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Hotels and Resorts

Coastal Hotel Group: Taking Ownership

Written by Eric Slack
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Sometimes, the only way to overhaul a troubled business is to tear it down and build it back up. For Yogi Hutson, president and CEO of Coastal Hotel Group, the best way to reinvigorate the company he was charged with rebuilding turned out to be buying it.



Yogi Hutson, President and CEO

Coastal Hotels has been in business for more than 20 years. Hutson, who has been in the industry since 1973, took over in 2004 when the company was in a major transition period. Hutson realized after two years that starting from scratch was the company's best option. He brought in a solid senior leadership team and assembled a group of investors to buy the company. Since that time, Coastal Hotels turned over the properties it runs, and all hotels it now manages were brought in by the new regime.

Although the company is based in Seattle, Wash., it runs hotels in Carmel, Calif., Kansas City, Kan., Tucson, Ariz., and Portland and Mt. Hood, Ore. Properties are also under development in Washington and Texas.

At a corporate level, Coastal Hotels differentiates its properties by supporting the leaders with their boots on the ground. Hutson and his team provide the training, information flow, and communication tools that allow each hotel's leadership to take care of guests and associates. The company is very careful about selecting the right GM to run each hotel. Also, hotel owners and leaders can easily reach corporate leaders to discuss plans and iron out problems quickly if they ever need guidance with marketing, training, operational systems, or financial questions.

Corporate places a great deal of emphasis on revenue management and e-commerce, trying to understand market conditions, take advantage of third party generators and develop relationships with them, and give them inventory at the right time and price point to drive hotel occupancy. In fact, it upgraded the property management systems at almost all its properties, using Epitome as its PMS of choice. Also, Coastal Hotel runs inhouse training programs to bring people up to speed on those areas and used Jim Miller & Associates as an outside training source to provide additional training for its sales team.

As for hourly staff's training in its hotels, as a small company, Coastal relies on the Educational Institute of the American Hotel & Motel Association (AHMA), which has provided the industry with training and educational materials for more than 50 years. The company also has its own internal service program called Charm (Coastal Hotels Acquisition & Retention Marketing).

"It is focused on acquiring and retaining customers through exceptional service and making sure our associates know they are there to ensure we exceed guest expectations," Hutson said. "Meeting expectations makes us just a commodity, but exceeding them makes us special."

The freedom to act

Assembling the investors to buy the company paid off in many ways. It allowed leadership flexibility to make decisions it didn't have previously. For instance, some of the company's newer management arrangements included taking sliver equity positions in properties. While pure management contracts are part of the company's portfolio and considered a good methodology for growth, there are certain situations where owners want



Once new leaders decided to put together investor to buy this hotel management company, growth and success followed.

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their management company to have equity in the property. With an ownership stake, Coastal Hotels is a partner at the table and has a say in the look of the final product.

That's important because investments in properties have been a key focus recently. Three of the company's hotels are now doing extensive renovation and construction projects, while Hotel Fifty in Oregon is wrapping up a nine-month, \$7 million renovation that included adding 42-inch Panasonic plasma TVs to the rooms. The company is also trying to provide the comfort of a great sleep experience and is putting Simmons Beautyrest Black Beverly Hills Plush memory foam beds in all its rooms. Coastal Hotels is also renovating bathrooms, as the company tore the bathtubs out of 80% of the rooms in three of its properties, except the double-double family rooms, replacing them with walk-in showers.

"We've known for some time that the consumer is leading us in that direction," said Hutsen. "Showers are what most people want, unless the room has the space to provide the luxury of both a bath and a separate shower."

Coastal Hotels is also in the midst of energy efficiency renovations. Interior lighting is being converted to use energy efficient fluorescent bulbs, while LED rope lights, which have a softer, broader hue and are more efficient, have replaced exterior flood spots. The company is also installing digital thermostats wherever possible.

As the company continues to grow, the preferred model will be through acquisition. Hutsen sees opportunity in a down market, and while recent actions in the debt market caused a momentary pause, Hutsen is confident that the steps taken in Washington, DC and on Wall Street will allow the company to get some deals done.

Expansion plans will likely be focused on Washington, Texas, and Southern California as the company works to sort out the debt market and buy properties. The key for each hotel's success in these times is efficient management without hurting guest services. That is the company's challenge over the next few years, dealing with rising costs and difficulties driving revenue as high as those increases by improving efficiency and keeping a service focus. Fortunately, many Coastal Hotels properties operate in an area that has been at least somewhat insulated from the economic struggles.

"Our properties are largely in drive-to markets that are still seeing good demand," Hutsen said. "We're only seeing about 4% occupancy drops and rates are holding steady. The economy in the Northwest is still fairly robust."

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