

Coins in the Couch Cushion

Your October 2020 insight from HAA in an article by Mike Amaral

October 6, 2020 | By: Mike Amaral | mamaral@haassoc.com

At the beginning of my career as a hotel operator, one of my mentors remarked that the hotel business was a business of watching the "nickels and dimes".

That philosophical approach, to my work, stayed with me for many years, and has served me well, however, the current crisis, has prompted me to refine that approach during this new reality to begin looking for **"Coins in the Couch Cushions"**.

Simply stated, we need to dig deeper into our operations to find cost savings and prepare us for the robust recovery that will certainly come.

It is a difficult time and for those of us who make our living in the hotel business.

As we investigate operations in the COVID environment and post COVID environment, we know that "business as usual" will not get us through this unprecedented crisis.

Like many veterans of the industry, we were successful in managing through the many crises and economic cycles that disrupted our industry, most notably, 9/11, and "The Great Recession" of 2007 - 2009.

Operating in the COVID environment has made these economic events pale by comparison. The decision to contain the virus by halting most of the economic activity globally was devastating to the hospitality industry. This historically unprecedented and abrupt shutdown has placed our industry in a very precarious and unprecedented position.

As the reality of the impact of both the short and long-term effects is still being digested, the focus must be on the coming recovery and the areas that are currently in our control.



Over the past 20 years, technology has transformed our industry.

Along with that transformation - hotel brands, technology service providers, and hotel owners have struggled to keep pace with the continuous changes. IT departments became bloated, and

with that bloat, came increasingly higher costs.

The need for managing, maintaining, and upgrading the continuous additions, to the growing list of services and system enhancements, is now a requirement for operators.

These expenses have become “hidden” in the profit and loss statements and franchise, and service provider's invoices, making it difficult to clearly visualize and manage these growing costs.

Further with reduced staffing, at the corporate level, our partners can provide outsourced solutions for the roles normally served by an in-house CIO and related staff.

A comprehensive analysis of your current communications services and contracts could identify opportunities to cut costs, between \$7.00 - \$15.00 per room, and improve your technology and communication infrastructure.

With today's focus on energy reduction, many third parties offer low impact energy cost reduction solutions, however, energy can be a tough sell, as it often requires a capital investment for long-term reductions.



That said, several firms have the resources and knowledge, to analyze and develop energy strategies, by way of procurement of electricity, gas, and fuels. Many of them work with national and regional suppliers and can negotiate better terms.

Further, many have expertise in solar energy implementation, which in certain regions, are subsidized by local and state governments.



According to national industry data, the cost per ton, of tipping fees, in the U.S., has increased from \$48.27, in 2016 to \$55.36, in 2019.

As these costs continue to increase the need to manage and reduce waste costs is critical. There are firms that specialize in working with businesses, colleges, hotels, and restaurants, in securing better waste management pricing and providing ongoing management and reporting to assist in maintaining these cost savings.

One of the firms I have recently contacted has indicated that, on average, they can **save 35% on the monthly costs**, through negotiations for better pricing and leveraging their industry expertise.

One of the challenges I experienced in my years as a hotel operator, was organizing and evaluating the many service contracts associated with a specific asset.



There can be numerous agreements at a given property, many that have not been reviewed, renewed, or updated, in many years.

Several years ago, I had an assignment outside of Philadelphia, I was tasked with reducing costs at a full-service Sheraton property, after my review, I was able to reduce, re-negotiate and/or upgrade many of these service agreements, notably a boiler and elevator agreement, that minus my review, would have resulted ownership paying out thousands of dollars in capital costs to replace these critical systems, which under the terms of their agreements, were covered by the service provider.

With record demand at all-time lows, there is time to organize this often-overlooked area.



For the many hotel owners that work with a professional asset manager, one of the benefits, is their focus on ensuring that the asset has the proper levels of coverage and it is provided at competitive rates.

If you do not have an asset manager, I suggest reviewing your current insurance products and coverage levels.

In closing, the COVID pandemic has had a devastating impact on travel, and by extension our industry. It has challenged the most stalwart of owners and operators, however, it has also provided us the time to prepare and position for the coming recovery.

By embracing this time to search for our respective “coins in the couch cushions”, we will recover more quickly and come out the other side this stronger for it.



Above I touched on several areas where '**Coins in the Couch Cushions**' can be found. In the coming weeks, I will be doing a deeper dive into several of these areas and others.

I would like to thank my friend and colleague, Russell Savrann, of Sandman Savrann PLLC, whose firm is devoted to providing comprehensive, first choice legal counsel to the hospitality

industry, for his assistance with the theme and content of this article.

About the Author:

Mike Amaral is a 30+ year passionate veteran in hospitality. His expertise encompasses, hotel development, hotel franchising, hospitality operations, hotel bankruptcy, turnaround management, and consulting. Mike has worked with all major hotel brands, and clients including, Marriott, Hilton, IHG, Richfield Hospitality, Rockbridge Capital, and Interstate Hotels. His professional experience includes multi-unit hotel operations and numerous corporate-level executive positions, including Chief Operating Officer of Lodgian Hotels and Resorts.



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