

200 Bedroom Airport Hotel

The issue and solution

The CVA of Ramada Jarvis provided for the owner to either take the hotel back or accept a much reduced rent. The rent reduction was not an option acceptable to the owner as it would not have been sufficient to cover the owner's financial commitments.

The hotel had opened in late 2008 but despite a good position and a strong local market did not trade well and was performing significantly behind its competitor set.

Focus and their advisors identified a solution used previously where *Focus* would buy the existing lease with a new agreement on rent and with terms similar to a management contract.

Focus acquired the hotel from the administrators and took over the management in October 2011.

Owner's Objectives

To get the hotel trading sufficiently profitable to as a minimum cover rent payments as set in the original lease.

Operational Overview

In the 4 weeks after takeover focus carried out a full review of the business, to understand why the performance was so poor versus the local competitor set and the wider airport hotel portfolio.

This review looked at all aspects of the business with an emphasis on the management team, revenue management and general operating efficiencies.

The review established that the issue was not with the existing management team but how the group central management worked. There were two key issues:-

1. The group decision to price the hotel outside of its proper competitor set given its brand.
2. The group central yield and reservations management structure making revenue decisions without the full involvement of local management.

Focus immediately installed a new revenue management and reservations team based at the hotel supported by Focus's central revenue teams and provided them with all the necessary yield tools to enable them to compete fully in the local market. Focus in addition to the yield tools provided developed a revenue and yield culture in the operational team enabling the hotel to compete effectively with its competitive set.

The hotel quickly established itself as a key competitor taking its fair share of the market which resulted in a significant increase in occupancy without diluting the net average room rate.

Branding Review

Both the owner and Focus believed that the hotel would benefit from new branding more in line with the standard of the property. Both parties believed from their knowledge of the market that

the Hilton Doubletree brand would suit the hotel best and a decision was made to go with this brand.

Focus negotiated the brand with Hilton including all PIP requirements and the brand went live in July 2012.

Achievements

For the financial year 2012, and in a stable local market, Focus improved the performance of the hotel against the previous financial year, (prior to Focus management take-over) as follows:

- Gross Revenue increased by 21.6%
- Occupancy increased from 55.6% to 74.15%
- Revpar increased by 28.9%
- EBITDA increased by 28 %

In 2013, the hotel continued to grow market share and performed in line with its new 4* competitive set, and the owner's objectives on profitability:

- Gross Revenue increased by 20.6%
- Occupancy increased from 74.15% to 82.03%
- Revpar increased by 9.6%
- EBITDA increased by 40%

In 2014, the hotel continues to trade well and is on target to achieve its enhanced budget. The STR RGI (revenue generation index) of the hotel continues to perform at 100% + of its competitive set.

Retrieved from <http://www.focushotelsmanagement.co.uk/200-bedroom-airport-hotel.html> (accessed 24/11/2016)