

HRG INTERNATIONAL,
INC.



Special points of interest:

- Richard C. Day, Chairman & CEO of The Hospitality Resource Group International, Inc. writes about the challenges facing the hospitality industry and a means by which some organizations are working to build their brand in today's economic climate.

The Hospitality Forum

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A MESSAGE FROM OUR CHAIRMAN

Richard C. Day, Chairman and CEO of The Hospitality Resource Group International, Inc. has been an intuitive observer of the hospitality industry for a number of years. During that time, he has predicted trending that has proved to benefit HRGI Clients and he has, correctly, identified the challenges facing the hospitality industry today. According to Mr. Day, it is time for industry leaders and decision makers to think outside the box and become creative.

"I've had the pleasure, over the years, to be both a participant in, and an observer of, the hospitality industry, particularly, the private club and the hotel/resort segments. That's not to say that retail and food service segments haven't experienced the same types of challenges. To a degree, private clubs need to provide a pleasant dining experience for their Membership even though 68% of such operations are not profitable. Additionally, our survey data shows that a vast majority of Membership complaints revolve around food and beverage issues. Whereas, hotels and resorts are in the business of selling rooms (to a certain extent, retail) and they, too, need to provide food and beverage amenities, although guest issues generally have to do with accommodations, amenities and service.

Everyone knows that the economy has hit the hospitality industry hard. Private clubs are seeing their Memberships declining due

to reductions in discretionary income. Leisure and business travel is down. Hotels and resorts are seeing double digit decreases in occupancy levels from the same period last year. Airlines, retail stores and restaurants are all experiencing difficulties and significant reductions in revenue. One of the effects of these circumstances is employee layoffs, adding to the cycle of less spending and less service.

In addition to creative marketing initiatives, it is critically important to recognize who your best employees are and make every effort to keep them. Additionally, they should be cross-trained to add to their versatility.

We recently spoke with a group of investors who were, rightly, concerned about their investments in various hospitality projects. The obvious solutions come easily. Better marketing and cost cutting.

I believe there is an often overlooked factor in play, as well. I recently read a fascinating book entitled, "The Customer Comes Second", written by a gentleman by the name of Hal Rosenbluth, founder of Rosenbluth Travel, one of the world's largest travel agencies. His business model, when he built his company, was to identify and hire the best PEOPLE pos-



sible, wherever he could find them. He would teach them the travel business. He invested in these people by paying them considerably more than the industry norm and provided them excellent benefits. Everyone told him he would be broke within the first year, that his labor costs would be much too high to support the business. Of course, the rest is history.

The point that I take from this, is that clubs are clubs, hotels are hotels, resorts are resorts, stores are stores and restaurants are restaurants. I'm obviously simplifying this and there are, certainly, geographical and aesthetic factors that influence decisions, however, if everything is equal, PEOPLE make the difference and they are the ones who drive your brand and build customer/guest/Member loyalty. The bottom line is, find great people and invest in them. You cannot afford mediocrity. Not today.

The second book worth mentioning here is entitled "Topgrading" and was written by Bradford Smart a long time human capital consultant to numerous fortune 500 (over)



**“To Be the
Best -**

Hire the Best”



Chairman’s Message (Continued)

companies.. Mr. Smart believes, and he is absolutely correct, that it is critical for you to find the best 10% of individuals in their various disciplines. That can even be a dishwasher, but they should be in the top 10% of dishwashers in their ability.

Starting at the top of your organization, hence the book’s name “Topgrading”, find the individual to lead your business who is in the top 10% of their field. It may take some doing because there is data that supports the fact that 50% of hires are mis-hires. The cost of a mis-hire can ruin your business.

By finding, and investing in this person, here’s what will happen. They, in turn, will impose the same cultural climate throughout your business that made them successful. You will have the best people available. They will drive your brand and your profits.

It’s not easy to say to a group of people sitting in a board room that in order to salvage your business you need to find great people (raising your labor costs) when they are looking for ways to cut costs. I know. I’ve had to do it. There is a well known adage in the hospitality world and that is “Mediocrity breeds mediocrity”. These people also hire mediocrity and if they luck out and hire a great person, that great person will not want to work for long in a mediocre environment.

When we were tasked with assisting a Client in finding a new General Manager for a west coast property, we asked ourselves what would we do if we were the owners and approached the process

in that manner. What we did was to devise a comprehensive questionnaire that prospective candidates had to complete in order to be considered. Only 25% completed the questionnaire because it was designed to uncover things that they did not want to surface. Everyone looks great on paper and, today, there are easily over 100 applicants for any decent job posting. I also can safely say that most hiring committees don’t ask the right questions in the interview process.

So, now you have great people. These people, collectively, should be tasked to create such a great experience for your customers, guests or Members, that everything they do reflects the passion and pride they have in performing their jobs. People appreciate being taken care of. That’s what the word hospitality means, yet, 90% of the time, we encounter mediocrity.

That’s the people side. What about the marketing side? Here, I like the word “transformational” which means change. I like change. I have a big problem when I hear the phrase “This is the way we’ve always done it” or, worse yet, “I’m sorry, we can’t do that”. What they’re saying to their customers is not that they can’t do it, but, that they WON’T do it. Today’s challenges require hospitality leaders to increase their flexibility and exceed expectations. I know. That’s an overworked cliché. But it’s true. People have become so accustomed to mediocrity that anytime anyone does something special, it stands way, way out. Now, sup-

pose you did that to everyone all the time? Is this a marketing initiative? It sure is, because every marketing initiative is designed to increase your business. I say, your marketing initiatives revolve around PEOPLE. The rest is bricks and mortar. (Obviously, a simplification, but the whole premise is absolutely and positively true)

I strongly suggest that everyone who reads this, and who has responsibility for the success of their business, purchase these two books. I wish I could say that I authored them, but since I didn’t, what I CAN say is that I, and HRGI, practice these principals in every initiative in which we’re involved. Sometimes, we will attempt to “educate” a Client in understanding what is happening in their business, but, it doesn’t always get through. You’ve heard the expression “Shoot the messenger”, which is my final point, and that is, you have to embrace a realistic view of your business and divorce yourself from looking at it emotionally. Almost everyone loves what they do and they believe in what they’re doing. Yet, the statistics are out there. Projects are being stopped before they’re finished. Clubs are closing, businesses are failing, hotels and resorts are going into receivership. Something’s not right, but it can be mitigated.

For additional information, comments or questions you may call me, directly, on my mobile number which is 240-522-8577

Richard C. Day