



EXECUTIVE INSIGHTS

The Hotel Owner-Operator Advantage

Why the Most Successful Hotels Are Built Through Collaboration, Not Control

Hotel owners and operators have always shared the same goal: building distinctive assets that deliver strong financial returns. Historically, owners delegated hotel operations, and much of the commercial strategy, to management companies and brand partners. That approach continues to make sense, particularly in luxury hospitality where brand standards, service delivery and operating expertise are central to the guest experience.

Today, however, the economics of hotel ownership are evolving. Owners, lenders, investors and brands are placing greater emphasis on revenue growth, profitability and long-term asset value. At the same time, operating costs remain elevated and growth opportunities are becoming harder to find. As a result, many owners are taking a more active role in asset performance.

The most successful owners are not becoming operators. Instead, they are becoming more sophisticated partners. They are focusing on where they can influence outcomes, bringing stronger benchmarks and sharper questions to discussions with operators, and identifying opportunities to unlock value that already exists within the asset.

Focus on influence rather than control

One misconception in hospitality is that stronger asset performance requires greater owner control. In practice, the opposite is often true. The strongest owner-operator relationships are built on a clear understanding of roles and responsibilities.

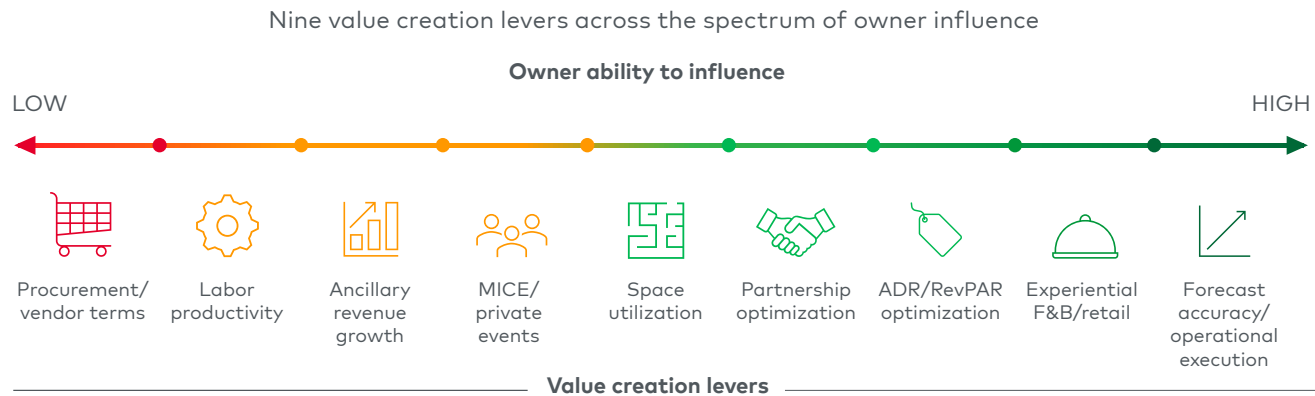
Operators remain best positioned to manage day-to-day hotel performance, guest experience, staffing and execution. Owners, by contrast, typically create the greatest value

through capital allocation, strategic decision-making, benchmarking and long-term asset planning.

This distinction matters because many of the most important value creation opportunities sit at the intersection of ownership and operations. Pricing strategy, channel management, food and beverage concepts, event programming, technology investments, and space utilization all benefit from close collaboration between owners and operators.

Rather than focusing on operational control, the most effective owners concentrate their attention on the areas where they can meaningfully influence outcomes and support operators in driving performance (see Figure 1).

Figure 1



Note: MICE=meetings, incentives, conferences and exhibitions; ADR=average daily rate; RevPAR=revenue per available room; F&B=food and beverage
Source: L.E.K. research and analysis

Revenue growth extends beyond the guest room

Rooms remain the foundation of hotel economics. Average daily rate, occupancy and revenue per available room continue to be critical measures of performance. However, the strongest-performing hotels increasingly generate value from far more than overnight stays.

Luxury hotels in particular are evolving into multidimensional destinations that serve local residents, event attendees, restaurant patrons, wellness users and travelers simultaneously. As a result, owners and operators must evaluate performance across the entire asset rather than viewing the hotel primarily as a rooms business.

Several areas deserve particular attention.

Food, beverage and experiential concepts. Destination restaurants, bars, rooftops, wellness offerings and experiential retail can strengthen a property's positioning while creating additional revenue streams. Success depends on selecting concepts that are differentiated, commercially viable and aligned with the property's brand and target customer. In some cases, partnering with third-party restaurant operators can help bring recognizable names to the property, attract local demand and create a more attractive economic model for owners. The objective is to develop experiences that enhance the guest proposition while contributing meaningfully to profitability, instead of adding amenities just for the sake of adding amenities.

Meetings, conferences and private events. Group and event business remains an important demand generator, particularly during periods of lower transient demand. However, event revenue does not always translate into event profit. Owners should work with operators to understand the full economics of group and event business, including labor requirements, banquet margins, displacement effects and overall cost to serve. The question is not whether events generate revenue, but whether they create incremental value for the property.

Ancillary revenue streams. Spa services, wellness programs, branded residences, activities, premium experiences and other offerings can increase guest spend while strengthening the overall customer experience. As hotels seek new avenues for growth, these offerings are becoming an increasingly important component of the overall guest and asset value proposition. The strongest ancillary offerings do not feel bolted on to the property. They reinforce the hotel's positioning, create reasons for guests and local customers to engage with the asset, and support long-term brand relevance.

Pricing and channel strategy. Luxury travel programs, credit card partnerships, travel advisors and corporate relationships can unlock high-value demand. The objective is not simply to expand distribution but to identify the channels that attract profitable, brand-aligned guests without undermining rate integrity.

Every square foot should have a purpose

One of the most overlooked opportunities in hospitality is the productive use of physical space.

Hotels often contain areas that were designed for a specific purpose years ago but no longer reflect how guests use the property today. In some cases, these spaces remain operationally necessary but underutilized. In others, they generate little revenue despite occupying valuable real estate.

Owners and operators should periodically evaluate the asset through a simple lens: Which spaces generate attractive returns, which support the guest experience and which create limited value relative to their footprint? Many sophisticated owners take this a step further by creating a “heat map” of the property to identify which areas are heavily utilized versus underused, and where opportunities may exist to generate additional revenue or improve the guest experience.

This exercise often identifies opportunities that traditional operating reviews overlook. Depending on the property, owners may find opportunities to activate rooftops, expand wellness offerings, introduce grab-and-go retail, host pop-up experiences, increase private event usage, develop coworking concepts, or reconfigure existing food and beverage space. In many cases, meaningful value creation comes not from expanding the asset but from using existing space more effectively.

As guest preferences continue to evolve, the ability to rethink how physical space is deployed may become an increasingly important source of competitive advantage.

Profitability requires discipline, not cost cutting

Cost management remains a critical component of hotel performance, but hospitality differs from many other industries. Efforts to reduce costs, if approached too aggressively, can quickly erode guest experience. The most effective owners therefore focus less on cost cutting and more on operating discipline, in several ways.

Forecasting. Forecast accuracy connects revenue and cost performance. A high-quality rooms forecast influences housekeeping schedules, front desk staffing, restaurant covers, procurement planning, inventory management, pricing decisions and labor deployment. When forecasting is inaccurate, inefficiencies cascade throughout the organization. Owners should therefore understand not only forecast outputs but also forecast accuracy, sources of variance and corrective actions being taken.

Labor productivity. While owners may have limited authority over day-to-day staffing decisions, they can evaluate performance using objective metrics such as hours per occupied room, departmental labor costs as a percentage of revenue and management overhead by function. These measures shift discussions away from headcount and toward outcomes.

Procurement and inventory management. The objective is not to reduce quality or cut corners but to ensure that the property is purchasing the right inputs, on appropriate commercial terms and at inventory levels that reflect operating realities.

Technology and operating tools. Most hotels already possess systems for revenue management, forecasting, labor planning and pricing. The opportunity often lies not in purchasing additional technology, but in ensuring that existing systems are configured correctly, fully adopted by operating teams and integrated effectively across the organization. Periodic reviews can frequently identify opportunities to improve performance without disrupting the operator's role.

Questions the best owners ask

The most productive owners are rarely those who attempt to manage operations from afar. Instead, they bring a disciplined asset management mindset and consistently focus discussions on a handful of high-impact questions:

- ✓ Where are we underperforming relative to the right competitive set?
- ✓ Which spaces are underutilized or generating below-market returns?
- ✓ Are events profitable after accounting for displacement and service costs?
- ✓ Is forecasting accurate enough to guide labor and inventory decisions?
- ✓ Are our systems being used to their full potential?
- ✓ Where can targeted investment create disproportionate returns?

While the answers vary by asset, the underlying principle remains consistent. Better questions often lead to better decisions, stronger alignment between owners and operators, and improved performance over time.

The owner-operator competitive advantage

In an environment where revenue growth is harder to find and operating costs remain elevated, competitive advantage increasingly comes from how effectively owners and operators work together. Some of the greatest opportunities do not come from major capital projects or a dramatic repositioning. Instead, they emerge through a series of better decisions regarding commercial strategy, space utilization, forecasting and resource allocation.

The most successful owners recognize that value creation does not require greater operational control. Instead, it requires a clear understanding of where ownership can influence outcomes and where operators are best positioned to lead. By combining operational expertise with disciplined asset management, owners and operators can unlock value that might otherwise remain hidden within the property.

As the hospitality industry continues to evolve, the strongest-performing assets are likely to be those where owners and operators function not simply as contractual partners but as strategic collaborators focused on maximizing long-term asset value.

L.E.K. Consulting supports hospitality stakeholders with benchmarking, strategy development, performance improvement and M&A support. For organizations seeking to understand where hotel value is being created — and where it is being left on the table — now is the time to take a fresh look.

Note: This Executive Insights was written in collaboration with operator perspectives from Jeff Senior.

Contact us for more information.

About the Authors

**Claire Morgan**

Claire Morgan is a Managing Director and Partner in L.E.K. Consulting's Boston office, and a member of the Retail and Consumer Practice. With particular experience in food, beverage, travel and leisure, she has experience managing and directing client engagements spanning corporate and business unit strategy, channel management, consumer segmentation and merger and acquisition transaction support.

**Neil Mittal**

Neil Mittal is a Managing Director and Partner at L.E.K. Consulting in Boston, where he leads the firm's Travel and Transport practice in the Americas. With 11+ years of experience, he advises senior executives and investors across aviation, hospitality, travel, and outdoor recreation. His expertise includes M&A, due diligence, demand forecasting, loyalty and customer experience strategy, and long-range strategic planning. Neil is known for his analytical rigor and deep industry insight, helping clients navigate complex markets and drive sustainable growth.

**Ben Epstein**

Ben Epstein is a Senior Manager in L.E.K. Consulting's Atlanta office and a senior team leader in the firm's Travel & Transportation practice. Ben has extensive experience in hospitality, aviation, cruise and travel tech. He advises travel providers on range of strategic issues, including growth strategy, pricing, M&A, organizational strategy, loyalty and consumer segmentation.

**Jeff Senior**

Jeff Senior is a seasoned commercial and marketing executive with deep global experience across luxury hospitality and travel. Jeff has a strong track record of driving top-line growth and delivering commercial strategy for leading hotel, resort and destination brands. Jeff most recently served as Chief Commercial Officer for Peregrine Resorts, following executive leadership roles at Fairmont Raffles Hotels International and senior commercial roles with Marriott International, Kimpton and IHG.

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