy Suites, Residence Inns, and Comfort Suites are examples of successful all-suite chains that arose during this period.

The 1980s were also a period of rapid construction of new lodging establishments, as thousands of small business owners purchased franchises to operate their own hotels under famous names such as Holiday Inn, Travelodge, Hilton, and Sheraton. The expansion rate during this period exceeded the expansion of the overall tourism industry. As a result, there are now many more hotel rooms available than travelers to occupy them.

Today's lodging trend is toward expanded services made possible through consolidation of responsibilities. For example, guest services departments are increasingly found in new hotels of all classes. These departments combine services that traditionally were performed by bell and door attendants, a concierge, and an in-house travel agent. More and more

limited-service properties are adding such amenities as buffet-style food service and lobby cocktail lounges.

The features of full-service and limited-service hotels are sometimes combined to create a new type of hotel in the hope of attracting guests away from traditional lodging alternatives. All-suite hotels add yet another dimension. However, one fact is certain to persist into the future: competition for clients will remain more intense than at any previous time in the history of the hospitality industry.

KEY CONCEPTS

Before proceeding, review the key concepts listed below to be sure you understand each one. If necessary, read over the corresponding section of the chapter. When you are ready to test your understanding, answer the Review Questions.

early inns	motel
hotel	Kemmons Wilson
the City Hotel	Holiday Inn
Isaiah Rogers	Howard Johnson
Tremont House	Willard Marriott
William Chapman Ralston	Travelodge
the Palace Hotel	Days Inn
Ellsworth M. Statler	limited-service
Conrad Hilton	all-suite

REVIEW QUESTIONS

1. Which hotel has the distinction of being the first high-rise structure in New York?
2. Which hotel, built in San Francisco in 1874, was the first luxury hotel?
3. What famous hotel builder started out by renting out spare rooms in his father's house to weary train travelers?
4. Name the hotel operator whose slogan was "A room and a bath for a dollar and a half."
5. Name the hotel builder who was responsible for introducing such amenities as a wash basin and water pitcher in every guest room, a uniformed bell staff, and locking guest room doors.
6. What famous hotel operator began his career with a small chain of soft drink stands?
7. Name the founder of the Holiday Inn hotel chain.

PROJECTS

1. Create a time line of important events in the history of the hospitality industry.
2. Select one of the following people and prepare a research report, using the resources of your school or library. Include a brief biography, and discuss the person's contributions to the evolution of the modern hospitality industry.

Isaiah Rogers
Ellsworth M. Statler
Conrad Hilton
Willard Marriott

The Lodging Industry Present

Chapter Objectives

After completing this chapter, you should be able to perform the following tasks:

1. Identify the five segments of the lodging industry.
2. Discuss the distinguishing traits of economy/limited-service, mid-market, all-suite, first-class, and luxury hotels.
3. Name the six basic types of lodging establishments.
4. Explain the distinguishing features of traditional hotels, motels, resorts, convention centers, resident hotels, and bed and breakfast inns.
5. Identify and discuss hotel classification and rating systems.
6. Name the criteria that are used by rating systems to evaluate properties.

Segments of the Lodging Industry

A portion of an industry that is characterized by a particular trait or a set of traits is called a **segment**. Segments of the lodging industry are typified by the level of price, luxury, and service, and are ranked from low to high as follows:

- Economy/limited service
- Mid-market
- All-suite
- First-class
- Luxury

Economy/Limited Service Hotels

The economy/limited service hotel provides efficient, sanitary private rooms with bath. The furnishings and decor are of a level that is tolerable to most American travelers. The first budget motels did not have televisions or telephones in the rooms, but these amenities are now standard at most properties. Food and beverage service may not be available, and bell attendants, door attendants, and concierge services are virtually nonexistent. Room rates typically range about 45-percent less than a first-class hotel.

To maintain these low-end rates, economy/limited service hotels are located on inexpensive real estate and constructed at relatively low cost. Operating costs are kept low by eliminating food and beverage service and employing small staffs.

Mid-Market Hotels

The modern mid-market hotel is a descendant of the commercial hotel as conceived by Ellsworth Statler in 1908. Besides comfortable accommodations with private baths, a traditional mid-market hotel offers food and beverage service on the same premises and maintains a service staff, including a uniformed bell service.

Sometimes called a tourist-class or standard hotel, a mid-market property offers above-average luxury and comfort, a professionally designed decor, and on-premises food and beverage service. Some rooms have views or advantageous locations.

Examples of mid-market hotels include Holiday Inns, Ramada Inns, Quality Inns, Radisson, Howard Johnson Lodges, and Courtyard.

ITEM	COST PER ROOM
Land financing cost and legal fees	\$10,000
Construction	\$31,200
Furniture, fixtures, and equipment	\$8,200
TOTAL COST PER ROOM	\$49,400

The estimated construction cost per room of a typical mid-market hotel on 3 to 3.5 acres, with four, five, or six levels and a moderate-to-high level of interior finish in public spaces.

All-Suite Hotels

All-suite hotels were created to compete against first-class hotels at mid-market rates. A typical all-suite hotel offers separate sleeping and living areas, along with other benefits such as a kitchenette and a stocked bar. Some properties offer food and beverage service and bell staffs, whereas other properties are designed for extended stays.

A variation of the all-suite hotel, the condominium hotel, is a fully equipped apartment complex that rents accommodations short-term. Condominium hotels are typically located in resort areas as alternatives to full-service luxury properties. Many of the condominium units are owned by individual investors who reserve the property for their own use part-time.

All-suite hotels are presently one of the fastest growing segments of the lodging industry.

First-Class Hotels

First-class hotels may be luxurious or near-luxurious, with outstanding comfort and decor, a highly trained and competent staff, and very good food and beverage facilities. First class hotels are also called executive-class or superior hotels. They have luxury suites, two or more dining rooms, and a cocktail lounge. Many of the rooms have excellent views, refrigerators, and fully stocked bars.

ITEM	COST PER ROOM
Land financing cost and legal fees	\$16,000
Construction	\$40,500
Furniture, fixtures, and equipment	\$11,500
TOTAL COST PER ROOM	\$68,000

The estimated construction cost per room of a first-class with 10 to 20 levels, having two floors devoted to public spaces, including a lounge, restaurant, banquet facilities, and meeting rooms. The interior finish level is high.

Luxury Hotels

This segment represents the highest standard of excellence in the level of luxury and comfort; cleanliness and efficiency; staff specialization, competence, and courtesy; and diversity and quality of food and beverage service. A typical luxury hotel, also called a deluxe hotel, has at least ten percent of its space devoted to luxury suites, and two or more dining rooms, usually a gourmet-style dining room and a family-style restaurant, both which are themselves highly rated as restaurants. All, or nearly all rooms have outstanding views, location, or ambience.

Properties that offer the very highest level of luxury are categorized as *grand luxe*.

Property Types

Within each industry segment are various types of properties that target different travel markets. Hotel properties are of six basic types:

1. Hotel
2. Motel
3. Resort
4. Convention/conference hotel
5. Resident Hotel
6. Bed and Breakfast Inn

In some countries, property types may be classified somewhat differently, as will be discussed later.

The Traditional Hotel

The traditional hotel is modeled after the basic concept of private rooms with bath, front desk services, bell service, and food and beverage service on the same premises. Parking facilities may or may not be available. Most mid-market, first-class, and luxury hotels fall in this category, as well as full-service all-suite hotels.

The Motel or Motor Hotel

A motel is typified by convenient access to a major thoroughfare and ample parking facilities for guests, usually without food and beverage service or bell service. A standard motel has one parking space per guest room. Motels with 50 or more private rooms, front desk services, and bell service are sometimes called motor hotels. No-frills motels with limited services are commonly called budget motels.

The Resort

To meet the changing needs of leisure travelers, traditional hotels adopted a variety of amenities, such as swimming pools, tennis courts, and golf courses, exercise facilities, and health clubs. As properties expanded their facilities, a new type of lodging establishment was born – the resort.

The resort business has undergone many changes to meet the changing tastes of leisure travelers. The first resorts were summer vacation hotels accessible by the developing rail lines of the 1800s. Mineral springs and spas first drew people to resort hotels such as the Greenbrier at White Sulphur Springs, West Virginia, the Saratoga in New York, or Warm Springs in Georgia. These traditional summer resorts gave way to beach and mountain resorts and seashore resorts.

When jet travel became widespread, resorts in more remote destinations, began to attract large numbers of visitors.

Social and business trends have exerted an enormous influence on the resort industry. Over the last three decades, two highly profitable resort categories emerged: the specialty resort and the convention center.

Specialty Resorts

The health and fitness trends of recent years created a demand for resorts that specialize in weight control, regimented exercise, and cosmetic surgery. Numerous health-oriented resorts arose on both coasts, with specialized services and facilities. The health fad also brought new life to the old spas.

Besides fitness, the popularity of outdoors activities gave rise to resorts specializing in a particular activity such as skiing, sport fishing, or scuba diving.

Convention and Conference centers

Because there are more conventions and meetings now than at any previous time, there are also more convention centers. A convention hotel may be a traditional resort that hosts meetings or a facility constructed especially for conventions and conferences.

To convention groups, the resort has become the ideal environment for shedding the distractions of the city and focusing on business in a relaxed, comfortable atmosphere. Many traditional resorts have remodeled their facilities to better accommodate large convention gatherings.

Typically, conventions are scheduled during the off-season, conveniently lengthening the resort season. The additional revenues earned from the convention trade are so essential for many resorts that accommodating groups may be a priority, on or off season.

Although resorts are often used for conventions, specially designed and built convention/conference centers with large exhibit halls and numerous meeting and banquet rooms are the mainstay of the convention business. Many of these conference complexes are constructed with funding from local governments that are eager to attract conventioners and tourists to their cities. To support a large convention center, a city must be serviced by a major airport capable of handling a large volume of passengers.

A typical convention hotel hosts over 100 conventions per year, has more than 200 rooms, and is located in a popular convention city, such as San Francisco, London, or Hong Kong.

The Resident Hotel

A resident hotel is any lodging establishment designed primarily for extended stays. Most such properties offer reduced rates for weekly, monthly, or seasonal rentals. Some have contracts with local businesses, industrial parks, or schools to provide temporary residence to executives, contractors, employees, or students. Others cater to special segments of society, such as the wealthy, elderly, disadvantaged, or transient population.

A typical resident hotel offers suites or private rooms with bath, front desk service, bell service, and security. Limited food and beverage service may be available, but most suites in a resident hotel have fully equipped kitchens.

About two percent of hotels are operated exclusively as full-time residences. Many offer a high degree of security, including a uniformed guard

at the entrance. The conversion of resident hotels to permanent-ownership condominium complexes – where residents purchase rather than rent long-term space – has become a widespread practice in urban areas.

The Bed and Breakfast Inn

The bed and breakfast inn originated as a private residence offering temporary quarters in a home-style atmosphere, with a daily meal included at no additional charge. Bed and breakfast inns are usually situated in scenic areas, historical residences, and even lighthouses. Most inns do not possess licenses to service alcoholic beverages, although in California, they are permitted to serve wine.

The emerging popularity of this descendant of the early American inn is reflected in its rapid expansion.

Classifications and Ratings

Michelin travel guides, published in France, initiated the practice of classifying and rating lodging establishments. Numerous other travel guides, trade associations, and government agencies have also attempted to classify hotels, for the information of travelers. In total, more than a hundred rating systems have been developed worldwide.

Lodging establishments are sometimes classified by size, as measured by the total number of guest rooms. The top end includes hotels with 300 or more rooms, and at the low end are hotels with fewer than 25 rooms. However, in recent decades, the average size has tended to increase, and classifying hotels by number of rooms is no longer very meaningful. Numerous hotels now have more than 300 rooms, including budget motels, mid-market properties, and luxury resorts.

Hotel Classes

Most travel references group lodging establishments by class – the overall quality of the accommodations and service. The European rating system, as exemplified by the Michelin travel guides, groups hotels into three broad classes and rates each property on a scale of one to four stars. Deluxe hotels are the top category, followed by first class and, finally, tourist class. All four-star European hotels have restaurants and cocktail lounges. Some

three-star hotels have on-premises food and beverage service, but no two-star properties do.

The American Automobile Association (AAA) awards one to five "diamonds" as a measure of a hotel's overall quality. One diamond represents minimum standards, while five diamonds indicates the highest level of luxury and service. Mobile travel guides, prepared by the Mobile petroleum company and published by Rand McNally, also rate hotels on five levels. Of more than 20,000 listings, only about 40 properties receive the highest rating in the Mobile guides.

Some government rating systems rely exclusively on price to rate hotels. However, most systems use the following criteria to evaluate properties:

- Number and types of rooms
- Elegance and comfort of surroundings
- Room efficiency
- Cleanliness and sanitation
- Staff size and specialization
- Range and level of services
- Reservation and referral services
- Quality and diversity of food service
- Bar and beverage service
- Accessibility to entertainment and activities
- Available transportation, such as shuttle or bus service, on-premises car rental, and so forth
- Courtesy and helpfulness of personnel

Rating systems that use subjective criteria such as food quality or level of elegance are based on the individual judgments of the people who conduct the evaluation.

KEY CONCEPTS

Before proceeding, review the key concepts listed below to be sure you understand each one. If necessary, read over the corresponding section of the chapter. When you are ready to test your understanding, answer the Review Questions.

segment	traditional hotel
economy or limited-service hotel	motel
mid-market hotel	resort
all-suite hotel	convention hotel
first-class or executive hotel	conference hotel
luxury or deluxe hotel	resident hotel
grand luxe	bed and breakfast inn

REVIEW QUESTIONS

1. Which segment of the hospitality industry includes hotels that are based on the concepts that were originally introduced by Ellsworth Statler?
2. What term refers to hotels that offer the very highest level of luxury and service?
3. Name the type of lodging establishment that matches each feature or set of features:
 - a. Tennis courts, golf courses, exercise facilities
 - b. A guest room in an historical residence
 - c. Auditoriums, meeting and banquet rooms, audiovisual services
 - d. Reduced rates for weekly, monthly, or seasonal rentals
 - e. Private rooms, bell service, food and beverage service
 - f. One parking space for each guest room
4. A typical convention center hosts how many conventions each year?

5. What factor led to the popularity of resorts in remote destinations?
6. What word refers to a particular trait or set of traits within an industry?

PROJECTS

1. Give three examples of each lodging industry segment in your local market.
2. Give one example of each of the six basic property types in your local market.
3. Create a system for evaluating a rating hotel properties. List the factors that you would use and the property traits that would determine the final rating.
4. Visit a hotel and rate it according to your established criteria.

Ownership and Management

Chapter Objectives

After completing this chapter, you should be able to perform the following tasks:

1. Describe the three basic ownership types.
2. Explain the difference between a proprietary chain and a co-owner chain.
3. Define franchise, and explain how a franchise hotel is operated.
4. Discuss management contracts.
5. Define referral organization, and explain the benefits to member properties.
6. Discuss the use of automated reservation systems.
7. Name and describe the main functions of ownership and management.
8. Define occupancy, and explain how it is determined.

Ownership and Management Methods

Many lodging establishments, especially small motels and inns, are managed by their owners. But it is also common for a hotel to be owned by one party but managed by another. The relationship between ownership and management may be one of three basic types: proprietary, franchise, or management contract.

Proprietary Ownership

Proprietary ownership is the direct ownership of one or more properties by a person or company. Small motels that are owned and operated by a couple or family are common examples of proprietary ownership. Larger properties that are owned by a major hotel company such as Marriott or Hilton also belong to this category.

Hotel Chains

A chain is a group of hotels that is owned or managed by one company. In general, three or more units constitute a chain, but major hotel chains have from 300 to 5,000 properties. A proprietary chain is owned entirely by one company. Marriott, which owns the hotels that bear its trademark, is an example of a proprietary chain.

In a co-owner chain, ownership of individual properties are shared by the hotel company and by independent investors. The investors finance construction of one or more properties, and the hotel company, such as Hilton or Sheraton, builds and manages the hotels.

Statler and Hilton were the first hotel builders to use the chain concept. They developed their chains through the construction of new properties as well as the acquisition of existing hotels. Chains now account for the majority of revenues in the hotel industry.

A chain property has certain competitive advantages over an independently owned hotel. For example, chain hotels receive large discounts for purchasing materials and supplies, through volume purchase contracts. Chain properties also attract experienced employees whose combined knowledge benefits the operation. A chain hotel also benefits from national advertising campaigns that independent operators cannot afford. Also, a well-known chain can raise money more easily when its management desires to improve or expand operations.

Consumers tend to favor products that are well known to them, and hotels are no exception to this principle. A famous chain attracts travelers who recognize and trust the brand name.

Franchises

A franchise is a license given by a company to open a business using the company's ideas, methods, and name. For example, Inter-Continental Hotel Group owns the trademark Holiday Inn and all the plans, blueprints, designs, and operating methods associated with those properties. A private investor, called a franchisee, pays a fee to Inter-Continental Hotel Group for the right to build a Holiday Inn hotel. The franchisee receives a license to use the Holiday Inn sign, plans, blueprints, and operating methods, but must finance the construction of the property. The franchisor operates a training school called Holiday University, where franchisees receive training on how to operate a Holiday Inn successfully.

The franchisee may be an individual, a partnership, a small corporation, or a group of investors. The franchisee must abide by the franchisor's quality standards and product specifications, but is the legal owner of the business. Thus, hotels that have signs of Days Inn, Holiday Inn, Sheraton, or Hilton may actually be owned by independent franchisees. Franchises account for nearly two thirds of all the hotel rooms in the United States. All but one of the ten largest hotel chains are franchise chains.

The franchise agreement, a contract between the franchisor and the franchisee, describes the obligations of the franchisee. Operations manuals cover such subjects as accounting practices, maintenance procedures, sales and marketing, advertising, personnel hiring and training, inventory control.

The franchisee pays an initial fee upon signing the franchise agreement. Initial fees for hotel franchises range from \$10,000 to \$150,000. Franchisees also pay ongoing royalties based on the total income of the hotel. As an example, a Holiday Inn franchisee pays a royalty of four percent of the hotel's room revenues each month. Thus, if the hotel has \$800,000 in room sales in a given month, it must pay \$32,000 to Holiday Corporation, regardless of expenses. Additional fees may be charged by the franchisor for advertising, computer reservation systems, and other services. For example, Holiday Inn franchisees pay a percentage of room sales for the use of the company's Holidex computer reservation system.

Uniform operating standards are important in a franchise organization. Travelers patronize a franchise hotel because they believe the quality and service will be consistent from one location to another. A franchisee who fails to conform to the franchisor's quality standards may lose the franchise and all of the associated rights and privileges.

Besides Holiday Inn, other well-known franchise chains include Days Inn, Ramada Inn, Hilton, Quality Inn, and Super 8.

Management Contracts

A management contract is similar to a franchise, except the hotel company builds the property and retains ownership. Under this type of arrangement, the hotel company contracts with a local firm to operate and manage the hotel. The corporation puts up the money for construction, development, decoration, and furnishings. The manager agrees to operate the hotel, as if he or she were the owner. In return, the management firm receives a share of the profits.

A management contract imposes the same types of obligations on the manager as a franchise agreement places on a franchisee. The manager must submit periodic financial reports to the chain and comply with the chain's policies regarding operation, management, maintenance, staffing, and appearance of the hotel.

Management contracts free the hotel company from the difficulties of managing hundreds of properties in various locations, without forcing it to give up any of the ownership. The management firm is usually knowledgeable about the market, economic conditions, prime locations, real estate prices, and wage scale of the area. About a third of the hotels that are associated with major chains are operated under management contracts.

Referral Organizations

Some travelers tend to confuse chains, such as Holiday Inn or Hilton, with referral organizations, such as Best Western. A Best Western property is neither a chain hotel nor a franchise, but rather a member property. A referral organization is an association owned and run by its members, who are independent hotel/motel operators. The main function of the association is to conduct advertising and generate customer referrals for the member properties.

Like a national chain or franchise system, a referral organization promises travelers that they will encounter certain standards of service and sanitation at its members' facilities. By meeting these standards and paying annual dues to the organization, the property owners benefit from brand name recognition, national or regional advertising, and customer referrals from the association's central reservation system.

Best Western is the largest U.S. referral organization. The Golden Tulip network, headquartered in the Netherlands, provides similar referral services for properties throughout Europe and the Caribbean.

Like referral organizations, hotel representatives also operate central reservation services on behalf of independent properties. A representative is a company that provides advertising services and books reservations for independent hotels. The representative receives a fee or commission for each

reservation that it books. Unlike a referral organization, representatives do not impose quality standards on participating properties. Utel, which represents over 2,000 properties worldwide, is an example of a major hotel representative.

Reservation Systems

Chains, franchise systems, and referral organizations systems all operate central reservation systems by which clients can book hotel space by telephone, usually toll free. The information is stored on a central computer system linked to terminals at each property.

For example, Holiday Inn reservations are stored on the Holidex system, which links each property in the chain. When a client calls the Holiday Inn reservation center, the booking is entered directly into Holidex. When the guest checks in, a computer terminal at the hotel displays the reservation at the front desk. Each chain or organization operates its own computer system.

A travel agent may use a global distribution system (GDS) to book hotel reservations. The major systems include Amadeus, Sabre, and Galileo.

When a travel agent books a hotel reservation with a major chain or representative over a GDS, the booking is transmitted directly to the chain's own reservation system. For example, when a travel agent books a reservation at a Holiday Inn using the Amadeus system, the booking is stored by the Amadeus central computer, which then transmits the information to the Holiday Inn central reservation system. The reservation is then sent to the appropriate property prior to the guest's arrival.

The Function of Ownership

The ownership of a hotel may be a proprietorship, partnership, or corporation. A proprietorship, the simplest form of business, is owned by an individual. The liabilities—the debts, taxes, and other financial obligations—of the business are the owner's personal liabilities. All profits from a proprietorship are considered the personal income of the owner, or proprietor.

A partnership is jointly owned by two or more individuals. The profits, liabilities, and assets (real estate, possessions, and other items of value) are shared equally by each partner. A limited partnership is a special type of partnership that is jointly owned by general partners and limited

partners. The general partners are responsible for managing the business and assume responsibility for the debts and liabilities of the business. The limited partners have no liability but receive a share of the profits.

A corporation is owned by stockholders who are represented by a board of directors. The directors appoint officers such as a president, vice president, and treasurer, to manage the business. Unlike a proprietorship or partnership, a corporation is considered to have its own identity separate from that of the stockholders. The corporation is responsible for all debts and other liabilities of the business. Profits are distributed to the stockholders in the form of dividends.

Whether it is a chain, a franchisee, or an independent property owner, the ownership of most hotels is organized as a corporation. Most of the major proprietary chains and franchisors, such as Hilton, Holiday, and IIT Sheraton, are public companies – corporations whose stock is traded on a public stock exchange.

The primary function of ownership is to finance hotel construction and operations, with the goal of receiving financial benefits, usually in the form of profits, over the long term. But even if a hotel operation is not profitable, the ownership may receive other benefits, such as tax write-offs, royalties, or money from the sale of stock. The liabilities of the hotel – such as payroll expenses, utilities, loan payments, taxes, and so forth – are the responsibility of the ownership.

A secondary function of ownership is to provide meaningful employment and other benefits to members of the community. Hotels are major employers throughout the world, in rural as well as urban localities. Lodging establishments are essential to a thriving tourism trade and also support local industries by providing temporary lodging for salespeople, executives, and other business travelers. Convention centers and resort hotels benefit the community by attracting visitors who will spend money at restaurants, shops, and other local businesses.

The Function of Management

Whether a hotel is managed by the owner(s) or by a franchisee or management company, the primary function of management is to produce a profit for the ownership. To perform this essential function, management performs the following main activities:

1. Short-term and long-range planning.
2. Maintaining a positive image and quality service.
3. Implementing operational policies and procedures.
4. Maintaining maximum room occupancy through advertising, promotion,

- and accurate sales forecasting.
5. Maintaining effective communication among all departments of the hotel.
 6. Assuring that the hotel is adequately staffed, and the staff is properly trained, motivated, and supervised.

Except at very small, independently owned properties, management is the responsibility of a team, headed by an executive director or general manager. Department managers and staff supervisors carry out the director's plans, goals, policies, and procedures. In every aspect of hotel operations, the management goals must be kept foremost in mind by every employee.

Occupancy

One of the most important functions of management is to maintain statistics relating to room sales and operating costs. Of these, room occupancy is the single most important. Assume that, at a particular hotel, 140 rooms are occupied. To say simply that the occupancy is 140 rooms is not very meaningful, considering that the hotel might have a total of 200, 400, or 800 rooms available.

DAILY OCCUPANCY AND GROSS REVENUE REPORT						
SALES	ACTUAL	FORECAST	LAST YR.	STATISTICS	DAY	LAST YR.
ROOMS	8280	8100	7984	OCCUPIED	244	210
GROUP	9124	8600	8327	VACANT	81	115
TOT ROOMS	17404	16700	16311	AVAILABLE	163	95
DAY USE	120	40	33	% OCCUP	75%	65%
GR ROOMS	17524	16740	16344	000	3	0
REBATES	0	0	0	TOT ROOMS	325	325
NET ROOMS	17524	16740	16344	ARRIVALS	83	62
TELEPHONE	262	240	237	WALK-INS	14	7
FOOD	1896	2200	2107	CANCELED	8	5
BEVERAGE	1119	900	873	NO-SHOWS	7	6
GIFT SHOP	312	440	422			
TOT SALES	21113	20520	19983			

Example of a daily occupancy and gross revenue report.

A better way of expressing occupancy is by means of a ratio – the relationship between two numbers. A ratio can be expressed as a percentage; for example, the ratio of 1 to 5 is 20 percent. If 140 rooms are occupied at a 200-room hotel, the occupancy rate is 70 percent. However, if the hotel has 400 rooms, the occupancy rate is only 35 percent. Clearly, a hotel that has 35

percent occupancy is not realizing as much potential business as a hotel that has 70 percent occupancy, even though the same number of rooms may be occupied at both hotels.

The primary goals of management are to maintain maximum occupancy and to control operating costs. Besides keeping accurate statistics, management must also be able to attract customers by maintaining a quality image for the hotel; to satisfy existing guests by providing quality service; and to monitor supplies, utilities, and other ongoing expenses required to operate the hotel.

Instrumental to all of these functions, goals, and activities is the word quality. It is the responsibility of all employees, from the executive director to the housekeepers, to assure that each and every guest receives a quality experience during his or her stay at the hotel. In this respect, the functions of management are shared by every staff member.

KEY CONCEPTS

Before proceeding, review the key concepts listed below to be sure you understand each one. If necessary, read over the corresponding section of the chapter. When you are ready to test your understanding, answer the Review Questions.

proprietary ownership chain	member property
proprietary chain	hotel representative
co-owner chain	reservation system
advantages of a chain property	Holidex
franchise	global distribution system (GDS)
franchisor	proprietorship
franchisee	partnership
franchise agreement initial fee	general partner
ongoing royalty	limited partner
management contract referral	corporation
organization	occupancy rate

REVIEW QUESTIONS

1. Describe the main differences between a proprietary chain and a co-owner chain.
2. Name the first hotel builders to use the chain concept.
3. What right is obtained with a franchise?
4. Name two types of payments that are made by a franchisee.
5. Name three types of assistance that are provided by a franchisor.
6. What might happen to a franchisee who fails to conform to the franchisor's quality standards?
7. What is the main benefit of a management contract to a hotel chain?

8. Explain the difference between a general partnership and a limited partnership.

PROJECTS

1. Describe the advantages and disadvantages of a franchise.
2. Research and identify three franchise properties in your local market. List the name and address of each property. If a chain has more than one property in your local market, include all of the locations.
3. Select a franchise from the following list, and prepare a research paper, using the resources of your school or library, and/or the internet.

Hilton
Holiday Inn
Quality
Ramada
Sheraton
Travelodge