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FULL SPEND AHEAD?

With the current economic climate putting pressure on the hospitality industry, many owners and operators are looking to re-establish their product offering. Andrew Nycyk, partner at John Rowan & Partners explains why now could be a good time to update your establishment...

It is unlikely that any hospitality business will be immune from the effects of the current economic crisis and many management teams will be taking steps to understand specifically what it means for their particular situation and survival. One common factor is that the downturn will help focus teams and make them prioritise the opportunities that are available to them. Businesses will need to learn how to differentiate themselves and create new and more efficient ways of working in order to keep their products and brands fresh.

It is understandable that many businesses will want to minimise expenditure during a downturn and will be tempted to freeze investments, cancel new projects or defer acquisitions. But likewise, some forward thinkers are taking a different approach and selectively investing where others are cutting back.

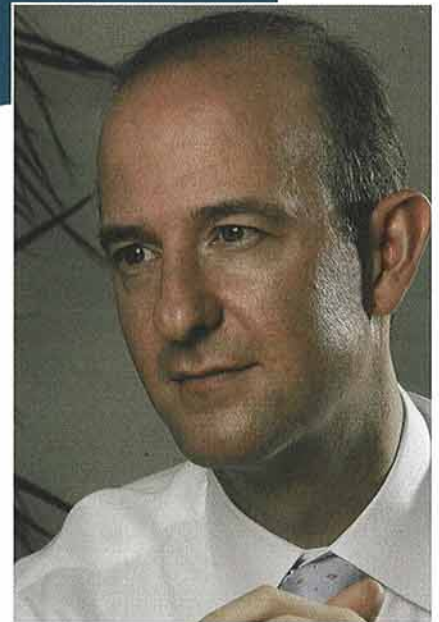
By taking advantage of the opportunities available in a downturn, businesses can often capitalise on their position. With the construction industry in a slump there is a clear opportunity to take advantage of competitive pricing (savings of 15 – 25 per cent can be made on construction and FF+E costs) to invest

in refurbishments and fit outs that will help strengthen their position when economic growth returns. Possible lower occupancy levels also means that projects will have less impact on day-to-day operations. Needless to say budgets will still be tight and the need to keep project costs under control will be of the utmost importance.

In the competitive world of hotels, restaurants and bars, it is usually the creativity of the interior design that tends to receive most attention from the management teams, but in order to ensure that a project remains on target in terms of cost, time and quality, it is important that businesses don't underestimate the worth of effective project management and procurement.

Project and FF&E management are specialist areas often actioned only as part of a designer or architect's wider service provision - or more commonly, by an operator's team. But it's an area that should not be overlooked and the majority of the large chains will always use consultancy companies that are skilled in project management, construction processes and cost consultancy.

While there is no doubt that the hospitality sector has fallen on hard times (according to the Hotel Price Index the average room price decreased by 12 per



cent in 2008), it is also true that businesses should not automatically stop all investment programmes, sacrificing future growth because of current difficulties. What is needed is to have clear goals of investment, risk management and the best rates of return.

By undertaking effective planning at an early stage of your project, you will stand yourself in good stead to complete your project on time and to budget. Ultimately the changes implemented now can strengthen brand equity and make businesses much stronger in the long term.

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