

MARGIN UNDER PRESSURE:

10 Smart Moves to Strengthen
Hotel Performance in Today's
Operating Environment



What You'll **Learn**

- Where hotel margins are being won and lost today
- The most overlooked drivers of profitability across operations
- Practical areas to evaluate within your own asset



Introduction

Margins across the hospitality industry are under pressure.

Operating costs continue to rise, labor remains inconsistent, and demand, while strong in many markets, is less predictable than it has been in previous cycles. In this environment, strong performance is no longer just about driving top-line revenue. It's about protecting and expanding margin with discipline.

The difference between assets that are outperforming and those that are falling behind often comes down to execution in a handful of key areas.

This guide outlines ten practical moves owners, developers, and operators should be evaluating right now. These are not theoretical ideas; they are areas where we are actively focused across our portfolio and where we consistently see the greatest impact on performance.



Where to **Focus Now**

Small adjustments in the right areas can have a meaningful impact on overall asset performance. The following checklist highlights where to look first.

1. Revalidate Your Revenue Strategy Daily, **Not Weekly**

Many hotels and resorts are still reacting to market conditions instead of staying ahead of them.

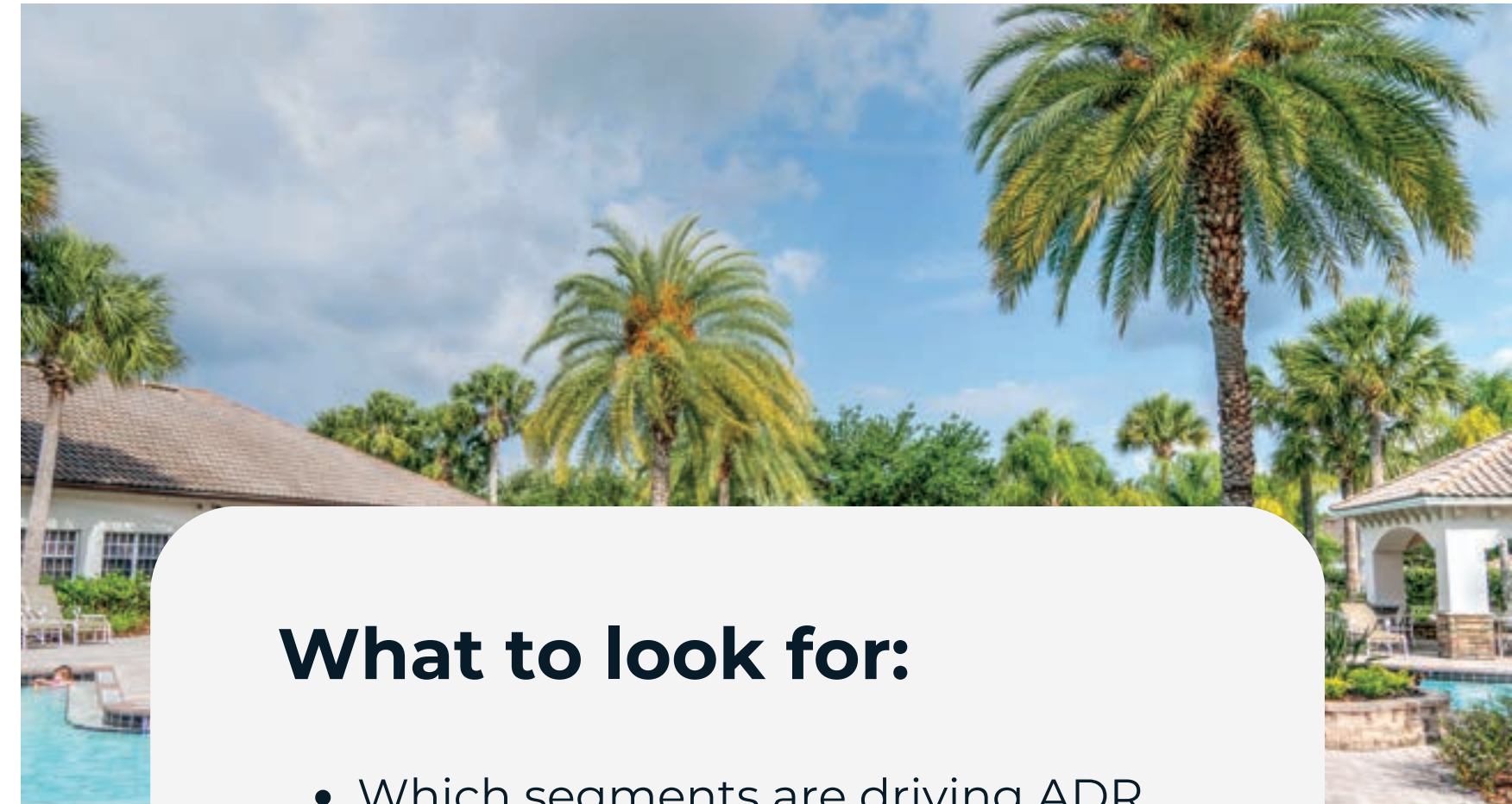
Pricing decisions that lag even by a day can result in missed revenue opportunities or unnecessary discounting. In today's environment, revenue strategy should be dynamic and continuously informed by pace, demand shifts, and competitive positioning.

What to look for:

- Are pricing decisions being adjusted in real time based on pace?
- Is your strategy forward-looking or reactive?
- Are you optimizing for profitability, not just occupancy?



2. Understanding the Quality of Your **ADR**



Not all ADR contributes equally to profitability.

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- Segment mix, distribution channel, and booking behavior all influence how much revenue actually flows through to the bottom line.
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What to look for:

- Which segments are driving ADR growth?
- What is the cost of acquisition by channel?
- Are you prioritizing the most profitable mix of business?

3. Be More Selective with **Group Business**

Group can be a valuable base, but it can also quietly displace higher-rated demand.

What to look for:

- Are you evaluating group against transient demand forecasts?
- Are peak dates being protected?
- Is group strategy aligned with total revenue optimization?



4. Treat F&B as a Revenue Driver, **Not Just an Amenity**

Food and beverage is often under-optimized relative to its potential.

What to look for:

- Are menus engineered for margin?
- Is labor aligned with demand?
- Is the outlet positioned as a destination?



5. Align Labor Strategy with **Demand Patterns**

Labor remains one of the most significant pressures on margin.

What to look for:

- Are staffing models flexible?
- How much contract labor do you have/need, and what does it cost?
- Where are inefficiencies?
- Are service levels maintained?



6. Reevaluate Every Expense Line with **Intent**

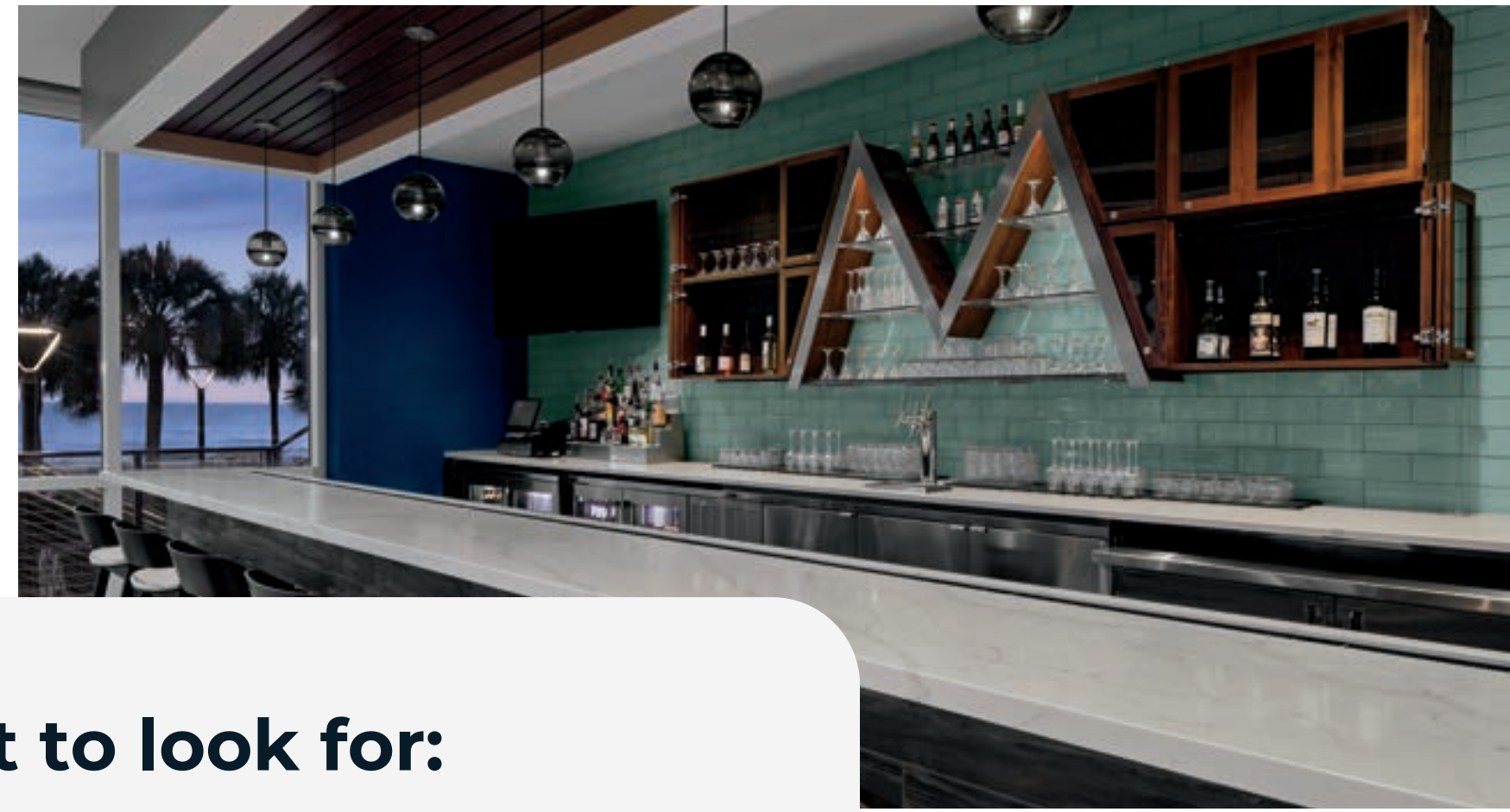
Budgets built even a year ago may no longer reflect today's realities.

What to look for:

- Which costs are fixed vs. variable?
- Where can contracts be renegotiated?
- What would you eliminate today?



7. Focus on Flow-Through, Not Just **Revenue Growth**



Top-line growth alone does not guarantee improved performance.



What to look for:

- How much revenue reaches GOP?
- Where is margin being lost?
- Are cost structures aligned?



8. Reposition the Asset **Where Needed**

In many cases, performance challenges are strategic.

What to look for:

- Is your target customer clearly defined?
- Does the product align?
- Are you marketing to the right audience?



9. Maximize Ancillary **Revenue Opportunities**

Many assets leave meaningful revenue on the table.

What to look for:

- Are all revenue opportunities captured?
- Are offerings aligned with guest expectations?
- Are these streams optimized?



10. Make Reporting **Actionable**



What to look for:

- Does reporting highlight key variances?
- Are insights tied to action?
- Is there alignment on priorities?



Reporting should drive decisions.

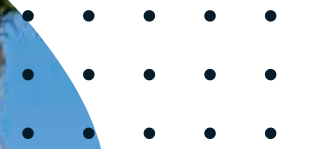


Turning Insights into Performance

Strong performance in today's environment is not driven by one major change; it's the result of consistent execution across multiple areas.

The assets that are outperforming are those where ownership and operators are aligned, focused on the right metrics, and willing to adjust quickly as conditions change.

This checklist is intended to provide a practical starting point, whether you are evaluating current performance, assessing an operator, or looking to improve results within your portfolio.





A Simple Question to Ask

If you walked your asset today, where would you see the greatest opportunity to improve margin—and is there a clear plan to address it?



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