

REDUCING HOTEL EXPENSES 2021

JULIA ARMATYS



40 ESSENTIAL TIPS FROM HOTEL MANAGER
WITH 10 YEARS OF EXPERIENCE

Table of contents

1. Introduction	2
2. How pandemic has affected hotel expenses and break-even points	3
3. Fixed vs variable costs	5
4. Reducing fixed costs	8
5. Optimizing the housekeeping expenses	10
6. Optimizing the tech expenses	16
7. Optimizing the front desk expenses	17
8. Outsourcing hotel services	20
9. Extra cost reduction solutions	24

Any questions? Please, write me!
julia.armatys@kajware.pl



Introduction

In 2020, the reality we had foolishly taken for granted was turned upside down. Fear and sense of helplessness started the reign of terror in our peaceful lives. Many months have fallen victim to that unforgiving duo.

From a business perspective, the hotel industry has been and still remains one of the most severely oppressed by the coronavirus pandemic. Many countries have completely closed their borders, forcing hoteliers to focus on not always well-developed domestic tourism.

Almost never-ending lockdowns, scarce amounts of reservations and the obligation to drastically increase the sanitary regime often proved to be undefeatable. Thousands of hoteliers have been left with no choice but to close or suspend their hotel operations.

A year and a half later, the situation is still on the edge. However, the growing number of people vaccinated against COVID-19 and countries slowly recovering from lockdowns here and there give us that much-needed gleam of hope for a better future.

This publication is all about that future. During the 15+ years I have spent in the hotel industry (5 as a receptionist, 10 as a manager), I have repeatedly faced the challenge of cutting and optimizing expenses. I verified reports, built staff awareness, negotiated rates with suppliers and performed hundreds of other activities aimed at improving the financial efficiency of the hotel.

If you're currently reopening your business or setting up a new property, every penny counts. The number of clients you can fight for is limited, which affects your budget. Thanks to this publication, you will learn 40 actions that will allow you to survive and wait for better times in peace.

I wish you a great read!



The pandemic

Changes to hotel costs and break-even points

Hotel expenses have always been susceptible to dynamic changes. They depended on the property type, size and standard. By knowing the basic room cost, hoteliers could monitor fixed and variable expenses and create a certain procedure to control them.

If your hotel was profitable before 2020, it was usually a matter of controlling the variable costs and development costs (marketing activities, room expansions, etc.)

Unfortunately, **the pandemic demands much more flexibility**. I'm not even talking about the drastic accommodation price drops in some countries. I'm talking about the necessity of critically reducing fixed costs such as employment or hotel standard. Many properties suddenly found themselves on the verge of profitability.

First, we of course try exploring different ways of increasing revenue. Marketing campaigns, new hotel discount policies, price adjustments, etc. However, when effective revenue management is no longer possible, we must pay special attention to the costs themselves.

2020 was a tough time and the survivors know very well that sometimes achieving the expected cost reduction was possible only by closing or suspending the hotel.



The pandemic

COVID-19 vaccines are now being distributed globally. As the time passes, more and more people will gain increased protection against the virus. National tourism is slowly recovering in some countries. This means you have probably reopened your hotel already or consider doing it soon.

This brings an important question. Once reopened, you will need front desk and housekeeping staff to ensure the appropriate standard back again.

How to handle such enormous cost increase?

Of course a lot depends on your location and country's economy. Nevertheless, I'm positive many of you are already applying some actions and tips described in this e-book.

I'd love to know what worked for you! Feel free to email me at [**julia.armatys@kajware.pl**](mailto:julia.armatys@kajware.pl).

First, we'll discuss fixed costs - they act as a confirmation your hotel has come back to life.

Types of hotel expenses

Before you start...

Proper management of variable and fixed costs is a key element in running a hotel business.

The first crucial tasks for you are:

- extracting data on your room's ADR (average daily rate). [Here](#) you can find a simple calculator to do that. [KWHotel](#) - our hotel management software, can also calculate the ADR for you.
- establishing the hotel's (break-even point). [Here](#) you can find the formulas to do so.

These two steps will show if your sales revenue covers the fixed and variable costs of the facility. This way you can examine profitability and discover the points when you earn money and the moments when you lose it.

Types of hotel expenses

Fixed expenses

Fixed costs do not change over time and are not affected by the income we achieve. They are of the same value when we earn nothing and earn a lot.

Examples:

- premises rental cost
- energy bills

Variable expenses

The variable costs are more tied to your sales performance. What's interesting, changes to your ADR and average revenue will not affect them as much.

Examples:

- food cost for e.g. breakfasts,
- usage of cleaning products,
- cost of washing bed linen and towels,
- costs of rooms housekeeping,
- credit card commissions,
- commission from sales channels,
- usage of office supplies, toners, etc.,
- usage of minibars.

Types of hotel expenses

Mixed expenses

The mixed costs are a mixture of fixed and variable ones.

Example:

- staff remunerations and commissions: up to a certain point they are fixed costs, but depending on the sales performance, they will fluctuate significantly.

Reducing fixed expenses

After defining the fixed and variable areas in the budget itself, let's now discuss the aspect of fixed costs. We often think that we have no influence on them and leave them for negotiation when preparing reports and forecasts for the next year.

But let's stop here for a moment.

In the times of pandemic, fixed costs became of paramount importance since almost all hotel operations have stopped. I had personally spoken with many hoteliers who attempted to renegotiate the premises rental cost, postpone the lease or loan instalments or reduce water and energy consumption in the facility.

The pandemic gives you a strong argument when negotiating the postponing or reduction of these charges. Therefore, you should verify your energy operator. Think if you can negotiate better rents or make them dependent on sales increases

Let me give you some examples of how I managed to reduce fixed costs in a 3-star city hotel.

✓ **After installing aerators in all taps** in the facility and setting them to a low stream, I saw a complete return of the water consumption costs within the first month, while in the following months I observed an average cost reduction of around 15%.

✓ **Deploying the sensors on the main furnaces** in the facility's boiler rooms and automating the temperature control throughout the building resulted in a reduction in the value of gas invoices.



Reducing fixed expenses

✓ **Setting up light sensors in corridors** gave me an enormous reduction in energy consumption.

✓ **Mounting card readers.** They automatically turned off the hotel lightning after guest's departure and turned off the room lights. We often don't realize that when leaving the hotel, guests don't care whether they turned off the light or air conditioning. Installing card-driven sensors cuts off energy in the room, and we don't incur additional costs.

I realize that investing at this point is difficult and not advisable. However, you should perform calculations and consider how much certain automations or solutions can affect the fixed costs in the long term.

Housekeeping

In the case of housekeeping, we can greatly optimize the variable costs. It's important because these expenses define the final room cost and determine the hotel's profitability.

Housekeeping stocks

First, let's write down which costs are related to the direct room service:

- Cleaning products
- Bathroom cosmetics
- Hotel linen washing
- Minibar snacks

Efficient stock management of cleaning products and cosmetics is a big challenge but yields many benefits.

I worked in a hotel chain myself, monitoring stocks in several hotels, possible changes of cleaning agents and replenishment of these stocks - let me tell you, **my performance had a HUGE impact on the final costs in a given month.**

Housekeeping

Products consumption rate

Moving on to the subject of monitoring consumption rate of cleaning products. **Your housekeeping staff should indicate how much is deducted from the stock, how much is placed in the rooms, etc.**

After that, you should compare the usage with the cost invoices as well as with the prices of the cleaning products you use and those of other companies. I have always believed that the initial contract I signed with the housekeeping company, is not a pact for eternity.

Look, don't be afraid to renegotiate the conditions if the products' usage is too high. Or when another housekeeping agency has better prices. You also have to carefully check the orders placed by the housekeeping staff and verify them with the current stock levels.

Monitoring the cleaning products' usage is crucial - it's highly related to hotel occupancy. If you plan on changing the cleaning products, always consult with your housekeeping team - they know exactly which ones last longer and still get the job done.



Housekeeping

Mass savings with diluted cosmetics

Great savings can be achieved by using the diluted cosmetics that housekeeping staff can collect from dispensers. Such dispensers are installed in warehouses or in rooms intended for this purpose. They have similar cleaning qualities but because you dose them, their usage rate is much lower.

With regular cosmetics, we have a little control over the amount our guest will use. He may pour the whole vial at once. With a dispenser, he may use just two dozes instead.

The second aspect is the attractive appearance and cleaning comfort of the dispenser itself.



Cosmetic companies outdo each other in the dispenser designs - they are modern and easy to replace. The dispensing cosmetics themselves are of high quality.

If you're looking for savings here, definitely analyse the usage of cosmetics alone and see what solutions can be found in your national market.

Housekeeping

Single use cosmetics

The cosmetics stock control is a must.

First, however, think if you want the single-use cosmetics:

- small sachets of gel,
- creams,
- cotton balls,
- lotions,
- soaps.

From my experience as a tourist, **hotels of a higher standard frequently use those one-time variations.** Please bear in mind that when choosing disposable cosmetics, the cheaper ones will be of lower quality and won't always offer the standard you wish to achieve.



Housekeeping

The "ECO" method

The topic of exchanging towels during the guest's stay is important - it affects the frequency of washing, the amount of linen sent for washing, etc. Thanks to the "eco" method, we can significantly reduce the laundry costs.

When using the "eco" method, we change the towels only when customer leaves them on the ground - the same can be applied for bedding. In case of the longer stays you need to adjust the frequency accordingly. Perform random checks for how many bed linen from pending stays is sent to the laundry per day and what costs it generates.



Housekeeping

Keep in mind that bedding itself gets damaged over time - sterilization and ironing worn it out quicker. Therefore, the bedding's usage rate must be monitored.

My experience shows that laundry facilities have a huge impact on the bedding's usage rate. Remember - you can always renegotiate rates and specify how many sheets can "get lost" on the way from laundry. This is especially crucial if using external laundries that handle several or several dozen hotels.

One more tip - **waste segregation affects the number of mixed waste containers and bills from the City Hall.** You definitely should segregate your rubbish!

Chemicals

Another great hint - **purchase chemicals only from companies that specialize in making them.** Buying cosmetics in supermarkets will never get you such saving ratios. For example, one two-liter bag allows the preparation of 800 reusable spray bottles.

Minibars

The last but not least - mini bars. Here you also have to control the consumption rate, as well as the contents of these minibars, what prices you have set for them and how often you have to order deliveries.

Tech department

The technical department is responsible for maintaining the property's condition and efficiency. This role can either be assumed by a tender who keeps your hotel devices in a good shape or perhaps a hotel boy or other designated person. Nevertheless, this will always incur variable costs.

These expenses are closely related to the hotel occupancy. The higher the occupancy, the higher the consumption rate of rooms or devices.

Once again, I want to emphasize that knowing your hotel expenses and having trustworthy delivery companies with negotiated rates is extremely important.

Where else should you seek for good deals?

- Batteries for remote controls,
- Light bulbs,
- Paints

You may also observe how frequently the assortment such as light bulbs is replaced. Perhaps you should decide for the more energy-efficient ones?

Let me also briefly cover the aspect of equipment servicing - air conditioning, ventilation, furnaces, etc.

Since your facilities work 24/7, you definitely need some permanent contracts with service technicians. Their rates should be negotiated or divided into instalments, depending on the frequency of equipment failures in your hotel.

Front desk

Of course, it is possible to fully automate the reception so that you can limit shifts, e.g. night shifts. However, today I'd like to focus more on automation which leads to fewer mistakes and requires less receptionists overall.

How to limit night shifts

For apartments and hotels that don't have to provide a 24-hour service as a standard, I would advise the following action for limiting night shifts.

By combining these three solutions:

- Automated downloading of reservations from online booking portals.
- Automated sending of SMS messages and emails to guests.
- Automated programming of hotel locks

we are able to send the customer a text message with key code after he pays for reservation. Additionally, he can receive an e-mail with instructions on how to get to the room.

Such level of automation can be easily achieved by KWHotel Standard and Pro versions - [here](#) you can schedule an online presentation and ask our expert more questions.

Facilities with an obligatory 24-hour reception may also deploy for nights shifts a bellboy or lower rank employees, whose hourly rates are lower.

Front desk

Choosing the right software

When optimizing front desk's expenses, pay special attention to the prices of operating and hotel management systems that you use.

What's important?

- Features and solutions they provide.
- Maintenance cost.
- Tech support's operating hours.

Let me give you an example of saving costs **IN A BAD WAY.**

Example:

Deciding for a free system or cheap solutions with no chance for expanding their feature set:

- ✘ Your front desk is forced to manually verify all reservations and monitor availabilites = **much higher overbooking risk.**
- ✘ No revenue or reservation source reports are available - **you cannot predict and forecast your sales.**
- ✘ No possibility to automate the download of reservations and generate payment links or lock codes - which **makes it necessary to maintain a 24-hour reception.**

Front desk

Optimizing commissions

One of the most significant cost reductions can be done with your website's booking engine.

Honestly, commission value should be one of your major factors when deciding for a booking engine (for example our [KWHotel Booking Engine](#) charges NO commission). It's a huge pity to sell directly through your website and share that money with anyone else.

Now, in times of the pandemic, when domestic traffic is definitely increased compared to foreign traffic, **much more bookings are coming straight from the hotel websites.**

Example:

With a **5% commission** for each booking at the average price of **100 EUR**, for **10** reservations we **return 50 EUR to the broker.**

By **reducing the commission to 3%**, we keep **20 EUR in our pocket.**

This may not sound like much but **multiply that by hundreds of reservations per year** and the savings rise significantly.

Outsourcing

Honestly, I was hesitating to put this chapter in my e-book. Indeed, **outsourcing is enormously effective in reducing hotel expenses.**

However, **it also comes with very important downsides**, which you should consider before making any moves.

Let me describe you my experiences with outsourcing and the final choice is yours to make.

What can be outsourced?

- housekeeping (very common)
- gastronomy (very common)
- laundry services
- hotel security
- IT support

Benefits

✓ **A significant cost reduction** - you cut down on staff costs, employee maintenance, taxes. You only set the hourly rate and the number of hours a week. Alternatively, the rates can depend on the number of rooms to be cleaned. (price per room)

✓ **You can hire a company that searches for employees and rents them to you.** I'm talking about HR companies or companies that deal strictly with housekeeping and have their own cleaning crew,

Outsourcing

The difference is that in the first case (HR) you are responsible for the training and onboarding of such people. It's a cheaper solution. In the second case (housekeeping company) you receive staff that was already trained in housekeeping standards and services - however, the rates are much higher.

✓ **You limit the number of suppliers and the need to manage warehouses.** Cleaning companies frequently provide their own cleaning equipment and products. This means you no longer have to negotiate rates for cleaning products and handle the deliveries.

However...

These were the most striking advantages I could think of. Even though it sounds tempting, I don't think it's the best way for cutting a budget in the hotel industry.

You see, a serious problem arises once you transfer certain services to partners or contractors.

Your main duty switches to quality management now. As you know, QUALITY is key. This is what guests pay for. And this is what we should pay SPECIAL ATTENTION TO, when selecting an outsourcing company.

So, speaking of the downsides...

Outsourcing

Disadvantages

✘ **Service quality drops significantly, and it can be seen everywhere** - in laundries, housekeeping or gastronomy.

When using external companies, we have to remember their service price always includes some extra margin (overhead). This is their way to make that business profitable. Secondly, they cut down on quantity and quality.

✘ **Problems with staff competence and constant rotation** - since you are not the direct employer of the housekeeping crew, you are often not responsible for their training and schedule!

Trust me - **there is nothing more desirable in the hotel industry than a fixed cleaning team with no rotation.** They're trustworthy and get their job done fast & clean. I hired many Polish companies (both small and large) and I was always disappointed with their quality. Not to mention the time I wasted on taking care of the constantly rotating staff.

Outsourcing

The Ultimate Tip

To sum it up, in saving and cutting expenses, we must remember to KEEP QUALITY.

I'd rather focus on managing my services better, as explained in the previous chapters. The last but not least, grab my ultimate tip.

Keep an eye on the room cleaning time! Sometimes even 10-minute delays can generate you much higher monthly costs.

Example:

- 3-star hotel.
- 5 rooms a day to be cleaned per housekeeping member.
- The vacant room is cleaned for 20 minutes.
- An occupied room is cleaned for 15 minutes.

If the vacant rooms' cleaning time increases to 30 minutes (you may think it's JUST 10 minutes)...

5 rooms × 20 working days × 10 minutes / 60 minutes = 17 more hours per month.

Now multiply this value by the housekeeper's hourly rate, and you see how much you lost!

I also recommend performing such calculations when planning the working time and the number of staff in the hotel. For example, **you can have two full-time cleaners and two external (on demand) ones, and call for them depending on the occupancy.**

More cost reductions?

I'm so glad to see you here - in the final chapter of my e-book. Our journey doesn't have to end here, though.

There is still so much to discuss!

I'd love to invite you to a FREE AUDIT of your hotel operations, performed by my good colleague Ewelina Domanus.

What do you gain by participation?

- ✓ **Your hotel marketing activities are analysed by our expert.** Based on the results, we propose how to redirect national tourism to you.
- ✓ **Your hotel workflow is thoroughly verified.** We try to optimize it and reduce the number of routine activities.
- ✓ **Receive even more suggestions for reducing hotel expenses,** based on our conversations with excellent managers of renowned hotels.
- ✓ **Grab Julia's amazing e-book worth 37 EUR,** packed with 51 helpful tips for reducing your expenses in hotel gastronomy.

[Schedule free audit](#)



This e-book was created by the member of KWHotel Team
- developer of the globally renowned hotel management system



Hospitality made simple



[VISIT OUR WEBSITE](#)



[LIKE OUR FANPAGE](#)



[WATCH OUR VIDEOS](#)

+48 12 333 78 77

support@kwhotel.com