

Independents Challenging the Status Quo

With the global economy continuing to deliver uncertainty, a slowdown in domestic travel within Australia and increased aggressive marketing and pricing activity embarked on by major hotel chains many independent apartments and hotels have experienced a drop in demand.

To respond to the changed conditions most operators have lowered rates and tried to reduce expenses. Although this is a necessary short-term strategy, on its own, it is not enough to generate ongoing profit and compete with large chains and brands that have the greater financial resources and staying power.

To compete, independent apartments and hotels with limited resources must play to their strengths as an independent that the large chains do not

have such as greater flexibility, faster turn-around time and more direct contact with guests.

The success of an independent property depends on their ability to be distinctive in their market. While the brands tout predictability, the independents pledge to be different. Brands reflect the consumer at large while independents are more personalised with regard to their customers.

Products aside, there are other changing factors that enhance the independent's ability to compete. In effect independents are now provided the option of maintaining their differentiation while affiliating through marketing alliances in pursuit of business development, increased revenues and cost reductions in promotions and marketing.

It is important for independ-

ent properties to preserve their own style and standards when looking to gain advantages through strategic alignment to access greater economies of scale, increased marketing and sales focus and access to professional expertise and support.

The real potential for the independents through a marketing alliance is accessing a soft brand, allowing properties to have a defined product position that will allow them to access similar service and support to that provided as a franchisor or a big chain.


Further benefits for the independent operators to be apart of a marketing alliance include:

- Increased and enhanced credibility
- Access to dedicated skills, knowledge and experience
- Access to greater resources

- Enhanced and more focused marketing and sales efforts
- Leverage off a centralised unified soft brand
- Increased market penetration
- Increased cross-marketing possibilities
- Access to new markets and distribution channels
- Access to increased customer database
- Cost savings in promotions and marketing
- Preserving and growing business through existing and new revenue channels
- Leverage off existing partnerships with the distribution, tourism bodies and media

With the increased consolidation of the accommodation industry, the pressures to compete with large hotel chains that benefit from considerable

economies of scale and that enjoy scope and ease of access to domestic and international markets, independent apartments and hotels need to consider options available to them in regards to marketing alliances. These marketing alliances have the ability to deliver access to a broader distribution channels, reducing costs and successfully challenging and competing against the major hotel chains

Moreover, the benefits instigated from well-initiated and well-managed marketing alliance can serve as an antidote to many of the industry's difficulties. Therefore, if appropriately employed, collaboration, in all its forms, represents an effective and valuable strategic marketing tool for independent apartments and hotels in pursuit of business development and competitive advantage in the domestic and global marketplace. 



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Hello! Is there Anybody Listening?

It never ceases to amaze me, the new industry so-called do-gooders who, for various reasons, try to re-invent the management rights industry. As Col Myers points out in the May edition of Resort News, Queensland has a 25-year start on the other states and has industry legislation that covers management rights in its entirety, the Strata Scheme Management Act 1996.

Various emails, SMS messages and letters cross my desk on a weekly basis, the majority with hare-brained ideas on how to fix the industry.

All this correspondence of one sort or another is from newcomers to the industry or part time brokers, some even still working their own building and trying to gain credibility in an industry that requires 24/7 full

time dedication to all the vendors. New valuers continually ring and obviously, the rest of the commercial market has dried up, these newcomers fail to understand if it's not broken then it doesn't require fixing.

NSW management rights certainly has its minor problems since the change of legislation in 2003 regarding the length of a management agreement.

However we have personally sold and settled five management rights in NSW this year, all with varying lengths of agreements.

The 10 year agreements are certainly more difficult to finance, the commercial decision to purchase requires sound financial advice.

Not all buildings are suitable for the caretaker model and there are many that have caretaker agreements where the

owners would like to remove the manager but these are few and far between.

There is no argument that a national strata scheme should be implemented to cover management rights and the term of these agreements should be one state covers all and some will argue that the ability to top up agreements should be an automatic clause subject to no breach in duties.

If the decision is to purchase management rights in Queensland or NSW or other states or territories, we work with what legislation we have and get on with life.

The merchants of doom, who I believe are politically incorrect to the disadvantage of the majority of the industry, should leave the industry before all are tainted with the same insecurity they have.

A recent email that was circulated by an industry stakeholder that could and may be read as defamatory, mentioned the history of a particular building in NSW, the information stated is misleading and is in fact incorrect.

The opening header, 'Hello! Is there anybody listening?' is aimed fairly at the industry dissidents who should keep their personal gripes to themselves and stop muddying the waters.


With in excess of 300+ successful settled sales by the team I work with totaling many hundreds of million dollars over many years, we struggle to come up with a handful of industry disappointments.

The management rights industry is a commercial reality that works in one way or another in all states and will continue to improve on a year-by-year basis

without the industry doubters.

If you are a current vendor or intending purchaser talk to your industry achiever, professional broker, lawyer, accountant, banker and valuer. Check out the credentials of your industry contact, assure yourself that they are not industry part timers, ask for a list of testimonials or referrals to back up their performance required.

And, yes, we are all listening to your concerns and handle them on a one-on-one basis in the strictest of confidence.

I suggest we get on with the designated task assigned to each industry professional who will then diligently complete within their duty of care on a full time basis. The remainder of the part timers and doubters should exit the industry. 



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