



OWNER EQUITY BY [CHAD CRANDELL](#)
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Fed up with fees? Me too

(The views and opinions expressed in this blog are strictly those of the author.)

Recently in the press, comparisons have been drawn between the hotel and airline industries, and for those just tuning in, it's not in a compliment.

The criticism and accompanying data portray hotels as greedy predators, layering on fees to unsuspecting guests, in an effort to gouge the general public in the name of more profit. While the data published does support a significant increase in assessed fees to consumers in recent years, it fails to acknowledge the drastic rise in expenses to operate a hotel today, including everything from labor and cost of customer acquisition to increasing insurance and real estate taxes, which collectively are on pace to exceed the rate of revenue growth in 2018.

And, like the airlines, the hotel industry tends to operate better when it's profitable, and coming up with new ways to enhance margins has long been a strategy employed by the service industry.

As an advocate for the hotel ownership community, I'm keenly focused on profits, but I also understand the importance of balancing guest expectations to ensure we keep "hospitality" in the hospitality business. Toward that end, I'd like to make a distinction about fees.

I believe there are two general categories of "fees" worth examining. The first, corresponding to a privilege, convenience or enhancement of one's stay, including items such as higher-



speed internet, club lounge access or an enhanced category of room type, all which can be likened to upgrading from coach to first class.

I would also include in this category the privilege (or choice) to book through an alternative channel (at higher rate and no earned points) as opposed to booking direct, or cancelling or changing a reservation within a short window of arrival. Again, this is the norm in the travel industry, and also puts the guest in the driver's seat with respect to choices and decisions about their stay. Although hotels may be late adopters, I believe these fees are warranted now more than ever.

The second category of fees can be characterized as "cost recovery" and seem to be the most inflammatory to guests, who draw little parallel between the assessed fees and hard costs. They know it doesn't cost hotels more money to give guests access to a fitness center or basic internet, so why the fee? In many instances, hotels are introducing a fee in one area to cover costs and mitigate lost revenue in others.

And while it is certainly effective from a cash flow standpoint, this practice serves to create a wedge between hotels and their guests and can fly in the face of being hospitable. "Urban" resort fees are a recent example of this type of fee, which has been hotly debated in the media lately. In one article I read, hotels were referred to as "predators" and the practice "unconscionable."

Ouch.

As a representative of ownership, this is certainly not the intention, nor the perception we wish to perpetuate. We find ourselves in a difficult position, yet we could not empathize more with our guests. We too are tired of being nicked and dimed by the "industry" at large. We see little to no value in the rising fees we're faced with, including everything from rising brand fees to the extraordinarily high cost to acquire a guest stay through an intermediary.



I'm not sure what the answer is, and in all instances, I will defend the bottom line of the owners (always), as we continue to battle the new reality and operating environment with which we must contend. But, I do believe a new paradigm is in order regarding the way in which we connect with our guests, deliver value that makes hotels a first choice and not a necessary evil (sorry, airlines!), builds REAL guest loyalty, and sustains a profitable operation for owners today and in the future.

Thoughts?