

Introduction to the Hospitality Industry

Lecturer : Dr. Mahmoud Abdou



**European Institute of Innovation,
Entrepreneurship and Technology
Lessingstraße 79,
13158 Berlin, Germany.
Email: info@eiiet.com**

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1. Hospitality and Hotel Ownership
2. Hospitality and Hotel Development
3. Economic Impact of Hotels
4. Classification of Hotels



1- Hotel Development and Ownership

1- Referral Associations in Hospitality



- Alternative to franchising with similar benefits at lower cost
- Independent hotels collaborate under a shared system
- Maintain ownership and operational independence

Membership Structure:

- Hotels pay an initial joining fee
- Less strict standards compared to franchising
- Greater flexibility for individual properties

3- Hotel Development and Ownership

Key Features of Referral Associations:

- Shared Central Reservation System (CRS)
- Common:
 - Brand image
 - Logo or advertising slogan
- Guest referral network among member hotels
- Additional support:
 - Group purchasing discounts
 - Management training programs
 - Continuing education opportunities

3- Hotel Development and Ownership

Advantages and Disadvantages:



- Advantages:

- Lower cost than franchising
- Access to marketing and reservation systems
- Retention of hotel individuality
- Networking and knowledge sharing

- Limitations:

- Less consistency in:

- Service quality
- Facilities and appearance
- Weaker brand standardization compared to franchises

3- Hotel Development and Ownership

Case Example: Preferred Hotels & Resorts

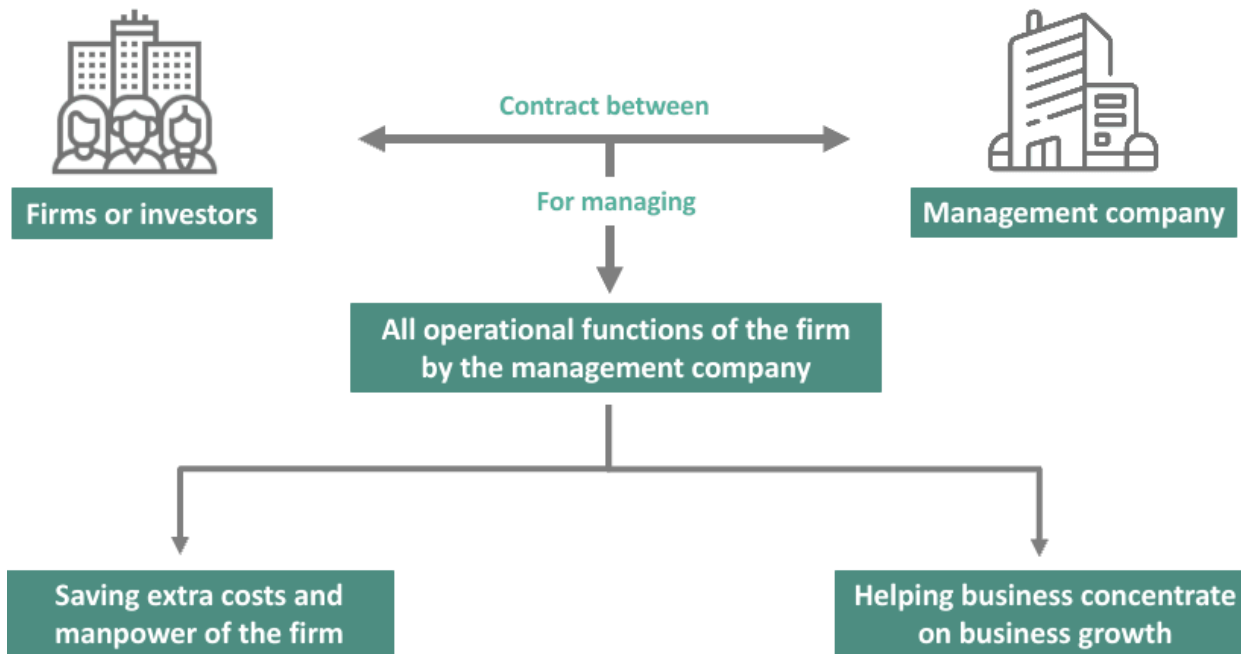


- Global consortium of independent luxury hotels
- Competes with large hotel chains
- Focus on:
 - Individuality and uniqueness
 - High service standards
 - Luxury experience
- Provides:
 - Marketing support
 - Central reservation system

1- Hotel Development and Ownership

2- Management Contracts

Management Contract Meaning



- Major driver of rapid hotel industry expansion since the 1970s
- Popular among hotel corporations due to:
- Little or no upfront financing required
- No equity investment needed

1- Hotel Development and Ownership

2- Management Contracts

Key Structure

- Partnership between:

- Hotel management companies
- Property developers and owners

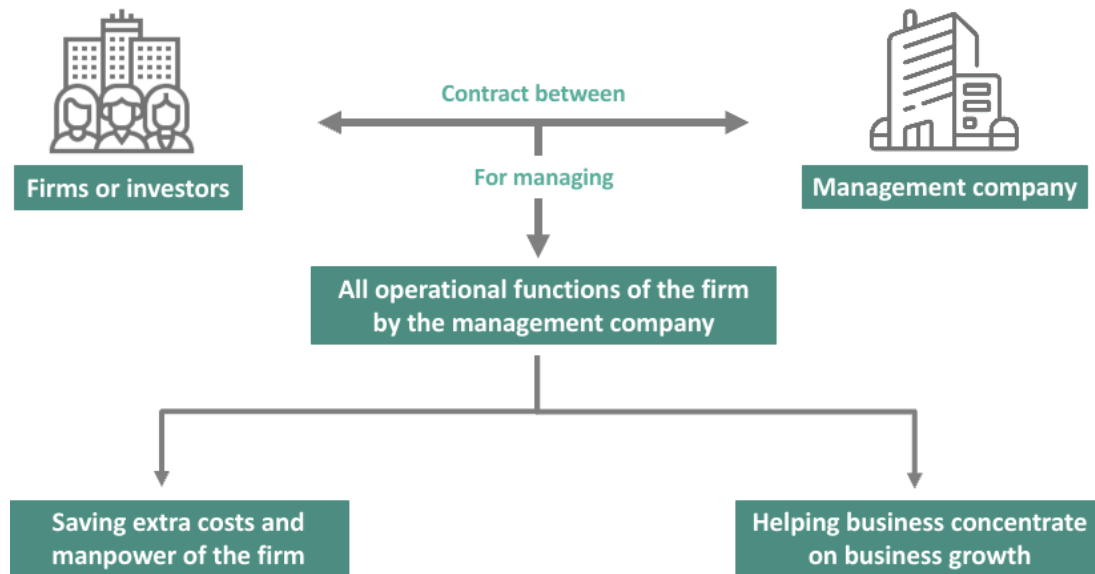
Owners typically:

- Lack operational expertise
- Prefer not to directly operate hotels

1- Hotel Development and Ownership

2- Management Contracts

Management Contract Meaning



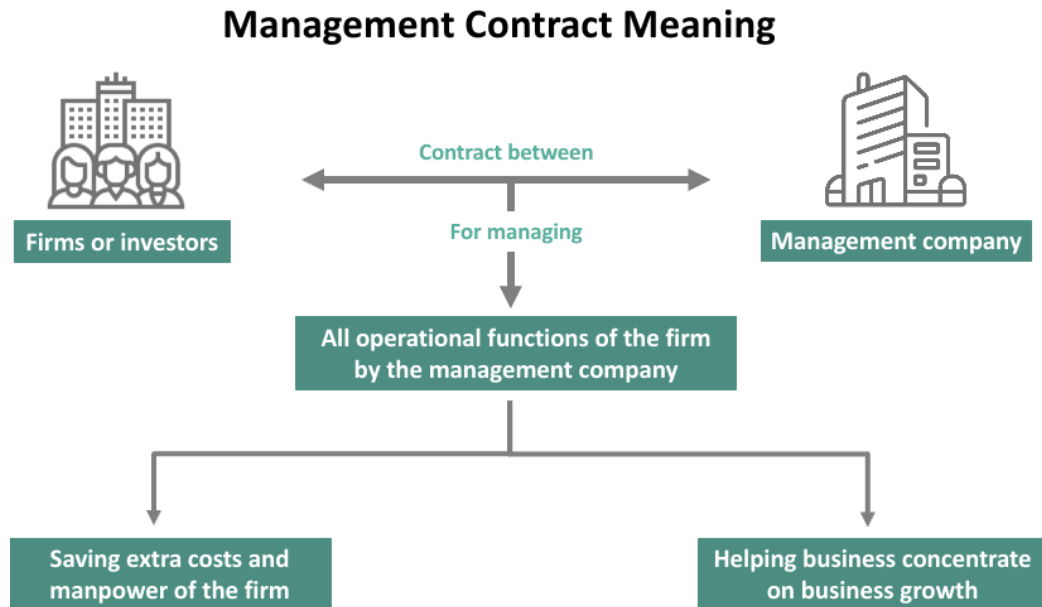
- Role of Management Companies:

- Provide professional hotel operations
- Offer marketing and sales expertise
- Strengthen distribution through Central Reservation Systems (CRS)
- Support revenue generation and brand positioning

1- Hotel Development and Ownership

2- Management Contract

Terms:



- Typical contract duration:

- 5 years, 10 years, or 20 years

- Management Fees:

- Hotel company receives a management fee for operating the property

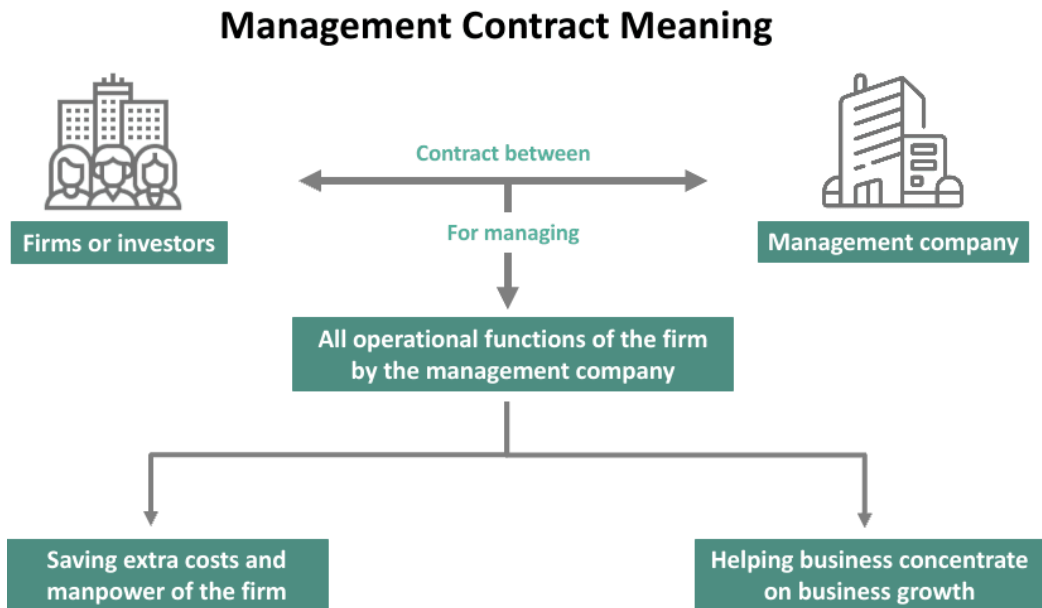
- Fee structure usually based on:

- Percentage of gross revenue
- And/or net operating profit

1- Hotel Development and Ownership

2- Management Contract

Terms:



- Fee Levels:

- Common range: 2% – 4.5% of gross revenues

- Trend:

- Lower base fees (around 2%) are more common today
- Increased emphasis on incentive-based fees linked to profitability

- Variable Fee Structures

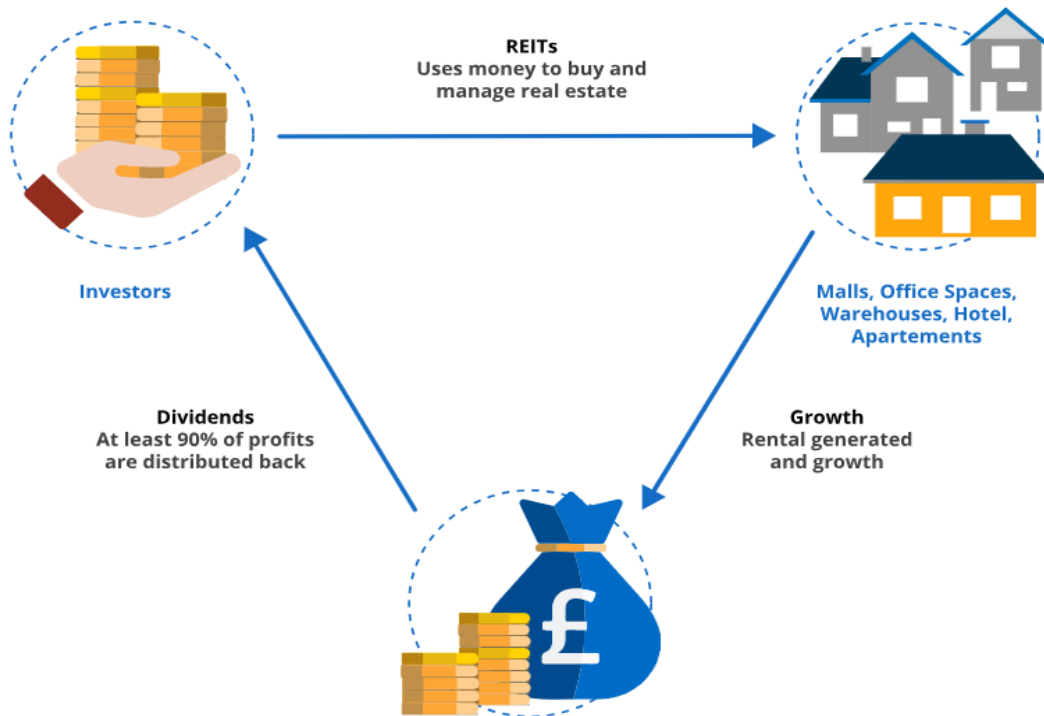
- Some contracts include escalating fees over time, for example:

- Year 1: 2%
- Year 2: 2.5%
- Year 3 and onward: 3.5%

1- Hotel Development and Ownership

3- Real Estate Investment Trusts (REITs):

Real Estate Investment Trusts (REITs)

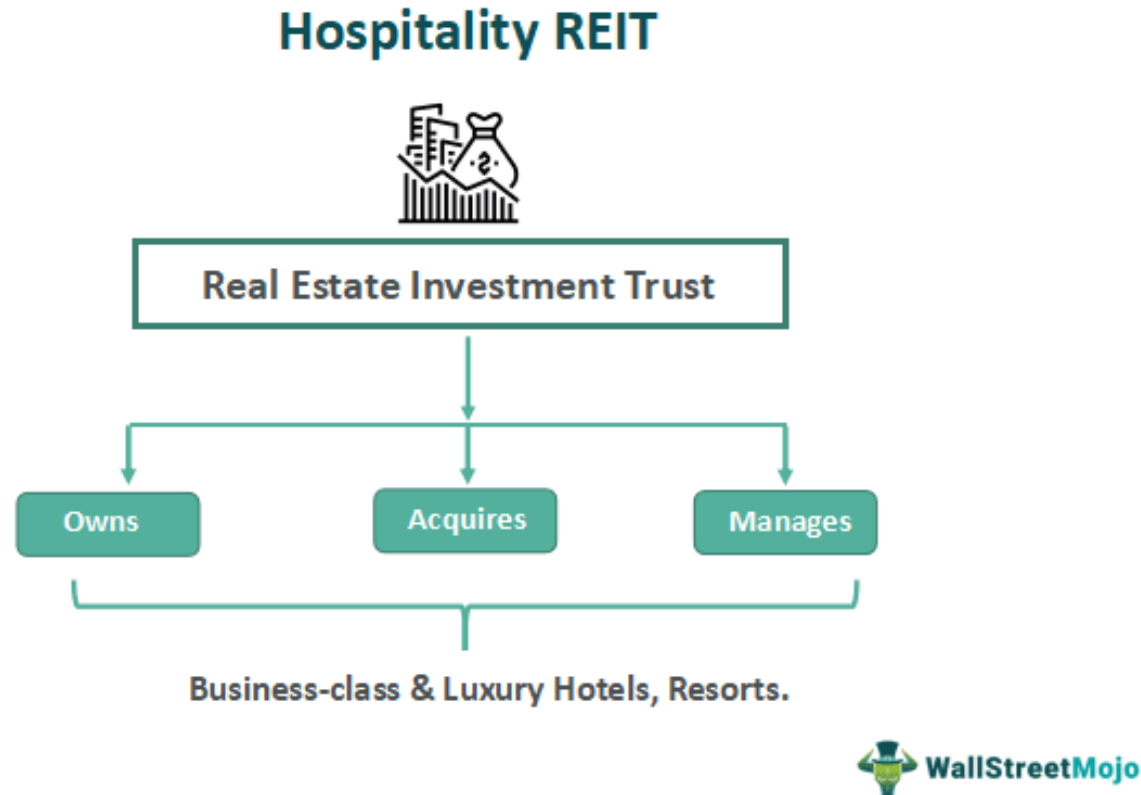


What is a REIT?

- A Real Estate Investment Trust (REIT) is a company that:
- Owns and often operates income-producing real estate
- Allows investors to buy shares in property portfolios (like stocks)

1- Hotel Development and Ownership

3- Real Estate Investment Trusts (REITs):



Role in Hospitality:

- REITs may invest in:

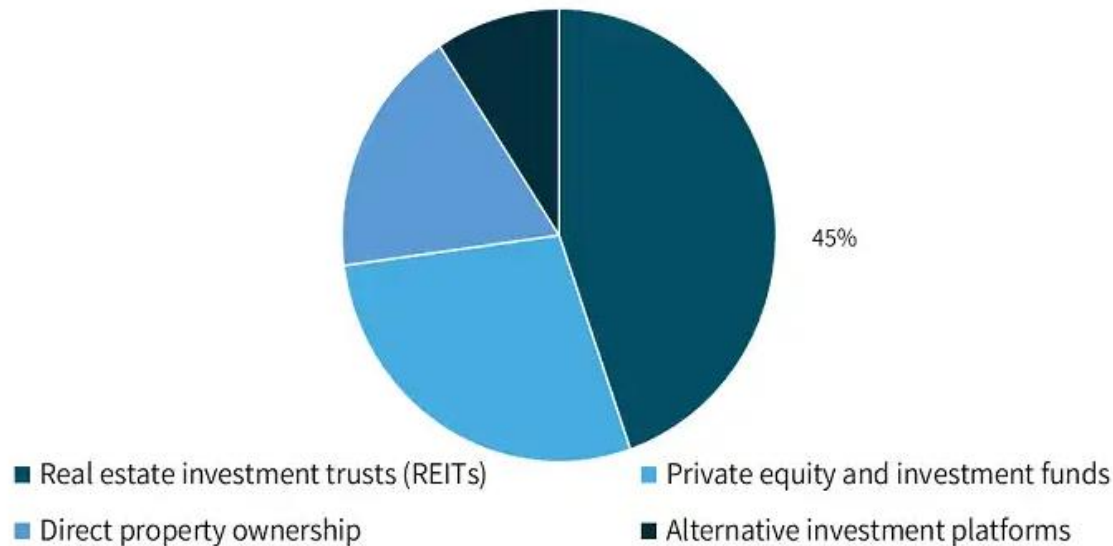
- Hotels
 - Office buildings
 - Shopping malls
 - Apartments
 - Healthcare properties (e.g., nursing homes)
- In hotels, REITs often own the hotel property but do not operate it

1- Hotel Development and Ownership

3- Real Estate Investment

Trusts (REITs):

Hospitality Real Estate Investment Market Share, By Investment Structure, 2024



Source: www.gminsights.com

In the hotel industry:

- REITs are major hotel property owners
- They usually:
 - Own the real estate
 - Lease or contract management companies to run hotels (Marriott, Hilton)

2- Hospitality and Hotel Development

Hotel Development



- Hotel ownership and development is highly capital intensive
- Requires millions of dollars to develop a property
- New hotels are built as business ventures by developers
- Developers expect a reasonable return on investment
- A feasibility study is conducted before development
 - Required by lenders and financial institutions

2- Hospitality and Hotel Development

Hotel Development



- The feasibility study analyzes:

- Market demand and supply
- Existing and future competition

- It evaluates the financial viability of the project

- Includes key revenue projections:

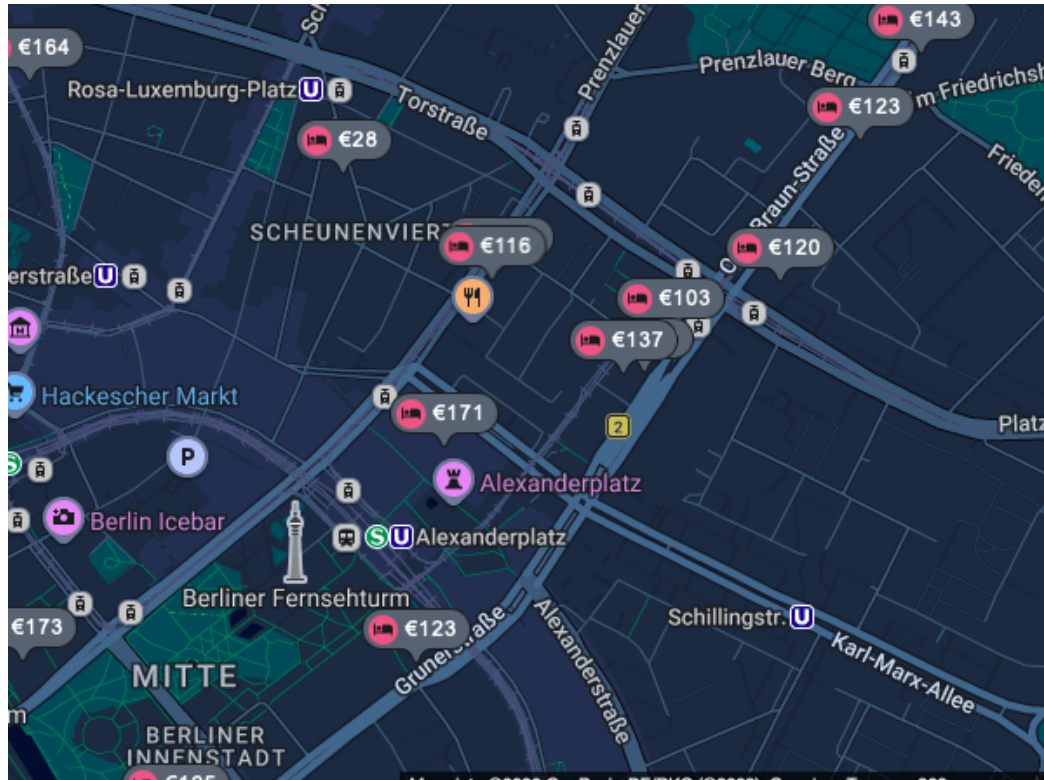
- Expected occupancy rate
- Average Daily Rate (ADR)
- Revenue per Available Room (RevPAR)

- Helps determine the most suitable hotel type for the market

- Used by developers to secure financing for the project

2- Hospitality and Hotel Development

Market Gap and Competition in Hotel Development



- A market gap must exist for a new hotel to succeed
- Target underserved segments (lifestyle boutique hotels)
- New hotels may:
 - Attract customers from existing properties
 - Especially if room rates are similar

2- Hospitality and Hotel Development

New vs. Remodeled Hotels



- New Hotels:

- High construction costs
- Take time to build brand recognition
- Slower to gain market share
- May take years to become profitable

- Remodeled Hotels:

- Require renovation investment
- Higher energy and maintenance costs
- Existing market presence and reputation

2- Hospitality and Hotel Development

Mixed-Use Hotel Development



- Modern hotels are often part of mixed-use projects
- Common locations:
 - Near convention centers
 - Business districts
 - Tourist attractions
- May include:
 - Residential components
 - Spa and wellness facilities

2- Hospitality and Hotel Development

Advantages and Challenges of Older Hotels

- Advantages:

- Strong brand recognition
- Lower debt burden
- Better cash flow management
- Established guest loyalty and repeat business
- Often have unique charm and character

- Challenges:

- Higher maintenance costs
- More expensive upkeep and operations

2- Hospitality and Hotel Development

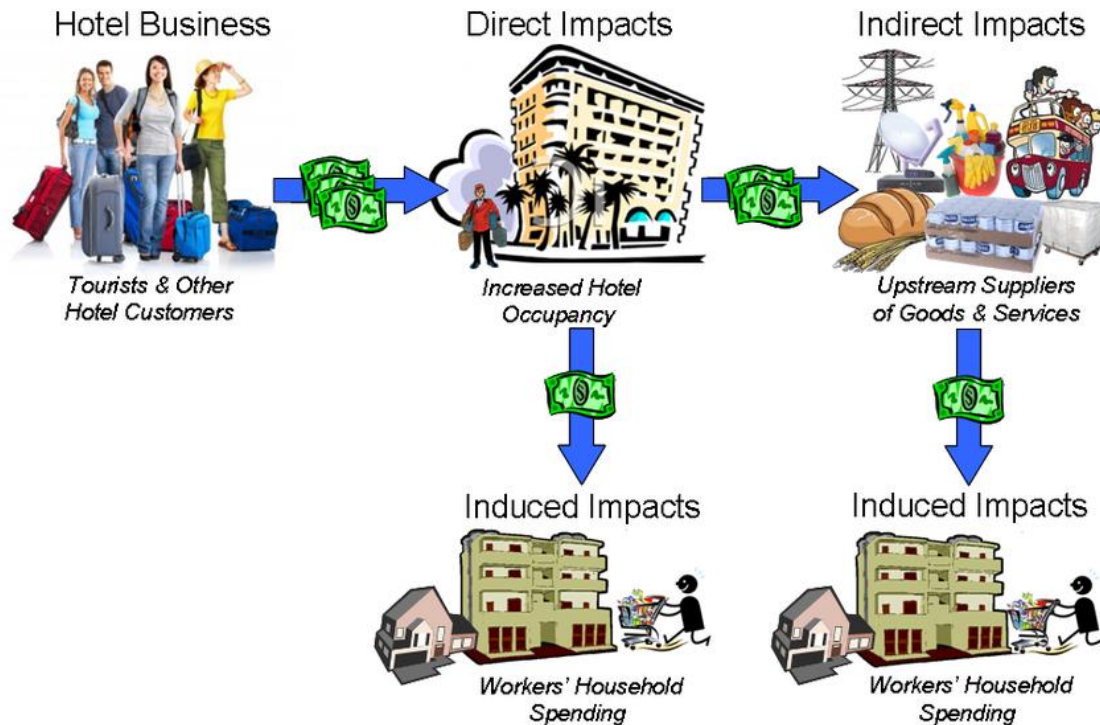
Hotel Branding and Market Segmentation



- Hotel chains develop new brands to target niche markets
- Examples:
 - Marriott → Autograph Collection
 - Boutique, historic, luxury, and retreat-style hotels
 - Starwood → Aloft Hotels
 - Hyatt → Andaz
 - Boutique style, culturally immersive, lifestyle-focused

3- Economic Impact of Hotels

Economic Impact of Hotels



- Hotels generate significant economic benefits for local communities
 - Impact is divided into:
 - Direct impact
 - Indirect impact (multiplier effect)
 - Hotels act as economic engines, generating:
 - Income
 - Employment
 - Tax revenue
- Create multi-layered economic activity in communities

3- Economic Impact of Hotels

A- Direct Economic Impact

WHAT IS ECONOMIC IMPACT?

Direct Impacts

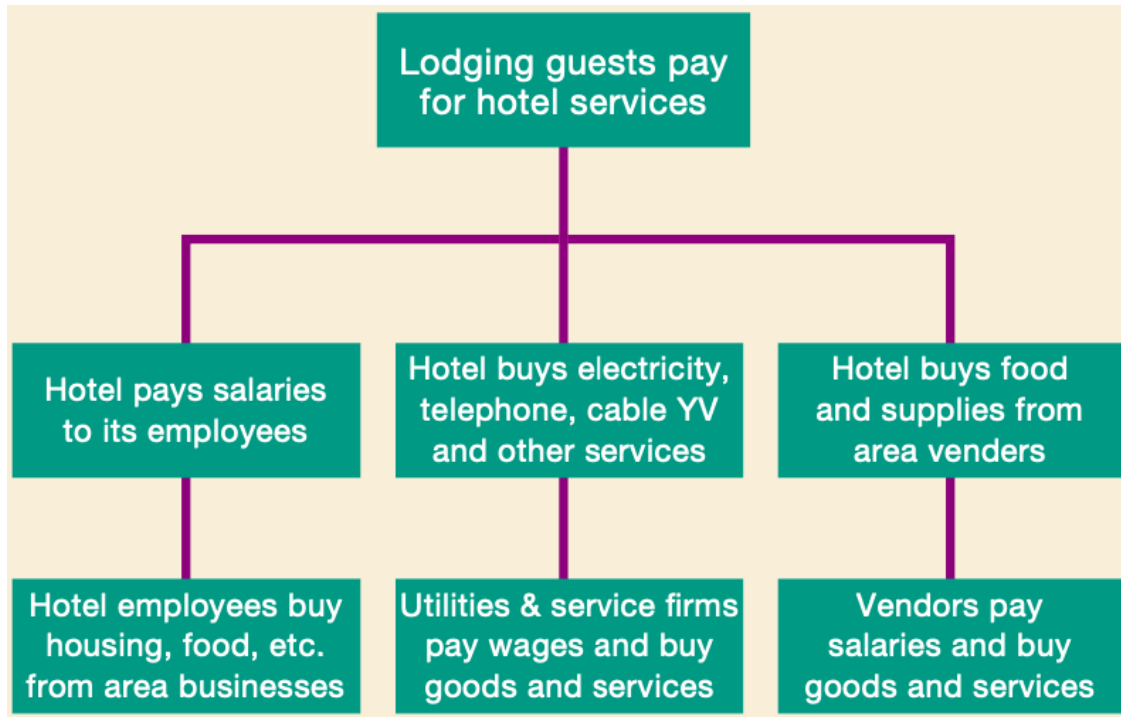


IMMEDIATE ECONOMIC CONTRIBUTIONS

- Comes from guest spending
- Includes spending on:
 - Accommodation
 - Food and beverage
 - Local restaurants and retail
- Example:
 - 240 guests per night
 - \$250 average daily spending
 - Annual impact: \$21.9 million injected into the local economy

3- Economic Impact of Hotels

B- Indirect Economic Impact (Multiplier Effect)

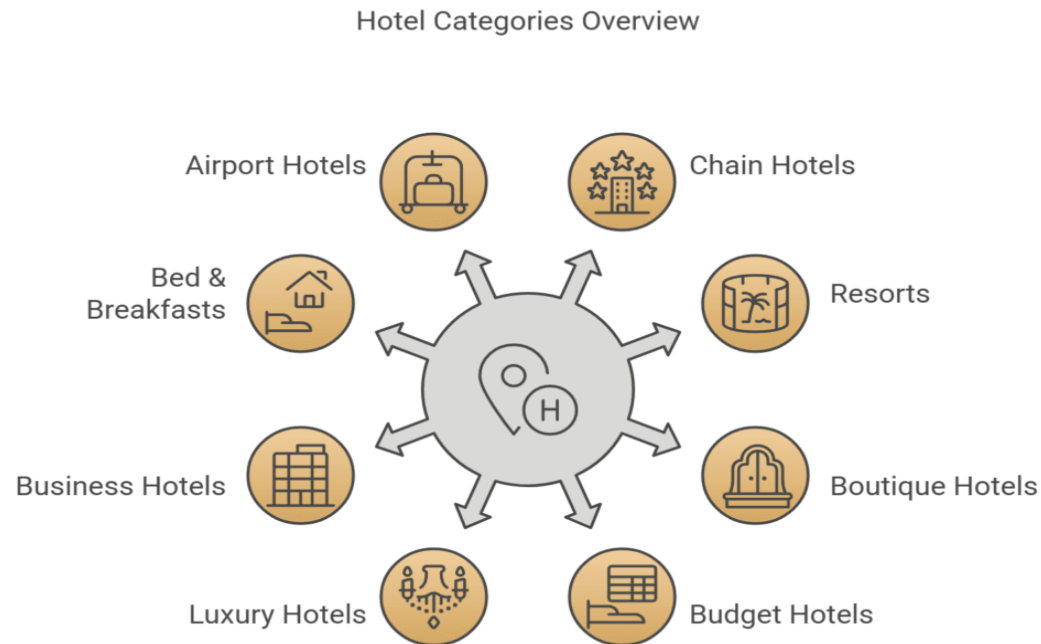


The Multiplier Effect of Hotel Dollars on a Community

- Money circulates within the local economy
- Includes:
 - Employee spending (wages & salaries)
 - Hotel purchases of goods and services
- Creates a ripple effect of economic activity
- Every dollar spent is recycled multiple times

4- Classification of Hotels

1- Hotel Classification-Based Location



- Hotels can be classified based on:

- Location
- Price (rate level)
- Type of services offered

- This helps guests choose hotels based on:

- Budget
- Purpose of travel
- Personal preferences

- Hotel classification based on location includes:

4- Classification of Hotels

A- City Center Hotels



- Located in central urban areas
- Serve both:

- Business travelers
- Leisure tourists

Can vary in type:

- Luxury
- Business hotels
- Economy
- Midscale
- Suite hotels
- Residential

4- Classification of Hotels

A- City Center Hotels



-General Features:

- Offer a wide range of accommodations and services
- Designed to meet diverse guest needs
- Convenient access to:
 - Business districts
 - Attractions
 - Transportation hubs

4- Classification of Hotels

A- City Center Hotels



Luxury City Center Hotels:

- Provide high-end décor and personalized services
- Typical services include:
 - Butler service
 - Concierge & executive floors
 - Secretarial services
- **Advanced facilities:**
 - High-speed Wi-Fi & in-room technology
 - Business amenities (computers, fax machines)

4- Classification of Hotels

A- City Center Hotels



- Leisure and wellness:

- Beauty salons
- Swimming pools
- Health spas
- Tennis courts

- Additional services:

- 24-hour room service
- Ticketing and travel assistance
- Medical support
- Valet service
- Car rental services

4- Classification of Hotels

A- City Center Hotels



Food and Beverage and Facilities:

- Signature or branded restaurants
- Coffee shop or casual dining outlet
- Lounge and bar
- Event & business spaces:
 - Meeting rooms
 - Convention facilities
 - Ballrooms
- Entertainment:
 - Nightclubs or premium nightlife venues

4- Classification of Hotels

B- Resort Hotels



Historical Development:

- Emerged with the growth of rail travel
- Late 1800s: rise of luxury resort hotels
- Built to accommodate wealthy leisure travelers

Travel Experience:

- Travel itself became part of the pleasure experience
- Destinations often considered exotic or exclusive

4- Classification of Hotels

B- Resort Hotels



Seasonality of Resorts

- Early resorts were mainly seasonal operations
- Depended on:
 - Climate
 - Travel accessibility

Modern Development:

- Growth of automobile and air travel increased accessibility
- More people could afford leisure travel
- Result:
 - Many resorts transitioned to year-round operations

4- Classification of Hotels

B- Resort Hotels



Development of Resort Communities:

- Resort communities developed in the “sunshine belt”
- Growth driven by:
 - Improved air travel
 - Increased automobile accessibility
- International destinations became more accessible:
 - Europe
 - Caribbean
 - Mexico

4- Classification of Hotels

B- Resort Hotels



Types of Resort Offerings:

- Resorts may specialize in:
 - Sports activities (skiing, golf, fishing)
 - Family-oriented vacations

Changing Travel Trends:

- Shift in vacation patterns:
 - From long (month-long) stays
 - To shorter, frequent trips (4–7 days)

4- Classification of Hotels

B- Resort Hotels



- Changing guest demographics:

- Older repeat visitors remained loyal
- Younger travelers prefer:
- Flexibility (car travel)
- More informal resort environments

- Resort Services and Activities:

- Resorts increasingly offer:

- Family-friendly programs (children's activities)
- Opportunities for parents to relax independently

- Example:

- Hotels (Hyatt) provide organized kids' programs

4- Classification of Hotels

B- Resort Hotels



Diversification of Resort Demand:

. Resorts attract additional markets:

- Conventions
- Conferences
- Meetings

- Helps maintain:

- Occupancy levels
- Business during low and shoulder seasons

4- Classification of Hotels

B- Resort Hotels



Operational Challenges:

- Captured clientele:

- Guests stay on-site for extended periods
- Requires diverse services and entertainment options

- Seasonality issues:

- Some resorts not open year-round
- Periods of low occupancy

- Staffing challenges:

- Recruiting
- Training
- Retaining qualified employees

4- Classification of Hotels

B- Resort Hotels



Food and Beverage Challenges:

- Need for:

- High-quality menus
- Variety and creativity
- Attractive presentation and service

- Use of cyclical menus:

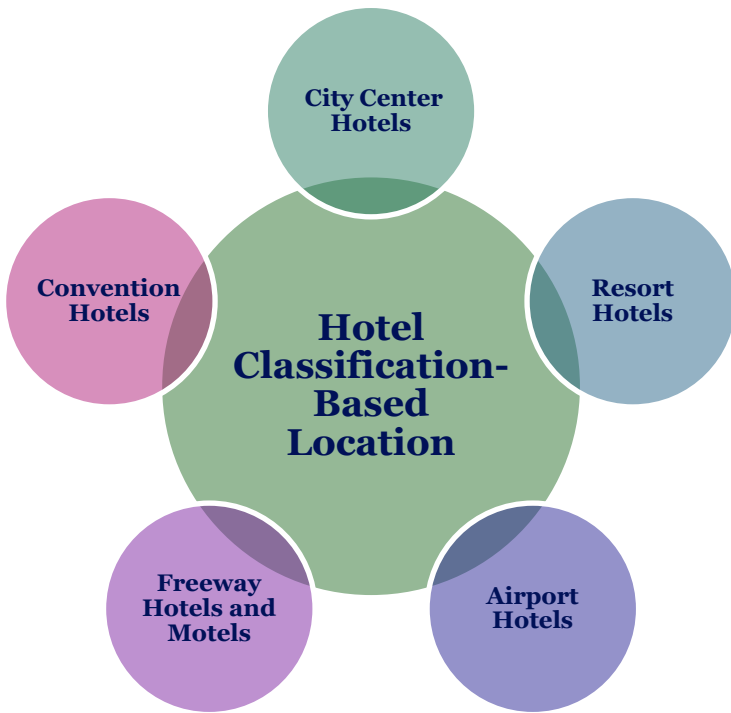
- Repeat every 14–21 days
- Prevents menu fatigue

- Emphasis on health-conscious options:

- Low fat, cholesterol, salt, and calories

4- Classification of Hotels

B- Resort Hotels



Competition and Market Pressure:

- Increasing competition from:
 - Other resorts
 - Cruise lines
- Key goal:
 - Attract guests
 - Build repeat business (loyalty)

4- Classification of Hotels

B- Resort Hotels



Diversification Strategies:

- Resorts expand offerings to increase occupancy:

- Conventions and business meetings
- Incentive travel groups
- Sporting events

- Additional facilities and experiences:

- Recreation and sports
- Spas and wellness
- Adventure tourism
- Ecotourism

4- Classification of Hotels

C- Airport Hotels



- Located near major airports
- Benefit from high occupancy rates due to constant traveler flow
- **Guest Profile:**
 - Business travelers
 - Group travelers
 - Leisure travelers
- **Common guest needs:**
 - Overnight stay for early or late flights
 - Short stays during layovers or connections

4- Classification of Hotels

C- Airport Hotels



- Hotel Characteristics

- Typically 200–600 rooms in size
- Usually full-service hotels

- Facilities include:

- Restaurants
- Business services
- Room service

- Extended or 24-hour services:

- Food and beverage outlets
- Room service

- Budget options may include:

- Vending machines

4- Classification of Hotels

C- Airport Hotels



Business-Oriented Features

- Many airport hotels offer:

- Meeting and conference spaces

- Ideal for:

- “Fly-in, meet, fly-out” business travelers

- Advantage:

- Saves time by avoiding travel to city centers

4- Classification of Hotels

C- Airport Hotels



- Advantages of Airport Hotels:

- Convenient location
- Competitive pricing
- Reduced transportation costs and time

- Particularly attractive for:

- Business travelers
- Group travelers

4- Classification of Hotels

D- Freeway Hotels and Motels



- Emerged in the 1950s–1960s
- Designed to serve road travelers
- **Key Characteristics:**
 - Typically small properties
 - Usually fewer than 50 rooms
- **Often:**
 - Family-owned
 - Or part of franchise chains

4- Classification of Hotels

D- Freeway Hotels and Motels



Original Concept

- Focus on:

- Convenience
- Affordability
- Limited services (few frills)

- Simple guest experience:

- Drive up and park near office
- Quick registration
- Park directly outside the room

4- Classification of Hotels

D- Freeway Hotels and Motels



Evolution of Facilities

- Over time, added amenities:

- Lounges
- Restaurants
- Swimming pools
- Vending machines
- Game rooms
- Satellite TV

4- Classification of Hotels

D- Freeway Hotels and Motels



- Part of the entertainment and recreation industry
- A fast-growing sector contributing to economic growth
- Significant impact on consumer spending and tourism

- **Economic Importance:**

- Casino hotels are becoming financially mainstream
- Help drive:
 - Local and national economies
 - Job creation
 - Tourism development

4- Classification of Hotels

D- Freeway Hotels and Motels



- Core Features:

- Focus on gaming (adult-oriented activity)
- Offer a wide range of entertainment and leisure services:
 - Fine dining (multinational cuisine)
 - Live shows and performances
 - Dance clubs and nightlife
 - Health spas and wellness

4- Classification of Hotels

D- Freeway Hotels and Motels



Business-Oriented Services:

- Increasingly marketed as business hotels
- In-room amenities:

- Workspaces
- Wi-Fi
- Data ports
- Office equipment access

Additional facilities:

- Full-service business centers
- Travel services
- Room service

4- Classification of Hotels

D- Freeway Hotels and Motels



Meetings and Conventions:

- Large casino hotels attract:

- Conventions
- Conferences
- Corporate events

Provide a lucrative revenue stream

4- Classification of Hotels

E- Convention Hotels



- Designed to serve groups attending conventions and events
- Focus on large-scale meetings, conferences, and exhibitions

Guest Segments:

- Primarily:

- Convention and conference attendees

- Also attract:

- Seasonal leisure travelers

4- Classification of Hotels

E- Convention Hotels



Size and Capacity:

- Typically large properties
 - Often 500+ guest rooms
- Feature extensive public spaces
 - Accommodate hundreds of guests simultaneously

- Facilities and Layout

- Multiple banquet and meeting areas
- Large conference halls and event spaces
- Designed for high-volume group activities

4- Classification of Hotels

E- Convention Hotels



- Services and Amenities:

- 24-hour room service
- In-house laundry services
- Fully equipped business center
- Travel desk and concierge services
- Airport shuttle service

Thank you



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