



MAY 2011

CANADIAN MONTHLY LODGING OUTLOOK RETAINING THE BENEFITS OF HOTEL EDUCATION

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Retaining the Benefits of Hotel Education

The hotel industry has seen great benefits from the increase in hotel education however, the industry is struggling to recruit and retain these educated professionals in traditional operational roles. This phenomenon may be the result of graduates' unrealistic expectations in the industry. For the hospitality industry to continue retaining the benefits of hotel education, these issues will need to be addressed.

The hotel industry dates back as far back as 2000 B.C.,¹ but formalized hotel education has only recently developed. The first hotel school in the United States was the Cornell University School of Hotel Administration, founded in 1922. Today, in the United States alone there are over 250 institutions offering four-year degrees and 700 institutions offering two-year degrees in hospitality and tourism management.² This extraordinary growth in hotel education is not particularly surprising given that the hospitality industry is a vast, diverse, and necessary part of the global economy: "On a global basis, the hospitality and tourism industry employs more than 10% of the worldwide workforce and contributes over \$4 trillion in gross global output."³

Benefits of an Educated Workforce

With the growth of hotel education, the face of the industry has completely changed. Over the past 100 years, the hotel industry has evolved from a largely 'mom and pop' business to an industry dominated by multi-billion-dollar hotel chains with access to customer relationship management tools, property management systems, revenue management tools, and relationships with online travel agents. Employing highly skilled and educated industry professionals has enabled hotel companies to ultimately improve their bottom line by maximizing average daily rates and occupancies while increasing guest satisfaction. These educated professionals use the most up-to-date methods of revenue management to help maximize potential profit, make use of human resources tools to hire the right people for the right jobs, keep up-to-date with current culinary trends, and work effectively in the kitchen to turn food and beverage outlets into profit centres.

¹ Stephen Rushmore and Erich Baum, *Hotels & Motels Valuations and Market Studies (2001)*. Page 1. Appraisal Institute.

² David J. Solnet, Anna L. Kralj, Elisa Moncarz, and Christine Kay, "Formal Education Effectiveness and Relevance:

² David J. Solnet, Anna L. Kralj, Elisa Moncarz, and Christine Kay, "Formal Education Effectiveness and Relevance: Lodging Manager Perceptions," *Journal of Hospitality & Tourism Education*, 2010, 22, no. 4. Page 16.

³ Peter Kim, Ken W. McCleary, and Tammie Kaufman, "The New Generation in the Industry: Hospitality/Tourism Students' Career Preferences, Sources of Influence and Career Choice Factors," *Journal of Hospitality & Tourism Education*, 2010, 22, no. 3. Page 5.

Declining Interest in Operations

Over the past 10 years, however, the number of graduates from hotel schools who take jobs in operations has significantly decreased. Looking only at Cornell University, 47% of graduates in 2000 took jobs in operations,⁴ but in 2010 only 36% took jobs in operations.⁵ Not only are fewer graduates working in operations, but the best candidates are capitalizing on other job opportunities. The average GPA of the students who took operations positions in 2000 was 2.99 (a B average), and the average GPA of those who took positions outside of the industry in 2000 was 3.34 (a B+ average).⁶

An educated workforce provides a great benefit to the industry, as a formal education has been shown to have a positive impact on financial management, marketing, and leadership competencies.⁷ So why is the hotel industry not able to recruit and retain these educated individuals who obviously at one point had a strong enough interest in the industry to go to school for it?

It is hard to pinpoint one factor that is deterring these students. It is possible that it is just the nature of the beast: the hotel industry is known for long, irregular hours that wear on you over time, as well as a cyclical nature making jobs in the industry insecure in hard economic times. These factors may make hotel operations seem less attractive than a 9 to 5 job, climbing the corporate ladder to a generation that has been labelled as having a false sense of entitlement. More likely, however, the shedding of educated professionals from the hotel industry may be attributed to two causes: (1) a communication gap between recent graduates and current industry leaders combined with recent graduates' unrealistic expectations, and (2) the smaller salaries being paid within the industry.

Communication Gap and Unrealistic Expectations

Many college graduates today seem to expect to enter the workforce and become a General Manager by 25. When this doesn't happen, they get frustrated, impatient and possibly switch career paths. This unrealistic expectation should be addressed by schools and recent graduates. Schools can help by providing a realistic perception of the industry, bringing in industry professionals to speak about their work experiences and by creating ease of access to industry information. Recent graduates need to drop the ego and embrace and learn from every experience and opportunity. In the workforce, company leaders need to have open communication with their employees that show great potential. There needs to be frequent discussions addressing feedback on performance, the employee's career goals, a realistic timeline, and how he or she is feeling about his or her career progression. As a result, employees will be less likely to switch career paths because they feel like they aren't getting anywhere, ultimately improving turnover. Additionally, companies need to make sure that students completing work placements or internships have a positive

⁴ Michael Sturman, "The Compensation Conundrum," *Cornell Hotel and Restaurant Administration Quarterly*, August 2001. Page 75.

⁵ "Post Graduate Reports Bachelor of Science 2010," *Career Management in the Office of Student Services, Cornell University School of Hotel Administration*. (2010) Page 1.

⁶ Michael Sturman, "The Compensation Conundrum," *Cornell Hotel and Restaurant Administration Quarterly*, August 2001. Page 75.

⁷ David J. Solnet, Anna L. Kralj, Elisa Moncarz, and Christine Kay, "Formal Education Effectiveness and Relevance: Lodging Manager Perceptions," *Journal of Hospitality & Tourism Education*, 2010, 22, no. 4. Page 18.

experience and feel like they are contributing something valuable to the corporation. This way, students won't be deterred before they even graduate.

Compensation Dilemma

It is becoming increasingly apparent that the hospitality industry is going to need to take a long-term-goal approach and pay to retain the talent that will improve bottom lines. The cost of higher education is going up around the world, and more and more students have to take out hundreds of thousands of dollars in loans to pay for their education. This has put enormous pressure on graduating students to take jobs that will pay off their debt the most quickly. Unfortunately, the hotel industry has earned a bad reputation for paying less for the knowledge, skills, and abilities (KSA) of its employees than other industries. Indeed, the pay increase in other industries associated with a one-point increase in human capital (a measure of the level of KSA associated with a job) is 20% greater than in the hospitality industry.⁸

Conclusion

High employee turnover has long been a major problem facing the hospitality industry. Today, the problem extends to retaining managers so that one day they can be internally promoted into the senior leadership of the company. Hotel corporations are letting these promising candidates slip away or in some cases not attracting them straight out of college. The industry has seen the great benefits of a highly educated workforce; it is now up to the industry to retain these benefits by improving the communication between recent graduates and current leaders, creating a realistic perception and offering competitive compensation.

⁸ Michael Sturman, "The Compensation Conundrum," *Cornell Hotel and Restaurant Administration Quarterly*, August 2001. Page 73.

Canadian Lodging Outlook May 2011

STR and HVS are pleased to provide you with the month's issue of the Canadian Lodging Outlook. Each report includes occupancy (Occ), average daily rate (ADR), and revenue per available room (RevPAR) for three major markets and the Provinces.

If you would like a detailed hotel performance data for all of Canada, STR offers their Canadian Hotel Review. The Canadian Hotel Review is available by annual subscription which includes both monthly and weekly issues. Each monthly issue of the Canadian Hotel Review also includes an analysis provided by HVS. Please contact Erin Hannigan, Canada Sales Executive, at erin@str.com or 615-824-8664 ext. 3313. You may also contact any of their other sales executives at info@str.com or 615-824-8664 ext. 3504.

May 2011	Occupancy Rate (%)		Average Room Rates (\$CAD)		REVPAR (\$CAD)		Room Supply	Room Demand	Number of Rooms	
	2011	2010	2011	2010	2011	2010	% chg	% chg	Sample	Census
Montreal	73.3%	68.0%	\$142.57	\$132.69	\$104.50	\$90.23	0.3%	8.3%	16,697	27,940
Toronto	70.9%	70.1%	\$135.78	\$132.23	\$96.27	\$92.69	3.9%	5.2%	30,827	37,069
Vancouver	78.3%	71.5%	\$161.78	\$146.85	\$126.67	\$105.00	0.0%	9.4%	18,751	26,173
Provinces										
Alberta	60.5%	56.2%	\$132.51	\$132.92	\$80.17	\$74.70	2.3%	10.2%	36,604	66,993
British Columbia	66.6%	62.4%	\$145.76	\$135.56	\$97.08	\$84.59	0.3%	7.1%	34,925	83,495
Manitoba	69.5%	68.5%	\$112.10	\$114.26	\$77.91	\$78.27	2.7%	4.2%	4,943	13,864
New Brunswick	55.8%	57.4%	\$113.02	\$110.64	\$63.07	\$63.51	1.4%	-1.3%	5,073	11,416
Newfoundland	75.5%	74.0%	\$136.69	\$133.22	\$103.20	\$98.58	0.7%	2.7%	1,877	5,880
Nova Scotia	59.6%	62.2%	\$120.81	\$120.36	\$72.00	\$74.86	1.6%	-2.6%	6,310	13,013
Northwest Territories	INS	INS	INS	INS	INS	INS	INS	INS	187	1,543
Ontario	64.0%	63.2%	\$123.73	\$121.58	\$79.19	\$76.84	1.7%	3.0%	82,756	138,668
Prince Edward Island	51.5%	45.2%	\$104.26	\$111.65	\$53.69	\$50.47	0.0%	13.8%	947	4,082
Quebec	67.9%	63.6%	\$138.24	\$130.85	\$93.86	\$83.22	0.0%	6.6%	27,433	78,127
Saskatchewan	68.0%	67.6%	\$124.32	\$119.92	\$84.54	\$81.07	2.2%	2.8%	7,114	16,820
Yukon Territory	41.8%	44.7%	\$106.75	\$103.58	\$44.62	\$46.30	0.0%	-6.5%	864	2,265
Canada	64.2%	61.9%	\$130.46	\$126.56	\$83.76	\$78.34	1.2%	5.0%	209,033	436,580

May 2011	Occupancy Rate (%)		Average Room Rates (\$CAD)		REVPAR (\$CAD)		Room Supply	Room Demand	Number of Rooms	
	2011	2010	2011	2010	2011	2010	% chg	% chg	Sample	Census
Year-To-Date										
Montreal	58.6%	54.4%	\$129.15	\$124.29	\$75.68	\$67.61	-0.3%	7.4%	16,697	27,940
Toronto	64.1%	63.5%	\$132.52	\$130.48	\$84.95	\$82.85	2.9%	3.7%	30,827	37,069
Vancouver	61.2%	65.7%	\$136.45	\$160.83	\$83.51	\$105.67	0.3%	-6.6%	18,751	26,173
Provinces										
Alberta	57.3%	54.1%	\$128.98	\$129.39	\$73.91	\$70.00	2.6%	8.6%	36,604	66,993
British Columbia	55.7%	58.2%	\$131.71	\$154.08	\$73.36	\$89.67	0.7%	-3.5%	34,925	83,495
Manitoba	61.1%	61.4%	\$111.09	\$109.48	\$67.88	\$67.22	1.0%	0.4%	4,943	13,864
New Brunswick	48.7%	49.1%	\$108.90	\$107.36	\$53.03	\$52.71	2.7%	2.0%	5,073	11,416
Newfoundland	61.3%	61.8%	\$123.70	\$120.47	\$75.83	\$74.45	0.2%	-0.7%	1,877	5,880
Nova Scotia	54.2%	53.5%	\$114.23	\$112.51	\$61.91	\$60.19	1.3%	2.7%	6,310	13,013
Northwest Territories	62.4%	55.6%	\$141.28	\$144.17	\$88.16	\$80.16	0.0%	12.3%	187	1,543
Ontario	56.6%	55.0%	\$119.98	\$119.05	\$67.91	\$65.48	1.4%	4.4%	82,756	138,668
Prince Edward Island	44.0%	37.9%	\$92.46	\$93.67	\$40.68	\$35.50	0.0%	16.0%	947	4,082
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About STR

STR provides information and analysis to all major Canadian and U.S. hotel chains. Individual hotels, management companies, appraisers, consultants, investors, lenders and other lodging industry analysts also rely on STR data for the accuracy they require. With the most comprehensive database of hotel performance information ever compiled. STR has developed a variety of products and services to meet the needs of industry leaders.

About HVS

HVS is the world's leading consulting and services organization focused on the hotel, restaurant, shared ownership, gaming, and leisure industries. Established in 1980, the company performs more than 2,000 assignments per year for virtually every major industry participant. HVS principals are regarded as the leading professionals in their respective regions of the globe. Through a worldwide network of 30 offices staffed by 400 seasoned industry professionals, HVS provides an unparalleled range of complementary services for the hospitality industry. For further information regarding our expertise and specifics about our services, please visit www.hvs.com

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