



DO YOU WANT TO VENTURE INTO EVER GROWING HOSPITALITY BUSINESS?

AUM HOSPITALITY CONSULTANTS

HOTEL & RESORT PROJECT & MANAGEMENT CONSULTANTS

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- ▶ Think of **Aum Consultants** & we will be part of your journey. The first hotel in world was started in Exeter, England in 1768. Today, the hospitality industry has expanded so well and is one of the major economies of world. Anybody on the earth will dream of starting his own hospitality business but making it happen is totally different thing and that's where **Aum Consultants** comes into the picture.
- ▶ In this brief note, we'll explain you how to start a hospitality business with step-by-step instructions, expert advice, and actionable tips. Keep reading to discover the fundamentals all hotel businesses need to succeed.



LODGING & ACCOMMODATION

1. LODGING & ACCOMMODATION

- ▶ This sector of the hospitality industry features a gamut from luxurious hotels to lavish resorts and campgrounds. Accommodation is a broad sector of the hospitality industry, ranging from bed & breakfast enterprises and hotels to other facilities that offer lodging services.
- ▶ Again, customer service is indispensable in providing accommodation services. And that isn't all – efficiency, integrate comfort, and world-class amenities are also its foundation.
- ▶ *Also, read our other post on the importance of service in hospitality industry.*
- ▶ An extravagant resort, for instance, should offer its customers privacy and exclusive services to cut it in the niche. As you might expect, accommodation can marry well with other segments of the hospitality industry. Of the three things which people need, when they travel, the most important one is accommodation. Other two are food and transportation. It is due to this fact we have started with lodging in our list of 5 sectors of the hospitality industry. If you have arranged for hotel and accommodation, you will automatically find the other two. A lot of focus is being made these days to improve the lodging experience of people travelling around the world.



LODGING & ACCOMMODATION

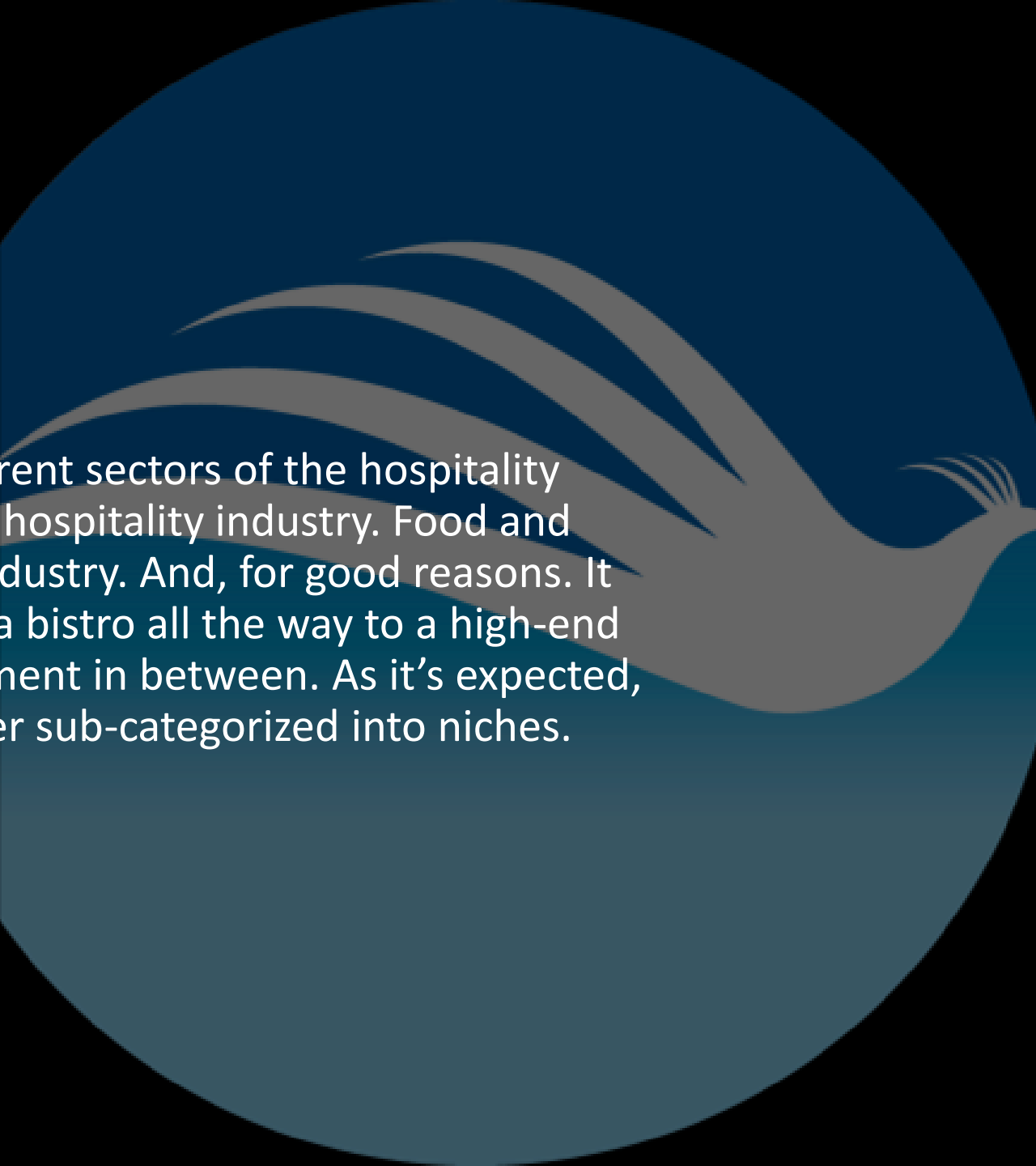
- ▶ Discussed below are three main types of hotel and accommodation services:
- ▶ **Lodging:** When people travel from one place to the other, they need a place to sleep. A shelter which will keep them safe from the atrocities of nature. This results in people booking lodges and rooms for their stay.
- ▶ **Suites:** Apart from general lodges to stay, hotel sector offers luxury suites for the stay as well. Generally, suites are suitable for formal sorts of staying and are much expensive compared to regular room services.
- ▶ **Resorts:** The third type of accommodation which is popular among travelers are resorts. These bring you close to nature and give you a necessary break from your normal routines.





2. FOOD AND BEVERAGE

This is another crucial one of the 5 different sectors of the hospitality industry. It's another wide sector of the hospitality industry. Food and beverage sector reign supreme in the industry. And, for good reasons. It can range from something as simple as a bistro all the way to a high-end restaurant and every catering establishment in between. As it's expected, the food and beverage industry is further sub-categorized into niches.





FOOD & BEVERAGE

► **There are a lot of sub-sectors within the food service industry. Some of these are:**

1. Restaurants
2. Fast food chains
3. Retail and food stores
4. Takeaways
5. Business and industrial catering
6. Leisure and outdoor catering
7. Hotels



FOOD & BEVERAGE



- ▶ Food-service-industry-sectors-of-hospitality-industry
- ▶ There can be a humongous list when we categorize the food service industry as a crucial sector of the hospitality industry, but we will elaborate on some of the key categories below.
- ▶ **Quick-service Establishments** – These are commercial foodservice restaurants that compete for customers who look to garner quick snacks, drinks, and meals. Typically, they have fewer employees. In fact, self-service is the norm here. Think of McDonald's, KFC, Subway, Pizza Hut etc.
- ▶ **Catering Businesses** – This category provides food and beverage catering services for any special occasion – from weddings to birthday parties and everything in between.
- ▶ **Full-Service Restaurants:** These are your typical restaurants or eateries which feature course meals, drinks, and a plethora of other food services. These establishments usually seat you at a table and use waiters to take food orders. From fine dining to casual dining to themed restaurants; there is a range of these full-service restaurants.
- ▶ *Themed restaurants have grown multiple folds like the wave of luxury underwater restaurants.*
- ▶ Such is the popularity and growth of Foodservice establishments that industry pundits are considering Full-service restaurants as a separate category of the hospitality industry. People are always looking forward to food when they are on the go. When in a different country, people like to taste local cuisines. So, food and catering make essentials of the hospitality industry. It starts with food production and ends at food representation on the eating tables, with storage and cooking steps resting in between.

FOOD & BEVERAGE



- ▶ **It is also important to discuss the processes and stages involved in the foodservice industry of hospitality.**
- ▶ **Food Management:** It starts with the production of food. Many hotels and restaurants serve naturally organic food. Apart from production, food transportation and storage also make part of this division.
- ▶ **Food Presentation:** People like to eat food which is well represented. So, a lot of focus should be made on food representation to improve hospitality experience.
- ▶ **Beverages:** Apart from general food items, beverage storage, and representation also make it into the list of food and catering services.
- ▶ **Restaurant Management:** Restaurant management is a science which is being taught in colleges these days. With proper skills to manage a restaurant, you can manage food, beverages, and maintain a quality representation of food, so that customers will come again to eat at your place.



TRAVEL & TOURISM



3. TRAVEL & TOURISM



- ▶ A lot consider tourism synonymous with hospitality and not as a different sector of the hospitality industry. Travel and tourism industry is a vast sector of the hospitality industry with several key players across the globe. Most of them include trains, airlines, cruise ships, and several crew members in their service. On the whole, players in the travel and tourism segment are in the business of moving people from one destination to another.
- ▶ It would not be an exaggeration if we make a statement that the most important segment of the hospitality industry is travel and tourism as others depend on it. Without profound levels of travelling and tourism in a region, the hospitality industry of the region won't grow.
- ▶ So, the Travel and tourism domain makes the backbone of our hospitality industry. It is a huge domain which demands innovation, strategy, and novelty at each step. When we talk about travel and tourism, it is not confined to leisure and travel for fun. Both formal and informal travelling include this division. People travel across the globe for businesses, education, entertainment, holidays, and many other things. Like all other different sectors of the hospitality industry, this one also demands customer focus, leniency, relationship management, and other integrated marketing skills for its smooth running and expansion.



ENTERTAINMENT INDUSTRY



4. ENTERTAINMENT INDUSTRY

- ▶ This again is a key category of the hospitality industry as it involves the most important thing of hospitality. Us, the buyers and recipients of all hospitality services. So, this sector of hospitality thrives for us and to entertain us. Entertainment is a significant part of our travel these days. If your travelling experience lacks fun and entertainment, then you might not be able to enjoy your time up to the fullest. So, for the successful running of hospitality businesses, it is important to have in the kitty as many entertainment activities as possible.

- ▶ **Some of the activities which can elevate your experience when it comes to entertainment are:**



- ▶ **Marinas:** Marinas are one of the most popular places to go when it comes to partying. You can get along with your friends on a private yacht where you can dance, play games, and enjoy the best of your life.
- ▶ **Sports and Gaming:** Sports and gaming is a basic thing which people are looking for on their travel. As a result, Casinos, swimming pools, and other similar activities are becoming an indispensable part of the hospitality sector.
- ▶ **Cruise:** Apart from marinas, cruise services are also becoming an essential component of the hospitality industry. Now, people like to spend their days on luxury ships which sail across the blue oceans under the clear sky.
- ▶ **Nightclubs:** Who doesn't love to dance to their favorite song when on a break? We all do. Therefore, hotels have nightclubs services in them.
- ▶ **Bars:** Sitting around a table and having a couple of drinks with your friends is always a refreshing experience. Therefore, bars make an important part of the entertainment sector of the hospitality industry.

TIMESHARE

- ▶ An emerging yet vastly important sector of the hospitality industry is vacation ownership of a place. In this scheme, people, either individuals or parties, own the rights to a place for a specific time period during the year. We have placed Timeshare on our list of 5 different sectors of the hospitality industry because of the raised interest of hospitality enthusiasts for Timeshare.
- ▶ Timeshare gives us an option to own our choices and to enjoy facilities by either buying a part of a facility or getting into a membership plan.
- ▶ **Sectors-of-hospitality-industry**
 - ▶ During this time, they can bring this place under their use, the way they want to. There are many places which people can own for the time being, under the timeshare rule. A couple of them are discussed below:
 - ▶ **Convention Centres:** Convention centres make the base of the hospitality industry as they offer a place where people can gather in bulks for seminars, conventions, expos, and other similar things.
 - ▶ **Villas and Resorts:** You can own villas and resorts under the timeshare rule, for some time of the year and can go and enjoy with your friends or family.





STEP BY STEP GUIDE TO START A HOTEL BUSINESS



THE STEPS WE COVER IN THIS GUIDE:

- ▶ Step 1: Find a market need
- ▶ Step 2: Craft your strategic goals
- ▶ Step 3: Run the numbers
- ▶ Step 4: Review financing options
- ▶ Step 5: Do your paperwork
- ▶ Step 6: Hire and train your team
- ▶ Step 7: Draft a marketing plan
- ▶ Step 8: Launch your hotel business



Step 1: Find a market need.



- ▶ The first and most important step when learning how to start a hotel business is to gain a thorough understanding of the hospitality industry worldwide, as well as in your location. To get started, find your favorite hotel news sources, then set aside time each day or week to stay informed. Once you have some familiarity with the industry, it's time to dive into the market research for your hotel.
- ▶ **Let us help you start your hotel business**
- ▶ It's where you can read the latest news, thought leadership, and best practices from a wide variety of industry experts. The goal of your industry research is to get a clear idea of whether you can be competitive in your market. Also, what characteristics your hotel will need in order to succeed.
- ▶ Rather than starting with an idea and making the research fit, try to find an area of need in your market. What audiences are underserved? Where is demand outpacing supply? What does your location need in terms of hospitality and accommodation?
- ▶ **To give you a good understanding of where you'll fit in, your market research should include:**
- ▶ **Property type.** All hotels are not built the same. The industry is made up of resorts, spas, airport hotels, all-inclusive, hostels, boutiques, and many other property types. Determine what property type you plan to offer and what other options in that category exist in your location.
- ▶ **Hotel size.** Closely related to your property type is the hotel size. How many guest rooms will you offer, and how does that compare to your competitors?
- ▶ **Star rating.** What level of service and hotel amenities do you plan to offer?
- ▶ **Location.** What region will you operate in? Is demand increasing in the area? What location amenities, like airports, beaches, or event venues, will you be in close proximity to?
- ▶ **Brand affiliation.** Will you be a part of a larger brand's umbrella? Being affiliated with a brand can help with marketing, business intelligence, pricing, and audience targeting.



Find a market need.....

- ▶ **Extra amenities.** What services or amenities are important for hotels of your type and star rating in your location? Things like free Wi-Fi, meeting space, a pool, or wedding services are all important, depending on your target audience.
- ▶ **Guest demographics.** How would you define the types of guests who may frequent your location? What is the purpose of travel, and what are some common characteristics of these travelers? Knowing whether you are targeting business travelers, families, couples, solo travelers, retirees, or other demographic groups will help you to craft your marketing plan and hotel concept.
- ▶ All of this research should give you a good idea of your main competitors and target audience. Those two pieces of information will determine everything else about your property, from budget and financing to marketing and daily operations. Spend time on this step to make sure you've found a true need in the market. You'll be better prepared for success.



STEP 2: CRAFT YOUR HOTEL'S STRATEGIC GOALS.



- ▶ Once you understand market needs, you'll need to create a smart solution to fill that gap. Your unique combination of amenities, concept, decor, marketing, location, and services can help you stand out from the crowd and capture market share if you approach it strategically.
- ▶ Consider how you'll approach pricing, revenue management, sustainability, customer satisfaction, events, and other market needs when crafting your goals. As with all goals, they should be S.M.A.R.T - specific, measurable, attainable, relevant, and time-based. According to the Naples Hotel Group, an expert hotel development firm, some of the best goals a hotel owner can focus on include:



- Measuring and increasing customer satisfaction.
- Creating a solid revenue management system.
- Building a strong online reputation.
- Attending at least one hotel industry conference.
- ▶ Considering working with a consulting firm to bypass the common roadblocks new hotel owners face. Make sure the needs of the market and your target audience, along with your business needs, help determine your goals. This will ensure that everything you do helps your customers, as well as your bottom line.
- ▶ You can use a hotel business plan template to outline the results of your research and planning, including your competitive advantage, goals, and your plan to get those results.

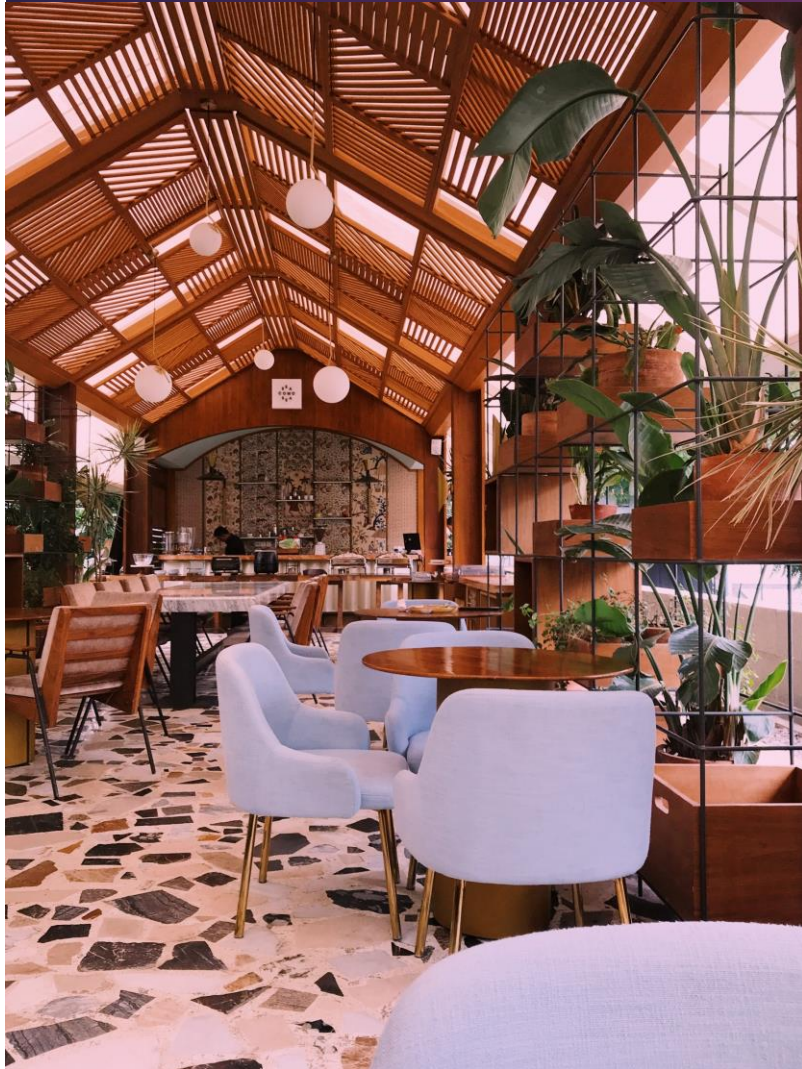
STEP 3: RUN THE NUMBERS.



- ▶ With your goals and plan in place, it's time to run the numbers to make sure you'll be profitable. Using your market research, you can estimate key factors like room pricing, vacancy rates, RevPAR (revenue per available room), and operating costs. A basic overview of hotel finances will help you hire the right revenue manager and sales team later on. The two key areas to focus on are profitability and any external factors that may affect your hotel business. You'll also need to estimate initial costs for your hotel business. This includes startup and hiring costs, licensing, permits, construction, renovations, and your first year of operations.
- ▶ Set up a few scenarios in your forecasting to see how key decisions affect the potential profitability of your business. For instance, do you want to buy or build? Buying into a franchise or taking over an existing hotel building has lower startup costs unless you have to renovate extensively. But it also requires you to establish your new hotel identity, which can be a challenge depending on the current state of the business. On the other hand, building a hotel, while usually considerably more expensive upfront, can provide a solution to a lack of available buildings and can be more lucrative in the long run.



STEP 4: REVIEW FINANCING OPTIONS FOR YOUR HOTEL BUSINESS.



- ▶ Once you decide on the right financial plan for your business, you're ready to fund it. There are a number of available options for financing your hotel business.
- ▶ *"It's important to understand the full scope of financing options available for your hotel's funding," he said. "Generally, you have two commercial financing categories when opening your hotel: traditional credit or specialty credit."*
- ▶ With traditional credit lines, you receive financing based on long-term assets. These are things like real estate owned by your hotel as well as cash flow projections and calculations submitted during underwriting. Lenders review these assets before awarding your loan.
- ▶ With specialty credit, you'll receive financing or credit lines based on near-term assets. This might be hotel equipment or invoices from accounts receivable. The idea is these backings are more liquid than what's needed in traditional lending.
- ▶ Both traditional and specialty financing are appropriate vehicles for hotels depending on your capital needs. However, the larger and more established your hotel franchise, the more specialty lending could make ongoing sense. This is because large hotels manage significant account receivables operations.
- ▶ Consider the amount of credit card transactions that must be administered. Also, hospitality-related vendor operations happening within the establishment. The larger your AR activities, the more something like AR-based asset lending and similar specialty lending might benefit you."

STEP 5: DO YOUR PAPERWORK.

- ▶ There are many important legal, regulatory, and insurance requirements to fulfill in order to establish any new business. Your hotel business is no different.
- ▶ Consult with your legal, insurance, accounting, and operations teams to determine the requirements for your location. At a minimum, you'll need to set up a business structure and get business insurance. You will also likely need building or renovation permits, hotel licensing, and licensing for serving food and alcoholic beverages. There will also be a number of health and safety requirements as you complete your building or renovation process.
- ▶ All of this paperwork is not the motivating factor for getting into the hospitality industry, but it is important. Work with your team to check requirements at the local, state, and federal level. Additionally, keep on top of the process throughout so you don't have to repair costly mistakes later.
- ▶ Modern hotel management begins here.....



STEP 6: HIRE AND TRAIN YOUR HOTEL TEAM.

- ▶ A business is only as good as the team members that contribute to its success. By hiring great employees at all levels, you'll set yourself up to deliver value to your guests and become a market leader. Many hotels opt to hire for executive and departmental positions first, setting the tone and direction. These leaders can then identify what they want to see within their teams and how many staff members they need. Each team should identify the roles and skills they're looking for, as well as developing a plan to reach and source great new hires.
- ▶ Make sure that your application and interview processes are easy for candidates so that you don't introduce needless friction. Find ways to communicate your core mission, values, and approach to this new business throughout the hiring process. This will help you attract candidates who share your vision.
- ▶ Once you've hired a great team, take the time to onboard and train them. This is an incredibly important step that will help everyone in the long run. Any employees who will interact with guests should receive extra training on customer service and guest relations so that they're ready to lend a helping hand, regardless of whether it's in their job descriptions.
- ▶ Focus from the beginning on becoming the employer of choice in your market. You'll attract a stellar team that's ready to help you become a market leader.





STEP 7: DRAFT A MARKETING PLAN.

- ▶ You're now ready to share your hotel concept with the world. Well in advance of opening, you'll need to spread the word and set yourself up for a profitable launch.
- ▶ Your hotel marketing plan is an important part of your overall business strategy. It guides your decision-making on decor, daily operations, communications, customer service, and more.
- ▶ Think back to the target audience that you identified in your market research. Using that initial audience, you can now conduct more in-depth customer research to determine who your customers are. Also, where you'll find them, how you'll communicate with them, and how they define value.
- ▶ Hotel marketing made simple



STEP 8: LAUNCH YOUR HOTEL BUSINESS.



- ▶ At this point, you've put in the work to open a profitable and high-quality hotel business for your market. You've got the plan and the team to make your vision a reality. Now it's time to launch.
- ▶ The goal of your launch is of course to introduce your hotel to guests. But it's also a great opportunity to introduce yourself to the local community, key stakeholders, influencers, and potential partners. Put your best foot forward with these audiences by planning a grand opening event that reflects your mission and values.
- ▶ Use event planning and diagramming tools to create your layouts, collaborate with vendors, and assign tasks to team members. As long as you focus on building relationships with your community, investors, and potential clients, your grand opening will be a success.
- ▶ Now you know how to start a hotel business using proven strategies from across the industry.
- ▶ Now that you know how to start a hotel business, it's time to start thinking about reputation. Read on for hotel reputation management tips every hotelier should know.

*Thank
you*



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