

Changing Influence of Technology on Hotel Operations

The Value of Being “In the Know”

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Economic upheaval is forcing hotel owners and operators to do more with less. As this new operating model becomes the norm, stakeholders need to remain vigilant when evaluating cost controls, making sure they turn over every stone. Often overlooked, effective vendor contract management, specifically as it relates to a hotel’s technology infrastructure, can be a significant opportunity for savings. As someone who has dedicated my career to helping owners control technology costs, I

have observed common pitfalls related to third-party contracts that hotel participants should consider.

Missing the Mark on Budgeting

The first issue starts with budgeting. If you are reading this and have ever put together a capital plan that included technology, I am sure you assessed costs from either a bid, or a corporate guideline, or just threw a number into place.

I can see your head shaking yes.

But what is behind that cost? Can technology budgets be put together just like a new mattress project?

Having performed hundreds of diligence surveys for capital planning and hotel takeovers, I can honestly say the numbers are wrong more times than not. Perhaps more importantly, they never consider the operating cost increases that are typically associated with technology projects.

The reason the numbers are wrong is simple - most hoteliers putting budgets together for technology do not understand the nuances behind the project.

I once worked on a digital signage project where the hotel had budgeted 100k. The number was based on a sight unseen quote from a vendor. It included the necessary TV monitors, software, and training.

What it did not include was power, low voltage cabling, patch and painting for the walls, and the necessary network gear to make the system work. The budget was wrong- very wrong. Every

technology project within a company has precise details that are necessary to either already be in place or would need to be in place for a project to execute correctly.

Knowing those details, for all technology, is just part of the value of being “In the Know”.

Roadblocks Caused by the Industry

The second issue is our industry. Because we have so many layers to our business, from the owners of the assets, to the manager of the asset and finally the brand (where applicable) it causes us harm.

The reason here is simple math.

Depending on the business model of the owner, the hotel may have a short hold period, say five years. In this scenario, what we typically see is the purchase of the asset along with some sort of PIP (Property Improvement Plan) and/or a flag change. The owner has X amount of years or months to carry out the PIP.

In this scenario, money was already put aside for the renovation and/or PIP, and frankly, unless someone with a hospitality technology background was sitting at that table, the budget was wrong.

Now we have a newly acquired hotel with a poorly compiled reno/PIP budget on a five-year hold. All the money gets dumped into the hotel in the first 2-3 years with the hope of reselling the asset after the hold period for profit.

Now, since I told you that the original budget was probably wrong, it is safe to say that areas that required technology dollars to be spent may not have been upgraded or even acquired. Leaving those items to fall into the hotel's own capital plan, which then goes to issue number one above.

Once a hotel is established, it is easy to justify the cost of new soft goods or hard goods- things the customer actually touches and sees, it may not be as easily a case for something like replacement computers for the sales team, who, by the way, are still running on Windows XP.

The Brand Is Not Always What It Seems

The third issue is the brand itself. To many of you, you are now shaking your head again in agreement. To be clear, not all brands operate the same way, and not all things are bad.

However, what I will say is when an organization is as large as “insert brand here” you may not necessarily be getting what you think you are getting.

This is especially true for smaller owners, as those with experience on the brand front know how to make things happen. But for a lot of owners, it's a deal between them and their management company hoping to put it on autopilot - until a pandemic hits.

Brands have, for years, put standards in place so that their customer (**yes the customer is theirs, not the owners, not the management companies, but the brands, go ahead and ask, I will wait...**) has a similar experience when visiting that particular brand of hotel.

Do you recall when brands still had a two-line phone requirement, even though the basics of internet access were being deployed? From an owner's perspective, at that point in time, it was a waste of money.

Recently, one brand made a decision that would (in many cases) triple the technology cost of converting a hotel to that brand. Someone looking to acquire that asset and move to this brand, may not know the hidden costs when the guest room technology section of the PIP simply states, "Meet brand standard."

With so many hands in the virtual pot, it is easy to see that priorities between owners, management companies, and brands are not always aligned. The balance is struck by knowing what is vital, what it really costs, and then deploying on a cost and timeline that makes sense to the owner- that is being **"In the Know"**.

Staff Turnover Hits Hard...

Finally let's look at staff turnover. These hit hard when key people in finance and executive leadership roles change within a hotel. More times than not, they held the keys to the budget, why it was created, or not created in some cases, and the relationships with key vendors.

Whether these changes in staffing were for promotions or other reasons, things always fall through the cracks on every change. As most things do, bills all run through finance. It does not matter if a contract was signed 6 years ago or 6 days ago, the operating expense of that contract and perhaps the capital expense came through the finance department.

Fast forward a year or two, is the contract even still valid, or did you change course, but your finance department is still paying the invoice?

Chances are you have bills being paid now that are from some long-lost install that has since been de-installed. Random bills from "pick a vendor" that no one even knows what are for, or even some subset of those real bills which have incorrect amounts due to contract changes are still being paid, blindly.

If you can read this and 100% say for certain every penny you are paying is correct, congratulations, you are **"In the Know"**. However, chances are, you would need to put some serious thought and perform a full audit.

Find the Value in Experience

The value of a business professional that understands the hospitality inside and out, is "Being in the Know".

These are the people that work for owners and managers alike to weed out the nonsense from bills, understanding right from wrong, and making the necessary corrections along the way. People that have had years of progressive, real, operational hotel experience, have built the skillset to identify the shortcomings of contracts, bad PIPs, bad budgets, and can provide real life guidance to reduce costs and move the business in a forward manner.

Given the current environment, do not be fooled by accepting anyone as your guide, check references, know what they have worked on, and ask questions.

Those of us out there that understand the pain points, will always respond with detailed, realistic, operational, and business accounts of what can be done and paint a better picture to the future.

That is the value of being **“In the Know”**.

As you move forward with our new way of life and find yourself about to make changes with either new contracts in technology, extending existing contracts, or about to outsource- you need to be in the know.

Do not fly blindly, the experience of real business professionals with a technology background (notice I did not say IT guy- there is a difference) is one of the most valuable positions you can invest in. The right one, will not only be able to save you time and headaches, but provide value and savings back into the business.

Once you do that, you too will be “In the Know”.



About the Author: 20+ Year hospitality technology leader. Mike has worked for REITs, owners, management companies, and brands. Using his understanding from all aspects of the business, he has forged relationships with key people in the industry. Understanding what can be negotiated from PIPs, to brand standards, and simply building out your own independent hotel is at the core of Mike’s skills set. Mike is an active advisory board member with various technology companies and served as the president of AHLA’s Technology committee for two years.



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