

Hotel's location and It's Role for Running a Business

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Introduction. A particular hotel or motel can be classified by a number of characteristics, including whether it provides full or limited service, whether or not it is located in a metropolitan area, the state or region in which it is located, its price or rate level, the number of rooms, and whether it is independent or part of a chain operation.

Location has traditionally been the most important critical success factor. In the right location, where competitors are not fulfilling all customer needs, a hotel can thrive. However, in a neighborhood that has heavy competition from existing hotels, success may not be so forthcoming.

The location for your hotel is highly linked with the opportunity that you feel there is for your hotel. In the right location, where competitors are not fulfilling all customer needs, a hotel can thrive. However, in a beautiful neighborhood that happens to have heavy competition from existing hotels, success may not be so forthcoming. Likewise, if the neighborhood leaves too much to be desired, you may not be able to price the rooms low enough to encourage travelers to stay at your hotel, even if you are within walking distance of key attractions.

Like any other business, to build a hotel that is successful requires many variables. Firstly it is a real estate business just like any other income generating real estate business. The fundamentals of construction and investing in real estate are also driving the hotel industry from an investment standpoint. Things like cost of construction materials, land costs, permitting, project management, financing are all crucial to the success of the hotel as they affect the investment returns and much of the operations (design of the layout for example).

Secondly, it is an operating business that never sleeps where the inventory expires every 24 hours. From that standpoint it is a very operationally intense business compared to other real estate categories (apartments, office buildings, public storage). The sales and marketing, operational efficiencies, brand, etc can all affect the on going success of the hotel as well.

Conclusion. Location is important but only a piece of the puzzle. If one is comfortable with all of the other variables, here are some data points you should consider when picking a location: major transportation infrastructure, distance to amenities, demand generators (why will people visit / where will they come from),

distance to demand generators, competitors and their location, business in the area (how large are they / do they attract customers or employees for training).