

# Hotels and their financial challenge

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*Are you paying for your hotel room or are hotels across the globe actually losing money?*

CAPE TOWN, May 31, 2013 /EINPresswire.com/ -- When you consider buying a BMW, you know you're buying a premium brand with a name, a reputation and world renowned German engineering. It is the sum of its parts with each of them contributing to the final product, specially crafted and engineered in order to deliver on its promises. And, naturally, this comes at a cost. If you aren't into the holistic offering a deal like this delivers, your choices of a lesser car are plentiful. It's the same when it comes to where you or the business you work for chooses to put your money when you're staying away from home.

It's not news that companies are being challenged by their financial departments to cut corners. Budgets, deadlines and allowances are tighter and travel is no longer something lavish that can be written off to a swollen marketing budget. There is always someone who reports to someone else who is checked by someone else that needs to compare the bottom line. It's still about value for money, but with so many more hotels vying for your business, the line between fair competition and bad economics can be a fine one.

Consider the challenges these businesses face however: competition, grading, prices, and a building full of furnished rooms (at quite the cost) that need to be filled. When you look at what goes into costing for a room rate, as [www.south-african-hotels.com](http://www.south-african-hotels.com) did, you may start to consider things a little more clearly.

Think about the costs involved in order for a tourist-attractive hotel in a hub like Cape Town to deliver a world-class service to its guests. This requires qualified employees, adequate cleaning facilities for rooms and linen, a qualified team of chefs and a fully equipped kitchen for catering, fine furnishings in rooms, and meeting rooms that contribute to a memorable and highly-rated experience. And when the hotel stands at less than half full? The margins speak for themselves. On a relatively small, five star hotel, these are just some of the costs:

- A capital investment of ±R21.5million is needed to build and furnish rooms – this doesn't include a spa
- Keeping the lights on cost a hotel like this just less than R2million per annum
- Housekeeping services average on R3.3million per annum

"These statistics show the constant balance that hotels are trying to meet," says Sally Gray, General Manager of Sales at Red Carnation Hotel Collection, SA. "Over and above the ongoing business challenges are staffing issues. To keep up with the ever-increasing cost of living, staff expect salary increases. This adds additional pressure to our existing business model."

When you look at figures like these, it may make the cost you are quoted make a little more sense. There are many factors to consider when booking the accommodation for your travels – whether it is for business or leisure. What are you expecting when it comes to furnishings, facilities – laundry, gym etc. – location, safety, security and insurance? So when you look at the quote for your accommodation – although it may look completely exorbitant – there's a lot to take into account.

Is it a fly-by-night establishment where you can't leave your passport in the room, or is it one with a

great reputation based on good reviews and that comes at a competitive price, and in a good location? What you have to ask yourself is how you balance quality and costs. There are establishments that will meet you on both of these but how and where you choose to allocate your budget comes down to your unique set of leisure and/or business needs. Expenses are not about an irresponsible allocation of funds but rather a responsible allocation of funds where you can see and measure your Return on Investment, and what you have to ultimately determine is whether you want the BMW or the alternative.

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