

2014

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The value of a Hotel Owner's Representative

*About Asset Management in the
Hotel Business*

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The Value of an Owner's Representative

A prospective client asked us recently: "why do I need to appoint you, and what can you do for me that the team of project consultants I've already assembled cannot?"

The prospect concerned was in the process of putting together a hotel development and he had already appointed a strong project team, which included a high-profile architect, a celebrity designer, a preferred brand-name operator, a leading local contractor and various other specialist consultants (e.g. structural engineer, landscape etc.). Additionally, the architect, the designer, and the engineer had expressed an interest in managing the delivery of the project for him.

The above question is something that we are invariably asked sooner or later, and in this instance our answer was that "although the client had indeed recruited an impressive group of soloists, he still needed someone to conduct his orchestra".

Furthermore, we offered to perform a role for him that is best defined as "Owner's Representative" during the development of the project.

What is an "Owner's Representative"?

The client in the above example had reasoned that the combined input of his architect, designer, and preferred operator would more than adequately address any issues that might arise during the detailed design development process. However, even the most commercially astute vendor can be blind to alternatives and more financially responsible creative solutions (having invested their souls in the current proposal). Similarly an operator's primary allegiance will be to the maintenance of their brand standards and, consequently, they may be inclined to push the (financial) envelope.

Also, and with the best will in the world, project participants cannot objectively assess their own performance or independently manage the activities of other members of the same project team.

Meet the Owner's Representative; who, although sympathetic to the objectives of the various individual project stakeholders, will first and foremost protect the client's (owner's) interests – free from any potential conflicts – and perform an independent key co-ordination role to ensure that all members of the project team are working towards a common goal.

Such an individual, or organization, not only needs to be totally conversant with the language and vocabulary of design, and be capable of leading the creative process, but also needs to be at home

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in a construction environment. Accordingly, the Owner's Representative should be able to 'translate' the objectives of the design consultancy team to the construction managers, and vice versa, whilst mediating any conflicts that might occur between the two 'sides'.

The Owner's Representative should maintain an independent overview of the detailed design development process and ensure that the project does not depart from the model that has been found to be market supportable and financially viable. He (or she) should provide creative and strategic input throughout the project process – whilst maintaining an appropriate degree of detachment – and integrate the works of the various specialist consultants; which does not ordinarily happen, un-aided, by itself.

Primary benefits of appointing an “Owner's Representative”

The early appointment of an Owner's Representative has a number of significant benefits:

- Because the Owner's Representative should have an in-depth understanding of the operational and 'standards' requirements of hotels, any design issues, which will inevitably arise, can be resolved without the need for the client to have made a premature commitment to a specific operator.
- The value engineering process and the allocation of the project budget in the most effective way will be coordinated by an unbiased and experienced professional.
- Any necessary additional specialist consultants that should be brought onto the project team (e.g. Kitchen Planner, Lighting, Graphics/Signage, Disabled Access etc.) will be identified and appointed in a timely manner, thereby minimizing costly “afterthoughts”.
- The burden of the project development and delivery process can be removed from the client's shoulders – thereby enabling the client to pursue other opportunities.
- And, most importantly, potentially expensive mistakes can be avoided.

The appointment of an Owner's Representative should not increase overall project costs. Instead, under such an arrangement, costs would be redistributed with reduced professional, construction and FF+E costs resulting from a more transparent, focused and efficient process. Therefore an Owner's Representative can be somewhat self-financing.

Case Study

On a recent new-build project that we were involved with, the project team was struggling to make the proposed detailed design solution fit within the established project cost limit.

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However, the architect was determined that 'his' building should be clad with granite panels from top to bottom in order for it to become a prominent local landmark. The interior design consultant was maintaining that a special emphasis should be placed on items that guests could see and touch, and that it was therefore important for adequate funds to be appropriately allocated in the detailed cost plans. Meanwhile the structural engineer was pushing for a complex and relatively expensive (diaphragm wall) solution to the site's subsoil conditions.

Consequently project meetings were tending to become increasingly confrontational.

As the Owner's Representative, I took the view that since the client's principal objective was to develop an up-market boutique hotel it was fundamental that the project should work as such. The site was located in the earthquake zone of a major city and so it was determined that it would not be possible to compromise on the structural requirements, but the importance of developing the interiors with the quality of the boutique hotel guest experience in mind was also considered to be of paramount importance.

As the external building cladding above the level of the podium was unlikely to contribute to the 'guest experience' it was decided that granite panels should only be used on the lower floors and that the guestroom tower should be clad in significantly less expensive materials.

The budgetary deadlock was broken and the project development process was able to move forward again. The owner was protected from any adversarial effects with any of the vendors.

ABOUT THE AUTHOR

John Sears is partner with Boutique Hotel Advisors. A career hotelier, professional consultant and facilitator whose pedigree includes Mobil awarded five-star hotel management, nominated to the hospitality advisor board of Lynn University's School of Hospitality, Boca Raton, and authoring 'Five Star' the hoteliers guide to uncompromising service. John visits over 200 hotels per year and has a balanced background in operations, marketing, negotiations, development, property evaluations and acquisitions.

Prior to BHA, John served as vice president of sales for Boutique Hotels & Resorts International S.A. where he led the company growth to one-hundred-four hotels in thirty-six countries and worked first-hand with the hotel owner's and management teams. John has been a featured speaker at several of the industries major events, including The Lodging Conference, ITB Berlin, International Luxury Travel Market Cannes, World Travel Market London, Arabian Travel Market Dubai, and Asia Travel Market Shanghai.

In an industry filled with competition, data overload, segment upon segment of expertise and niche slants, it can be difficult, costly and time consuming to research facts and trends outside the familiar local market. Boutique Hotel Advisors is a specialized hospitality information resource that provides customized, partner-level services for owners, investors and operators of independent hotels, resorts, and residences. Each advisor is recognized in the industry with more than a decade of front-line hands on experience among the world's most recognized hotels. They have operated within the most competitive markets and demanding clientele. BHA's comprehensive and diverse careers in all aspects of hotel sales, marketing and operations are founded on the experiences and the key roles each advisor has played in developing, opening, sustaining, acquiring, and repositioning of international hotels and destinations.

We understand, from our experience, the ins-and-outs of development, acquisitions, management companies and marketing partners. We objectively reveal and assist to gather and verify qualifications, performance records, capabilities, contractual obligations, fees and performance criteria, and systems to oversee and measure their performance. On behalf of owners, we employ a systematic approach for overseeing the process that will maximize the benefit for the property owner.

As **owners** and **managers** in the independent boutique hotel market are more "attached" to their hotel, their decisions are often 'emotional' or 'personal'. It takes discipline to step outside of the immediate nature and review true business alternatives that are better chosen with objective rational criteria. Popular matters include; design, development, management review, brand selection, marketing alliances, and partnerships. These subjects are thoroughly evaluated for the results, recognition, and resources actually provided and that can be measured and calculated as an undisputable return on your cost.

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