

Operational Assessment: A Roadmap For Value Creation

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Managing staffing levels, benchmarking to the competition, tracking expenses – all effective means of assessing the ongoing operation of a hotel. Assuming competent management, at this level your operator should have it covered. There is, however, a more broad meaning and purpose implied by the term operational assessment not typically captured as part of management’s daily oversight. To hotel asset managers, an operational assessment is the process by which opportunities are identified to enhance revenues, improve operating margins and ultimately **maximize asset value**. By this definition an operational assessment entails a critical review of the asset (including financial performance, staffing and organizational structure, management and brand effectiveness), coupled with an understanding of investment goals to deliver a strategic plan for the asset. An effective operational assessment will identify not only issues, but also uncover opportunities for enhancing bottom line performance and most importantly, a plan for implementation. Hotel owners should consider the following planning points and benefits surrounding an operational assessment:

WHO? Operation Collaboration: Whether a professional asset management firm or a qualified hospitality consultant, facilitating the process through a third-party will yield more meaningful results due to the level of objectivity and ability to align with ownership goals. Notwithstanding, the operating team must be fully engaged and the process be managed in a manner that fosters collaboration. The management team will play an integral part in implementation on recommendations, so a mutual understanding of the process and buy-in on initiatives upfront is critical.

WHEN? Whether Times Are Good or Bad: A common misconception is that an operational assessment is like calling the doctor...you only do it when something is wrong. Contrary to this belief, the opportunity for bottom line improvement can be even greater during periods of high demand and strong financial performance. Evaluating selling strategies, business mix and pricing during peak periods are essential to ensure that no money is left on the table. Similarly, a close examination of expenses may uncover an unnecessarily high cost structure that can be masked when performance is up. Good times deserve the greatest scrutiny to prevent management complacency, while also ensuring the right strategies are in place to maximize performance.

WHERE? To Spend on CapEx: An effective operational assessment will include a detailed analysis of operating performance by department, identifying opportunities for improvement, as well as exiting limitations. In many cases the opportunity for a hotel to perform at its true potential may be tied to necessary capital improvements or involve other physical aspects impacting functionality. An operational assessment will assist owners in prioritizing projects to ensure capital dollars are allocated to those areas which promise the highest return.

WHY? Beyond The Budget: Developed in October and approved in December, the budget is a critical tool in establishing meaningful targets and financial expectations for the upcoming year. It is important to remember, however, that budgets are static, while strategies must be fluid. Operating teams can become glued so tightly to the budget, often creating blinders in the face of opportunity. Particularly in light of strong market recovery and performance, hotel owners should be asking “Is my hotel performing to potential?” rather than simply to budget. An operational assessment will determine whether the strategy developed back in October is still relevant, and provide recommendations for generating incremental profit based on current market opportunities.



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WHAT? Should Owners Expect: The outcome of an effective operational assessment should be two-fold. First, identifying opportunity is only half the battle....you need a plan for implementation, including specific initiatives that ultimately serve as the roadmap for value creation. Lastly, and most importantly, hotel owners should expect RESULTS. Converting the findings of an operational assessment into tangible bottom line improvement is what it's all about. Be sure to engage a professional firm to facilitate the process with a proven track record of implementation, as well as delivering measurable results.

About CHMWarnick:

CHMWarnick ("CHMW") is the leading provider of hospitality asset management and ownership advisory services in the US, delivering material positive impact on asset value and returns for lodging real estate owners and investors. The company currently advises a client portfolio of more than 50 hotels with 20,000 rooms, collectively valued at \$10 billion. In addition to operational hotels, CHMW actively is representing clients on \$2 billion in hotel development projects in major markets across the US. CHMW's experience has included advisory on more than 400 hotels, including major and secondary markets in North America and the Caribbean. It has served as a trusted advisor to a wide-range of US and internationally-based ownership groups, including sovereign wealth funds, private equity, public agencies, pension funds, lending institutions, Fortune 100 companies and insurance companies. While CHMW has worked with many hotels, it is uniquely qualified in its experience with urban luxury and boutique properties, convention center headquarter hotels and destination resorts.

CHMW offers a senior, stable and experienced team of 29 hospitality professionals. The company provides a broad range of expertise in areas such as hotel consulting, planning and development, contract negotiation, operations, new hotel openings, strategic planning, sales and marketing, revenue management, accounting and finance, food and beverage, loan/agreement compliance, capital planning and physical asset oversight, risk management and investment counseling. CHMW's diverse background, and deep experience (a third of its team has 30+ years hospitality experience) affords an unparalleled level of resources, providing clients with the most comprehensive hotel advisory services available in the industry today. To learn more about CHMWarnick, visit our website at www.chmwarnick.com or contact us at 978-522-7000 or info@chmwarnick.com.