



AmCham Leadership Case Studies

Success in the hotel business is governed by the RevPar rate: the amount of revenue the hotel generates per available room per month. To succeed, you need to fill as many of your rooms as possible at the maximum possible rate. The challenge is this: if you fill all of your rooms all of the time, the rooms begin to show signs of wear. And if you want to raise rates as much as possible, you have to have quality rooms with the latest technology and equipment. To keep the rooms fresh and modern, you have to refurbish them regularly. How do you maintain revenue and occupancy while still keeping your rooms and conference facilities above market standard?



Back Story

William has been in the hotel business for a long time and in a good number of the world's most desirable tourist destinations. He has managed skyscraping buildings in major cities and exclusive country estates in rural England. When he arrived in Prague, he faced the need to renovate both his rooms and the banquet floor in a market that had just emerged from the financial crisis and was just entering the era of AirBnB. He needed to make sure his new rooms and conference venues not only achieved the modern aesthetic, but also incorporated the technology demanded by his clientele. Above all, he needed to make sure all the changes raised his market share of RevPar.

William Boulton Smith Prague Marriott Hotel



“...focus only on those things that will add value and increase guest spend.”



Make sure what you spend budges the needle

"There are million things you can do that will make the customer happy. When you start the project, each person has some ideas of what they would like to place into a room. The key is to remember that what is important is not what you want but what the guest wants, and then focus only on those things that will add value and increase guest spend."

When the owner and the management team first sat down to discuss the reconstruction, the problem was not enough ideas; it was finding a way to manage all of the proposals of what people thought the customer wanted.

"On one side we had limitless possibilities. A room could be improved in so many ways. On the other side, we had our budget, which was not limitless. We decided that the best way to deal with this contradiction was to build two prototype rooms and put a post-it on each improvement with its price. That way, we could create several different models of room that we could have at budget."

This is where RevPar played a decisive role. RevPar is determined by internal and external factors. An external factor, for instance, is summer and winter. People come in the summer: with more demand, you have more occupancy and higher rates. To eliminate external factors, Boulton-Smith concentrated on an index which showed how his hotel was performing according the average RevPar. He challenged his management team to justify their choices in how to refurbish the room by how that choice would improve the hotel's performance in the RevPar index.



Don't just do the obvious

Many times, management gets trapped inside the orthodoxy. Or they play it safe. That is the way to miss an opportunity.

"Conventional wisdom is that you should do work in the hotel during slow season, and that is how we started our planning. But you make your money by having people in the hotel. So the question is not when you have the fewest people in the hotel, it is how can I do this to have the most people possible in the hotel during the reconstruction."

That made Boulton-Smith run some scenarios. He discovered that he could replace his summer banquet business with leisure groups. People on tours leave in the morning and come back in the evening. They never visit the banquet floor. They do not mind noise during the day, because they are not there during the day. By challenging the maxim that reconstruction should be done when the fewest people are staying in the hotel, and replacing it with the aim of doing reconstruction when the revenues lost by closing certain areas could be replaced fully or partially by different revenue sources, Boulton-Smith was able to maximize current revenue.



click here for more
information on
the Marriott's
newly redesigned
banquet floor

AmCham aims to make the Czech Republic a top ten EU economy. One of the ways we do this is by best practice sharing to help develop the best management talent pool in the Union. We group these activities under Best Office.

This case study is part of a series profiling major management challenges faced by AmCham members. The purpose of the series is to expand leaders' toolkit for addressing business critical decisions by exposing them to decision processes in other sectors. If you are interested in attending the sessions, please contact Weston Stacey at wstacey@amcham.cz.

For other AmCham Best Office activities, visit www.amcham.cz or contact Jitka Tumova at jtumova@amcham.cz.