HVS

MARKET REPORT

Park More Cash on Your Bottom Line

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Four easy ways to reach peak parking profitability.

While reporting the results of a consulting assignment for a 600 room urban hotel on the east coast a couple months ago, I told the general manager that his parking infrastructure was realizing about 85% of its revenue. He looked me dead in the eye and said "That's pretty good." Think about that. 85% revenue capture. What do you think he would have said if I had told him he was only getting 85% revenue capture from his rooms? He would have gone ballistic, if he was still in business at all. And therein lies the unfortunate truth about the respect parking gets in the industry. It is not a sexy amenity and has, for too long, been regarded as a "back-end" service and placed under the supervision of unrelated departments. It's a tragic mistake, but one that can be rectified. The truth is, parking is one of the biggest sources of unrealized income in urban, resort and airport hotels. While every property and situation is unique, we have found three major areas where simple changes can seriously impact the bottom line. **Invest in Dedicated Management** Often, general managers and hotel executives consider parking an afterthought, or non-core component of their business. As a result, hotel parking operations are commonly managed by a person or group unqualified and uninspired to make the most from the established infrastructure. Some properties dump parking on the Security Director, others use the Rooms Director or lump it in with Guest Services. All of these individuals and departments, while otherwise talented and successful, have other priorities before parking. It is unfair to ask them to be responsible for such an important revenue generator and vital guest interaction on top of their other duties. The solution is to invest in a specific person or group whose sole job is to manage parking, and to provide them with the right training and tools to be successful. The investment will be well worth it, and can immediately begin to increase revenue generation, in some cases even doubling it. **Update Your Business Processes** The person or group you hire will be responsible for further improvements through re-assessing the business processes involved. Failing to capture revenue is often simply a function of poorly-designed and executed systems for tracking and collecting fees. Are the valets ensuring the parking fee has been paid for before delivering vehicles? Are the cashiers collecting from everyone…and putting the money in the cash register? Is the front desk staff or other responsible party trained to properly post parking charges to guest folios? Are there any checks and balances to ensure these things are really happening? These are all areas that typically need to be addressed. At one major, 700-plus room airport hotel we reviewed, a full 25% of parking revenue was being lost simply because nobody was responsible for ensuring charges were properly posted, and valets were allowing vehicles to depart without any concern for whether or not they had been paid for. Guests were simply leaving without being charged. By identifying and remedying these losses, we helped increase the hotel's revenue capture rate and expect parking revenue to increase by well over 30% month over month, bringing annual parking revenue to over $2 million. **Update Your Parking Technology** If

you are going to take your parking seriously and leverage it for all it is worth, you need to utilize available access control and revenue control technology. While this can mean investing in some of the more state-of-the-art equipment available to ensure effective revenue capture, it typically results in plugging all of the cash leaks inherent in a manual parking operation. Technology-wise, there are many fine systems on the market to suit your needs, for both self-parking and valet. This may be a topic for another time, but we recommend taking a full assessment of your needs before investing in patchwork technology. Technology can be a great help, but needs to be implemented properly in order to maximize its effectiveness, and by extension, ROI. Consulting an independent expert is a great way to make sure you make this critical capital investment wisely. **Manage Your Parking Inventory Closely** Often, parking inventory is allocated among overnight guests, transient visitors and employees based on "how it has always been done." In reality, your parking inventory needs to be looked at like your rooms inventory. If the inventory is not used, it is lost forever. If an employee uses it, the revenue opportunity is gone forever. You would never let an employee stay in a room for which you could be charging a customer, would you? Certainly not when you have a full house and are turning paying guests away. Why would you have employees consume parking spaces while you displace your guests? This doesn't mean you have to make your employees walk to work. Simply recognize that the spaces they use will not be available for guests, affecting not only revenue, but guest service. Investigate whether or not there are viable and welcome off-site alternatives for employees that can mean increased parking revenue and surely improved guest satisfaction. In fact, the increased revenue may very well more than pay for the cost of employee off site parking, should you want to make complimentary employee parking a perk. In effect, parking can actually be used to improve morale and, ideally, decrease the high costs of employee turnover. Finally, if your typical parking customers fail to fully utilize your available inventory on a regular basis, think outside the box and consider alternative revenue streams such as monthly parking for local businesses, paid parking for convention attendees at the nearby convention center, or park and fly customers at the airport. Parking is a commodity whose supply rarely exceeds its demand. Take advantage of that disparity for the benefit of your hotel. These are just a few examples of the kinds of things we discover at nearly every hotel we touch, but take a look for yourself. Walk your property and look at your operations with these things in mind and I bet you'll see even more opportunities for revenue generation. Hotel parking consultants can help you identify all the issues and can usually boast a 10x return on investment on their services in the short term, but with a renewed focus you can spot, and likely fix some of the issues on your own. I assure you that you'll be pleasantly surprised.