

Hotel News Now

Vital information for hotel decision makers

CapEx planning helps indies stay experiential

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Hoteliers share trends and best practices for making the most of capital-expenditure planning and execution.



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REPORT FROM THE U.S.—Creating unique, memorable experiences for guests is one of the touchstones of the independent hotel segment, but that goal can come with a high price tag.

Capital-expenditure planning is critical for independent hotel properties to stay on the cutting edge of guest preferences, particularly if hoteliers don't have the safety net of a prescribed brand property improvement plan dictating when certain product updates and changes need to be made.

Independent hoteliers shared some best practices for making the CapEx planning process efficient and guest-centric.

It's all about the guests

"Our CapEx revolves around how best to enhance the guest experience," said Gerard Kiladjian, GM of the 101-room Portland Harbor Hotel in Portland, Maine. "We look first at the guest touchpoints that have immediate impact on the guest experience. Then we look at elements like building maintenance that keep our building fresh and new."

Hoteliers said that focus on guest input—rather than brand mandate—has two major benefits: It allows hoteliers to keep up to date on what their guests really want, and it can make investments easier to justify to owners.

Michael Tall, president and COO of Charlestowne Hotels, said his company uses a proprietary online guest feedback system that analyzes data to help executives determine the best CapEx spending priorities for each property.

"As you can imagine, we get comments about everything from air conditioning and heating to the speed of wireless, the carpet, and so on," Tall said. "We use this system to help guide our capital spending. Are there elements of preventive maintenance? Are there trends we can identify to enhance the guest experience?"

[Charlestowne](#) has 40 properties in its nationwide portfolio, most of which are independent boutique and resort properties.

Kiladjian said the Portland Harbor Hotel also uses its online guest feedback to guide CapEx decisions. He cited in-room air conditioners and coffee services as two examples of areas where hotel management can use guest feedback to quickly identify a guest issue and resolve it with some CapEx investment.

Hotel News Now **KEY TAKEAWAY**
INDEPENDENT INSIGHTS

Focus on guest input has two major benefits when it comes to CapEx: It allows hoteliers to keep up to date on what their guests really want, and it can make investments easier to justify to owners.

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"We listen to trends and adjust spending accordingly," he said. "AC units, for example, all have different lifespans, but if we know this is an issue, we can be ready to swap units out when guests have an issue. We don't have to wait."

Owners play a big role

At the end of the day, hotel owners must approve all CapEx costs, so Tall and Kiladjian both said that keeping the lines of communication open between management and owners makes the approval process flow smoothly.

Any CapEx conversation with owners "is a whole lot more powerful with data," Tall said, referring to the company's guest feedback data. He stressed that knowing the owner or owners' goals for each property—short-term turnaround versus long-term hold, for example—is important when it comes to CapEx planning because it helps management prioritize spending.

As a whole, Tall said owners of independents tend to be receptive to keeping properties fresh and competitive, even when costs are involved.

"The conversation has changed with owners," he said. "Owners have realized that reinvestment is what gives independents their character, their uniqueness, their personalization. They're already prepared to continue to reinvest in the asset."

New Castle Hotels & Resorts has five independent hotels in its portfolio: Several belong to soft brands; several have no brand affiliation; and the company owns and manages one, the Algonquin Resort St. Andrews by-the-Sea, Autograph Collection in New Brunswick, Canada. President and COO Gerry Chase has owned several independent hotels in his career and said that owners are more open to the possibilities of an independent, particularly in the right market with the right differentiators.

"The market will dictate what we can spend and do, but we will spend to localize and personalize a hotel to a given market," he said. "Indies really are the ultimate in hotel ownership, but you have to be courageous as an owner. You have to have the energy, time and money to make sure you do it right."

Prioritize categories

Chase said that as an owner and operator of independents, [New Castle](#) approaches CapEx with an innovative mindset.

He identified public spaces and guest bathrooms as two spaces where guests can see a lot of impact for right amount of CapEx spent.

"Whether you're in New York City or a smaller market, you must have an impactful public space and restaurant/bar/lounge," Chase said. "If you can spend to make those spots the target for local experience, then you'll have a wow effect and you'll have a better chance at success."

In guest bathrooms, Chase advised hoteliers to "find the capital to make a wow impact in the bathroom. It doesn't have to be big, but it has to be special," he said, citing elements like luxury showers and counter materials.

Tall said that F&B in particular is often a high-priority spending category for independents who want to create a revenue-generating differentiator in the neighborhood.

Technology is another area that always requires investment, Tall said. While products like TVs must stay cutting edge in terms of providing guests places to play their own content, other tech categories might be places to save some money while still making an impact. Tall cited clock radios as a good example.

"Guests don't want a lot of clutter anymore, with a big radio and a big clock," he said. "So now we look at it as an investment in sound, rather than an investment in a clock. We may add great speakers that have a clock on them, as opposed to a clock that may have less-than-great speakers."

Kiladjian and Tall both said that while technology is important, guest comfort always rises to the top when it comes to CapEx spending.

"We focus on freshness to stay ahead of the curve," Kiladjian said. "Comfort in the room is big, so we're always refreshing linens, soft goods, duvets, mattresses, pillows."

The reserve number

All three hoteliers agreed that maintaining CapEx reserves is critical, particularly as the industry at large approaches the next downturn.

Chase said that most independent hoteliers might keep more CapEx dollars in reserve in order to keep up with the constant refreshment. He said historic properties in particular command higher reserves.

Kiladjian said maintaining the reserve is particularly important for his property, which is dealing with an influx of branded competition in the market.

"We always maintain that reserve, regardless of how well we do in a given year," he said. "We're increasing our investment in the next couple years because we do want to be ready when the market turns."