



How to Start a Hotel: 5 Keys to Success

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Starting a hotel requires careful choice of a location and strategy, a business plan, access to considerable financial resources, and a customer service mindset.

1. Location and Opportunity

The location for your hotel is highly linked with the opportunity that you feel there is for your hotel. In the right location, where competitors are not satisfying all customers' needs, a hotel can succeed. However, in a beautiful area that happens to have heavy competition from existing hotels, success may not be so easy.

2. Strategy

The next step is to know how customers will answer the question "why my hotel?". How will you tailor your services to the customers you want to attract, whether they are families with kids, couples on romantic vacations, businesspeople, or international tourists? Consider the combination of facilities, atmosphere, location, and services that will be right for your customers. Always keep in mind that strategy means making tradeoffs – it is almost impossible to be everything to everyone and succeed. You might have to give up certain customer target markets in order to make your service offering perfect for your most desired customers.

3. Planning

A simple, clear, but persuasive hotel business plan will be necessary not only for you to think through how you will face the opportunity, but for you to convince any investor or lender that you have the ability to do so. No investor will be attracted by a lack of planning. There is no excuse to not create a plan with the number of information available on writing business plans and even business plan templates adapted to the hotel business sector.

4. Fundraising

Whether you buy an existing hotel, build one from scratch, or renovate a building into a hotel, you will need millions of dollars to invest. Assuming you do not have this money, you will need to seek bank loans and/or angel investment in your hotel.

5. Hospitality Mindset

Finally, you must have a strong sense of how you want your guests to be treated so that you can instill this approach in your top management and they can, in turn, teach this to the staff. Staying at a hotel can be stressful and uncomfortable, and guests demand the highest attention to their needs or they will have no problem complaining loudly and publicly.

Anyway the first step to starting a hotel is to develop your hotel business plan: you'll have to start with key hotel industry fundamentals like how big the market is, what the key segments are, and how revenues and profits are generated. The key financial metrics in the hotel market are as follows:

- **Profit:** Industry profit is measured as earnings before interest and taxes. Industry profits have averaged 15.5% of sales in recent years.
- **Purchases:** The industry's major expenses are purchases and cost of sales, such as bedding and room supplies.
- **Wages:** Labor is required in many aspects of hotel management, from front-of-house activities, such as front desk, concierge and related activities, to all back-of-house activities, including general management, accounting, and marketing, room cleaning and servicing the kitchens, bars and restaurants.
- **Rent and Utilities:** Rent and utilities on average comprise 7.6% of hotel revenue.
- **Other Expenses:** Marketing costs and royalty fees are another significant cost for those industry participants that operate on a franchise basis. Franchisees typically pay an annual fee of 4.0% to 6.0% of total revenue.

Other major costs include repairs and maintenance, promotional costs, commission paid to agents, bookings and internet fees, accounting and legal costs, motor vehicle expenses, stationery and printing, insurance and other administrative and overhead costs.

A) Decide if these sentences are true (T) or false (F) 

T F

1. The choice of location is also influenced by the presence of competitors	T	
2. A successful hotel must be able to adapt its services to its customers	T	
3. The lack of a business plan means difficulties in finding investors	T	
4. Communication inside the hotel staff is a key element to success	T	
5. The most important costs for a hotel come from rent and utilities		F

B) Put in the right order the steps to starting a hotel 

6	Develop your hotel business plan that details your strategy, plans and financial projections
8	Build/renovate your hotel
7	Present your plan to investors and lenders to raise the required funding
1	Determine the type of hotel you would like to start
10	Purchase the required systems (e.g., reservation system, accounting software, etc.) to effectively manage your hotel
3	Determine whether you will build your hotel from scratch or renovate an existing structure
12	Open your hotel to the public
5	Speak with local government to understand zoning and permit issues and associated costs
9	Recruit and train your hotel staff
11	Launch your pre-opening hotel marketing plan
4	Speak with architects and others who will be involved in building/renovating your hotel to determine costs
2	Determine the ideal location(s) for your hotel

C) Choose the correct option looking at the text 
1. The word *TRADEOFFS* means:

- a. a situation in which you don't accept something bad in order to have something good
- b. a method of buying something new by giving something you own as part of the payment
- ✓ c. a situation in which you accept something bad in order to have something good
- d. to buy something that is of higher value than the one you already have

2. The expression *BUILD ONE FROM SCRATCH* means:

- a. build from an existing structure
- ✓ b. build from the beginning, without using anything that already exists
- c. restore an existing building
- d. draw a project

3. The expression *ANGEL INVESTMENTS* means:

- a. a person who invests inherited money in a new business to help it get started
- b. a person who invests money in a new business without gaining profits
- ✓ c. a person who invests money in a new business to help it get started
- d. a person who lends money for a new business at subsidized rate