

INVESTING IN BLACK AMERICA..... (Continued from Page 16)



"Learning How to Earn" in Detroit.

Concern #4: "Yes, I can see where the combined hotel expenditures of the tens of thousands of folks in my organization, alone, amount to a lot. Moreover, when we have the organized power of the well-over 90 organizations affiliated with AOIP, that is a mighty big sum of money to spend—or not spend—at hotels or any place else. But would you let me and my membership know about those 'certain circumstances' when this could be 'translated to ownership'?"

Response #4: Certainly! I'll gladly explain. All businesses have periods of "ups" and "downs" in terms of revenues. The big-city hotel business—in the main—depends on weekday revenues from people travelling on business. And, for many of them, weekend business is so low that keeping the doors open on the two weekend days at a loss wipes out—or eats up—all the profit made the rest of the week from those business travelers.

Further, a small "total week's loss now and then is one thing, but when those small "total week's losses are consistent, because of that consistent weekend gap—or niche—the hotel no longer is profitable. Under those circumstances, the owners have no choice other than to sell or lose everything."

Concern #5: "But if a hotel is doing its best and is losing money, who could afford to buy it?"

Response #5: Anyone who could do two things, as follows:

a. keep the weekday business sustained at the same level "as is," and

b. fill that weekend "niche" with business.

Concern #6: "Does this mean that—if we could join forces with someone who could keep that 'weekday'

business 'as is' while we collectively concentrated all our local/regional weekend business on that one hotel instead of spreading it out over many where we get little or nothing—we could fill that 'niche' and make a deal for some kind of ownership?"

Response #6: Absolutely! But it wouldn't have to be "some kind of ownership." It could be absolute ownership, with the mortgage and everything being ours.

Concern #7: "That sounds good. But, isn't that a big risk since many of us know nothing about running any hotel?"

Response #7: Certainly it is a risk because everything you—or we—do entails some risk. Yet, owning a hotel doesn't mean you have to manage it and most likely we wouldn't think of it.

Most major hotels are run by big hotel management concerns with the owners concerning themselves primarily with policy matters. The only route we will be able to take that would "guarantee" us success would be that of initially having things managed "as is" with us assuming responsibility for "over filling" that hotel every weekend of the year. Then, with profits guaranteed, we can think about other things.

Concern #8: "That surely is clear and it sounds simple. But, how does our concentrating on—and filling up—any single hotel in a given city get us the money to buy that hotel?"

Response #8: Just doing that, alone, wouldn't buy the hotel. However, when—in an organized way—each of our organizations got signed "conditional" pledges to take enough weekends and other rooms throughout the year to

guarantee the profitability of the hotel then these signed pledges could be used as collateral instead of cash. And, under those circumstances, we could buy a major downtown hotel in almost every major city.

Concern #9: "This is getting more and more interesting. Yet, I noticed you used the term signed 'conditional' pledges. What did you mean by 'conditional'?"

Response #9: None of us should be asked—or expected—to give any pledge that involves many circumstances unless and until every single "circumstance" were understood and met fully. Thus, in fairness to all, the only thing we ever would ask would be for a signed pledge to become valid and actionable only on the condition that all agreed-upon and hoped-for circumstances were met fully by everyone. In that way, no one puts themselves at any "risk."

Concern #10: "Fine! But some hotels cost a lot of money. At our last meeting in Detroit, I heard figures quoted from \$30 million for some

hotels to almost a \$100 million for others. Wouldn't we be better off looking for a lower price hotel?"

Response #10: Absolutely not! Under the circumstances cited above, our only concern would be the size of the "niche" or "weekend void" that we had to fill. If the hotel cost were low and had a big void—or niche—to fill, it would be a much worse investment than that of a luxury hotel with only a modest "niche" that we easily could fill.

Concern #11: "At that last meeting, we heard some talk about renovating some older hotels and getting them going as a 'new' hotel. Wouldn't that be far more difficult than simply filling a 'niche' in an existing hotel situation?"

Response #11: That might well be so, or not so. Just as we had to be open-minded on this "niche" situation just described, we have to be open-minded about all possibilities offered by the experts on whom we are relying for advice. A presentation on this renovation and other alternatives

(Continued on Page 18)

THE H.J. HEINZ COMPANY
PROUDLY SALUTES

THE CONGRESSIONAL
BLACK CAUCUS

THE NATIONAL BLACK
LEADERSHIP ROUNDTABLE

AND THE

NATIONAL BLACK MONITOR'S
ASSAULT ON ILLITERACY
PROGRAM



© 1987 H. J. Heinz Co.