

salaryreview

Chris Mumford of HVS Executive Search warns of the dangers of undervaluing hotel staff and gives the lowdown on the highest earners.

Human resources is commonly cited as the number one problem issue keeping hotel managers awake at night. One of the main concerns centres on high employee turnover and how best to attract and retain talent. Low pay and unsociable working hours have long been common complaints among those in the hospitality industry, and despite the creative efforts of some companies, the situation shows no sign of improving.

Clearly, the industry's reputation in this area is one of the main reasons why it is becoming harder and harder to recruit new management from the generation X and Y talent pools. Even graduates who have invested time, money and effort in a four-year Hotel Management degree are increasingly finding that their service skills are attractive to employers in other sectors, such as banking.

Employee compensation is often cited as the main source of the problem. However, as Jeffrey Catrett, the dean at Ecole Hotelière de Lausanne, points out: 'Research suggests that Generation Y is less money hungry than Generation X was, and is focusing more on career development, personal recognition, involvement in decision-making, and a good work-life balance.' But at the same time: 'Selling hospitality as a career continues to be an uphill battle. While baby boomer decision-makers were willing to act as front-line cannon fodder for a number of years, this generation does not buy in to this concept of hospitality without some form of guarantee. And they have real choices: manufacturing and other service industries are avidly scooping up hospitality graduates to reinforce their customer focus, and they are offering much, much better starting salaries.'

So, while pay may not be the sole motivating force in career selection, but it is certainly an influencing factor. Pay at the start of a career in hospitality may be below par compared with other industries, but what about further up the ladder? The opportunities for career advancement in the hotel business are numerous and varied. As a manager gains experience and takes on more responsibility, there is a corresponding increase in their salary. However, for many graduates entering the hotel business, the ultimate goal is to become a general manager, as the real jump in earning potential will be when they move into their first general manager position.

Through its proprietary Hospitality Compensation Exchange® programme HVS conducted a survey of management salaries in the St Petersburg market. The results of this survey show that the average salary of a resident manager in the five-star sector is

€47,473 (net), compared with an average base salary of €110,060 (net) for a general manager in the same market segment.

A recent HVS study of the Paris market shows that general managers of luxury hotels in the city make between €97,000 and €234,250 in base salary (see Table 1). And when you take into account bonuses and benefits such as pensions, health insurance, living and car allowances, total packages can be as high as €392,565 (see Table 2).

TABLE 1. SALARY LEVELS FOR PARIS					
General manager	Minimum	25th percentile	50th percentile	75th percentile	Maximum
Base salary	€97,000	€122,013	€165,000	€197,250	€234,250

TABLE 2. SALARY PACKAGES FOR PARIS					
General manager	Minimum	25th percentile	50th percentile	75th percentile	Maximum
Total package	€115,00	€161,250	€253,421	€308,922	€392,565

But how does one get to that kind of salary package in Paris? In terms of skill set and experience, the traditional route to becoming a general manager was through an operational function such as food and beverage or rooms division. Today, a general manager has to be an accomplished all-round businessperson with well-developed sales, marketing and finance skills. There is a definite trend towards hiring more general managers from these kinds of backgrounds.

Sales directors reap the benefits

So what is the most lucrative route to becoming a general manager? It is well known that hotels generally make a much greater percentage of their revenue from rooms than they do from food and beverage operations. The average rooms revenue in the luxury segment in St Petersburg is €10,564,903 compared with €4,344,887 in food and beverage. One would therefore assume that a director of rooms is paid more than a director of food and beverage.

One could argue, however, that food and beverage is a more complex discipline – for example, in terms of the variety of the product. Certainly, if you consider management responsibilities, a director of food and beverage has more employees to oversee. At the same hotels in St Petersburg, the average food and beverage department has 179 employees, compared with 91 staff in a rooms department.

On the other hand, without a director of sales and marketing, the rooms and food and beverage departments would not have any guests to serve. Sales and marketing has always been a crucial element of hotel management, and factors such as terrorist activity and the growth of online reservations have made it more competitive than ever. Indeed, the director of sales and marketing is the first member of the management team to be replaced when business starts to decline, the thinking being that a new director will somehow dramatically improve the situation.

To find out which position pays the best, HVS compared the salaries of directors of food and beverage, rooms, and sales and marketing in London. Table 3 shows data taken from a variety of hotels of different sizes and classifications in central London. On average, a director of sales and marketing substantially out-earns their colleagues in food and beverage and rooms. In fact, the average base salary of a director of sales and marketing is 64 per cent higher than that of a director of rooms. The same holds true if we analyse the data by hotel room count (see Table 4).

TABLE 3. SALARY COMPARISON FOR LONDON

Base salary	Minimum	Maximum	Average
Total package	€22,600	€43,260	€33,202
Director of food & beverage	€21,523	€65,000	€40,256
Director of sales & marketing	€34,850	€80,000	€54,423

It is the same situation outside of London. In the Budapest market, an average base salary for a director of sales and marketing is €46,898, compared with €44,982 for a director of food and beverage and €25,053 for a director of rooms.

So what is that warrants such a premium over rooms and food and beverage? According to Bruce Harkness, vice president of human resources at Kempinski Hotels and Resorts: 'The industry has created its own legacy, based on the perception that directors of sales and marketing are the key revenue generators for companies. It is the directors of sales and marketing that bring in the million-dollar contracts, and they use this as the basis for justifying their salary levels.'

TABLE 4. SALARY COMPARISON FOR LONDON (ROOM COUNT)

Base salary	Less than 300 rooms average	More than 300 rooms average
Director of rooms	€32,807	€34,189
Director of food & beverage	€36,004	€46,635
Director of sales & marketing	€52,915	€56,792

We also have to consider the career path of these sales and marketing professionals. Most directors of food and beverage and rooms follow a defined career path, working their way up through their respective departments and increasing their salaries in small increments with each promotion. Conversely, in sales and marketing, 'we are increasingly seeing the need to recruit from outside the industry in order to be more competitive,' says Harkness. 'Typically, to attract this kind of external talent, you have to be prepared to compete with other industries when it comes to attractive compensation and benefit packages.'

The hotel industry has a long way to go to improve its levels of talent attraction and retention. Employee compensation is certainly a major issue, and one which hotels and hotel companies need to be fully aware of. For those entering the industry, if your goal is to earn as much as possible, then you may want to consider a career in sales and marketing. For those tasked with managing sales and marketing directors, do not be alarmed that their salary demands are above those of your other executives. That is just the way the market is, and you must be prepared to offer a competitive package, while at the same time making sure that you are seeing a return on your investment. [HMI](#)