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Consultants peg top 10 issues

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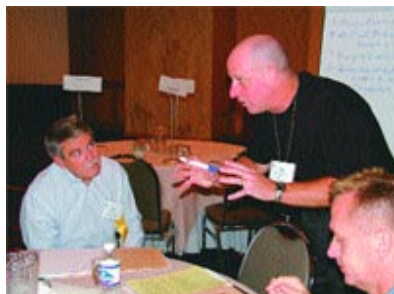
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Hotel & Motel Management

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Chad Crandell of Capital Hotel Management [cen-ter] huddles with fellow attendees at the International Society of Hospitality Consultants meeting in Chicago.

Chicago-When the International Society of Hospitality Consultants met in Chicago in September, its members had a lot on their minds. The group corralled those thoughts to create its annual top 10 list of issues and challenges facing the industry, which includes the changing distribution channel, terrorism and safety and financial issues.

"I don't think there are any surprises there," said Drew Dimond, the ISHC's 2003 chairman and president of The Dimond Cos.

"At the end of the day, it has less to do with the top 10 and more to do with the top two," said Bruce Goodwin of Goodwin & Associates. "There are two major issues and eight dwarfs."

Members broke into groups to brainstorm about the top issues during the annual conference. They presented their findings, and a ballot with 21 issues went to all members.

ISHC members said the group's diversity is one reason the list is a realistic sample of the concerns about the general lodging industry.

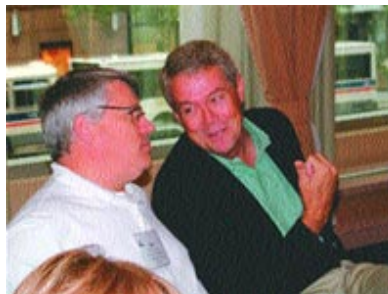
"Some people share ideas that others wouldn't think of because it's not their specialty," said Bob Patterson, president of Los Angeles-based Paradigm Hospitality. "We definitely got a lot of diverse ideas on the table. On the whole, this is a pretty realistic-sounding top 10."

"We have a variety of members who specialize in different areas of the lodging industry," Dimond said. "That lends this to having credibility."

Bonnie Buckhiester, president and c.e.o. of Buckhiester Management USA, said the group's international members give the list of top issues and challenges a global feel.

"The process turned out well," Goodwin said. "The consensus standpoint was illuminating in itself."

Dimond said that while the top 10 list of issues and challenges released by the ISHC doesn't solve



Kirby Payne of American Hospitality Management Co., [left], and Don Winter of Don Winter Co. share a few thoughts during the ISHC meeting in Chicago.

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specific problems, it might assist businesspeople in the industry to become more aware of certain issues.

Main issuesDistribution-channel issues steadily moved up the list during the past three years to the top spot. It ranked fourth during 2001 and second last year.

"It has far-reaching implications," Buckhiester said. "There is a disconnect in our industry, though. You can't teach channel management without teaching strategic pricing. We see a lot of one without the other, and that creates a problem because there's not consistency in pricing. It's going to be a long-term education process."

"We all recognize the problem, but no one knows how to put the genie back in the bottle," Goodwin said. "The airlines were successful in taking back their inventory by cutting out travel agents. How can we take it back? We won't be able to cut out the Internet."

Tom Morone, principal with Warnick & Co. in Los Angeles, said attrition clauses for group rates will be redefined as the distribution-channel issue becomes clearer.

"There's a lot of sentiment out there that the industry has begun to address distribution issues and its impact on rates," Morone said. "But there are a lot of things hanging out there that the industry still needs to address. The problem is not going away."

Finishing a close second was the terrorism-and-safety issue.

"Any more terrorism, and we're back in the soup," Morone said. "But there's nothing we can do about it except ensure the safety of our guests."

Financing is an issue, too.



Ted Brumleve of Brennan Beer Gorman/ Architects & Brennan Beer Gorman Monk/ Interiors [left], leads a brainstorming session, and Bruce Baltin of PKF Consulting makes a point at the ISHC meeting.

"The capital issues seem to have taken a different shape this year than they had in years past," said Patterson, who specializes in financing and litigation issues. "Extremely low interest rates are more of a factor, but the industry doesn't seem to be able to do much with that."

"2004 is going to be another tough year," he said. "The industry will make progress, but it'll be 2005 before that progress is recognized in the financing area."

A changing industryMany ISHC members said they believe the industry is evolving into a different beast than it was three years ago.

"We had a fundamental change in the way business is going to be," Morone said. "The American public will learn to live with all the uncertainties. The hotel [industry] needs to move into the current age."

"We as an industry need to be more creative in handling changing markets," Buckhiester said. "We have a very difficult time adapting to change because of the fragmented ownership structure we have."

But the bottom line for the industry is ensuring profitability while continuing to make guests happy during a difficult economic cycle, members said.

Morone said hotel operators have been so busy focusing on maximizing revenue that they've cut too many services, which impacts guest satisfaction.

"The consensus is that service at hotels has slipped to a point where it's compounding the distribution issue," Morone said. "If you want to get paid for service, you have to give people service."

"I don't know if the industry has been creative enough to know what today's guests want



and how to give them what they want," Buckhiester said.

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