



Use technology to cut labor costs

The continuing economic downturn has forced many hotel executives to give renewed attention to their hotel operations. A few, however, didn't wait for the recession to focus on labor costs.

At the 353-room San Jose Hilton, executives determined last spring that their labor expenses were higher than those of similar hotels.

The midscale hotel is one of six properties operated by DiNapoli Capital Partners of San Jose, Calif. Chuck Bond, the company's CFO, had months earlier achieved dramatic payroll savings at another DiNapoli property, the Hyatt Regency San Francisco. After installing a new labor management system designed by Heath and Co. of Roswell, Ga., the 802-room hotel achieved immediate payroll savings. Bond hoped to repeat the results in San Jose.

Though the San Jose Hilton looked fresh thanks to a recent \$11-million renovation to guestrooms and public spaces, the hotel's managers were using out-of-date technology. Notably, its automated payroll system lacked the ability to analyze data, says Scott Fischbein, the hotel's controller.

Like many hotels, the staff schedule tended to remain fixed, to grow larger over time and to respond inadequately to changes in business volume.

"We knew we had a payroll issue, that it was high," Bond says. "The tough part is, without this system, it is really hard to monitor if you are cutting in the right place. You could cut the wrong positions," he says.

"This was a great opportunity for us to review those service standards and reestablish new ones," Fischbein says. With new standards in place, the hotel operators could, for example, correctly match a given number of room nights with the standard number of front desk clerks or bellmen.

"We had situations where 'Jonathan' is always working Monday through Friday, but a big group is coming in on Saturday," Bond says. "Now he's working overtime. So, instead of scheduling according to business demands, we were often scheduling for fixed schedules. The business demands were forcing us to pay overtime."

The multi-module software system automates many functions, and sets up tools for budgeting, forecasting and scheduling employees according to business volume, not the clock.

The return on investment was significant and immediate. Shortly after installation, payroll savings covered the cost of the system. Compared to the labor costs of the previous year, the hotel is now saving more than \$1 million a year in payroll and benefits. The system also helped executives create complex schedules that could match employee preferences and seniority.

"You can set templates," Fischbein says. "So we were able to effectively adhere to union guidelines on staffing."

Source: Heath And Co., www.heathandco.com

<http://www.hotelworldnetwork.com/day97>