

Cost Controlling Trends



With Staying Power

by David Phillips

My career in the workforce management industry has spanned almost 30 years and many different roles, including sales, consulting, and project management. During this time, I have seen tremendous changes in technological tools, employer/employee attitudes, and methodologies around cost management. For example, in times of strong economic growth, many companies focus on growing the top line, which frequently leads to creeping operating costs. When economic growth slows or suddenly drops, as it did with The Great Recession, this cost creep becomes the focal point. Now, with The Great Recession still in recent memory, slowing RevPAR growth, and some economic uncertainty surrounding the election of a new president, many hospitality organizations have already started looking to control costs. Mobile use, environmental initiatives, and employee engagement are some of the areas being targeted to align costs.

The Mobile Advantage

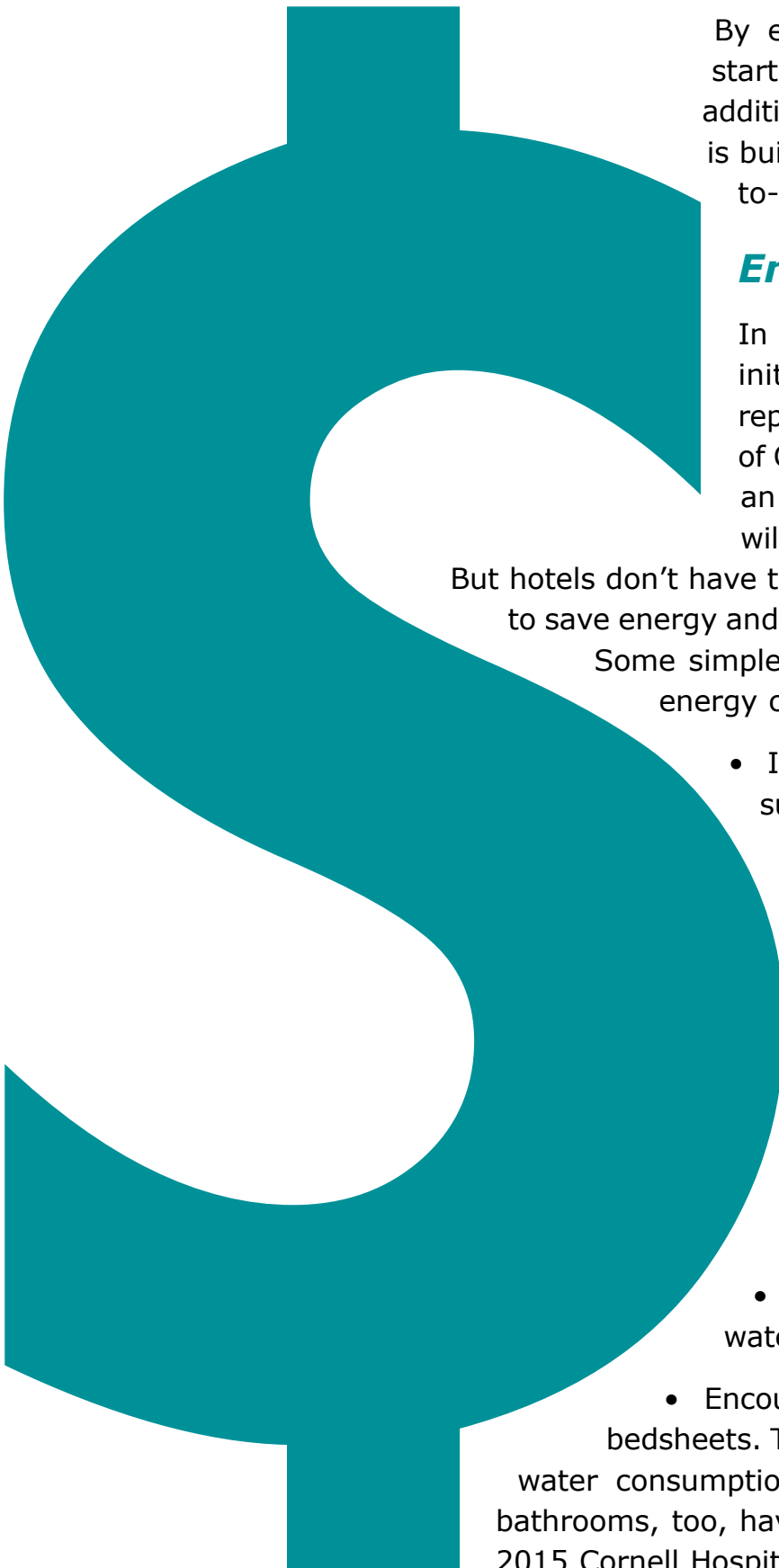
Hotels are increasingly turning to technology to assist in managing costs, and with the growing number of millennial consumers, mobile technology is no longer a “nice to have”

but rather a required standard. Some hotels now offer guests the ability to make amenity requests via a text message, which reduces the number of front desk employees needed for fielding calls. The move to mobile is also a chance to make a hotel brand’s mobile app stickier. Hotels offer mobile check-in and the ability to use digital room keys via their mobile app. While this again reduces the number of front desk employees needed, and enables a



more convenient experience for the guest, it also provides another customer touch point.

Many hotels are also promoting the growing use of their mobile apps by offering a guaranteed lowest rate for loyalty members in order to avoid paying costly OTA commissions. According to a recent AHLA report titled *Demystifying the Digital Marketplace*, “The revenue retained by U.S. hotels after paying all customer acquisition costs declined by almost .4% or \$600 million” and “that \$600M in additional cost would have contributed directly to net operating income.”



By encouraging direct bookings, hotels are starting to chip away at the \$600 million. In addition, the increased use of their mobile apps is building guest loyalty and improving direct-to-consumer marketing opportunities.

Environmental Actions

In addition to reducing costs, eco-friendly initiatives can be leveraged for brand reputation. Nielsen's Q1 2015 Global Survey of Corporate Social Responsibility found that an increasing number of millennials are willing to pay extra for sustainable offerings.

But hotels don't have to install solar panels or start composting to save energy and demonstrate environmental friendliness.

Some simple but effective ways to reduce costs and energy consumption include:

- Installing energy-efficient lighting systems, such as compact fluorescent lights (CFLs) and light-emitting diodes (LEDs), or adding occupancy sensors.
- Reinforcing the caulking or weather-stripping around windows to reduce air leakage. Window coverings can also reduce heat loss in the winter and heat gain in the summer. By simply having housekeeping partially close the curtains as part of their room duties, you could save on energy costs.
- Installing low-flow showerheads and water-efficient toilets to save water.
- Encouraging guests to re-use towels and bedsheets. This requires very little effort and reduces water consumption significantly. Water-saving notices in bathrooms, too, have been proven effective, according to a 2015 Cornell Hospitality Report.¹

¹Bruns-Smith, A., Choy, V., Chong, H., & Verma, R. (2015). Environmental sustainability in the hospitality industry: Best practices, guest participation, and customer satisfaction [Electronic article]. Cornell Hospitality Report, 15(3), 6-16.

- Ensuring staff is properly trained on equipment so that it runs as efficiently as possible.
- Encouraging staff to be efficient in their energy use by turning off lights when they leave rooms and only using as much water or paper as necessary.

Employee Engagement

Companies with engaged employees are more productive, have lower absenteeism and turnover, and enjoy higher guest satisfaction rates. Improving employee engagement can save a hotel not only the high cost of employee turnover, but it can increase revenue as well. In order to determine overall engagement levels and define a precise action plan, it's essential

to survey your employees with a robust survey tool. In the past, companies surveyed their employees once a year, implemented new initiatives based on survey results, and then waited until the following year's survey to determine if the initiatives were successful. To truly understand your employee engagement, it is critical to not only survey once a year for planning, but also provide pulse surveys periodically to cross sections of employees that measure the impact of your engagement plan. An analysis of trending throughout the year allows companies to react to problem areas sooner and keep engagement levels higher.

There are also tactics that can be implemented at any company, at any point, and are proven to improve employee engagement.



For example, employees want to feel valued and appreciated, so calling them out for their accomplishments is an easy way to improve engagement. This recognition can be one-on-one or in front of the team, department, or company. Simply saying “thank you” goes a long way.

Furthermore, feeling part of a team is an important element to employee engagement, so show employees that they’re a trusted part of the company team by being transparent about business decisions, strategies, and financial performance. Open communication is not only a free way to improve employee engagement in the short term, but it also opens the door to sharing ideas that could improve the business in the long term. Volunteering together and having friendly contests are also fun and cost-effective ways to encourage team building and improve morale.

Another way to grow teamwork is through a better understanding of others’ roles. This can be accomplished through cross-utilizing employees – strategy that also improves productivity, reduces costs, and enhances employee engagement. Accomplishing personal and professional

goals is a key element of employee engagement, and cross-utilization allows employees to learn new skills and get a better understanding of the organization’s operations.

As the impact of millennial employees continues to grow, so will the importance of being a socially responsible company. When millennials believe the company they work for has a cause, they are more passionate and motivated, which in turn improves productivity and lowers overall company costs. It is important to understand that for millennials, “having a cause” means not only donating money but actually identifying and promoting areas of the company itself that are positively impacting the external world. These actions make your company a more desirable place to work, and a desirable workplace fosters higher employee engagement, which impacts your bottom line.

Looking Forward

As technology and the economy change, so will cost-controlling measures. With big data and rapid technology growth, it will be exciting to see what new cost management ideas develop over the next few years.

About the Author

David Phillips, EVP Business Development at UniFocus, has almost 30 years of experience in driving company growth through HCM/PR analysis for clients. His expertise is in business process flow analysis, based on industry benchmarks, in Workforce Management/HCM/PR/Time and Labor. He has thorough experience in directing implementation, project management, and assurance of meeting client expectations while staying within budget. David earned his Bachelor of Science in Management and Accounting from Central Connecticut State University.

