HVS

MARKET REPORT

Parking Asset Management

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Even More Spare Change In The Parking Couch...The Second Edition of a Three Part Series on Parking Asset Management Success

A few weeks ago, I wrote about the "found money" benefit of engaging a Parking Asset Manager like HVS/Ultimate Hotel Parking Solutions to oversee your parking matters for you. Well, in addition to looking in the cushions of your couch, as we did before, you may want to check that armchair as well. In the last edition, we examined an airport property. In this edition, we will look at the benefit of our services to a certain urban hotel. Just like the airport property—where after our arrival bottom line profits soared—a similar story took place at an urban hotel that had long been suffering from lack of expert oversight and out-of-the-box thinking. The result for this 400 room hotel was lost profit, and lots of it. Both valet and self parking were managed in-house, but vehicles were stored off-site. Gross revenue for the facility was about $800,000 annually, however only $300,000 was making it to the bottom line. Upon entering the scene at this downtown/convention hotel, our team immediately focused on the vehicle storage situation, which was, at best, bleak. The hotel had enslaved itself to the demands of the closest garage, without having shopped around. There were other garages in town, but the hotel was assumed that those garages could not be utilized due to the potential for lengthy retrieval times, and the simple fact that valets may not want to run that far. Using our experience and expertise, we were able to create a unique solution for the hotel. One garage located two blocks away had never been considered as a storage option because of its distance from the hotel—a missed opportunity. Missing this opportunity, however, may have been a symptom of a larger problem that we see all too often: the hotel's $800,000 parking operation was dropped in the lap of the Front Desk Manager, who clearly had uses for his time that were more germane to his core duties. Our team's investigation into this alternative storage option yielded a potential cost savings so substantial that we were able to devise an entirely new operating plan for the parking department just to take advantage of the opportunity. For example, we scheduled additional valet staff to compensate for longer parking and retrieval times. We even allocated the valets a new $1 per car bonus in recognition of their lengthier jog, and also as an incentive to stay loyal to the hotel. After devising a pro forma accounting for all of these additional costs, we realized that notwithstanding the increased labor expenses, we could still double the bottom line. While a full year's numbers are not yet available, we expect to achieve that measure of success, especially since new revenue control, auditing and cash handling procedures we recommended and implemented have boosted gross revenue by 10%. When all is said and done, we expect gross profit to have increased by about 80%, or by an incremental $200,000 to $250,000. The greater value to the hotel is in the fact that this result will recur annually. And while it's only a possibility at this time, think about what could happen when the original garage decides to compete for the hotel's business and matches the terms of the new storage agreement. The hotel may very well continue

to enjoy the storage savings while returning to lower labor costs for a real double dip! As I mentioned in the prior article, this type of result is typically not the exception, but the rule. It may very well be the rule at your properties as well. Engaging us to find your “spare change” is certain to be one of the best investments you make this year.

To read the first article in this series, click here. For further information, please contact Brian E. Falvey Managing Director HVS/Ultimate Hotel Parking Solutions 617-424-3022