

A Case study: Hotel management

Learning objectives: The suggested case study aims at developing and improving the learners' knowledge of the professional context they deal or will have to deal with in the future. It also allows them to become familiar with the financial implications and strategies, which make a hotel business successful. Furthermore, the highly specialised language employed in the text encourages the learners to enrich their vocabulary and select the most suitable options depending on the context.

Introduction: *200 Bedroom Airport Hotel* is a real case study selected by teachers working at the Unity in Diversity Erasmus + project. It is directly taken from the **Focus** (a British company providing consultancy for hotel businesses) website and acts as an internet-based reference. Its aim is to develop language skills for advanced learners of English who plan to start a career in the hospitality industry at management levels. The reference text provided specifically addresses financial issues, which may be encountered quite often in one's career path. This case study enables learners to practice their writing, speaking and business skills as well as enhancing their financial knowledge. It may be used for many different purposes: exam paper, exam preparation, and peer-to-peer learning, seminars and group work. The case study can take between 4 to 7 classroom hours to complete. Some of the activities can be completed by students autonomously either at home or in the computer laboratory at school/university.

Explanation of tasks: The tasks are specifically designed to encourage the students' sense and awareness and test their problem solving skills. The warm up activities proposed aim at testing the learners' linguistic and skills before the more insightful approach to the proper case study analysis. The open questions to which the student is expected to answer after thoroughly reading the text have been devised to test his/her head for business and the ability to use the information provided as useful tools to develop his/her personal ideas and strategies and put their business theoretical knowledge into practice.

Background information: A Ramada Jarvis airport hotel experienced a significant downswing in sales and reservations. Therefore, it was urged to turn to Focus, a hotel management consultancy company that took over management and identified strategies to increase revenue and attract customers.

Text

200 Bedroom Airport Hotel

The issue and solution

The CVA of Ramada Jarvis provided for the owner to either take the hotel back or accept a much reduced rent. The rent reduction was not an option acceptable to the owner as it would not have been sufficient to cover the owner's financial commitments.

The hotel had opened in late 2008 but despite a good position and a strong local market did not trade well and was performing significantly behind its competitor set.

Focus and their advisors identified a solution used previously where *Focus* would buy the existing lease with a new agreement on rent and with terms similar to a management contract.

Focus acquired the hotel from the administrators and took over the management in October 2011.

Owner's Objectives

To get the hotel trading sufficiently profitable to as a minimum cover rent payments as set in the original lease.

Operational Overview

In the 4 weeks after takeover focus carried out a full review of the business, to understand why the performance was so poor versus the local competitor set and the wider airport hotel portfolio.

This review looked at all aspects of the business with an emphasis on the management team, revenue management and general operating efficiencies.

The review established that the issue was not with the existing management team but how the group central management worked. There were two key issues:-

1. The group decision to price the hotel outside of its proper competitor set given its brand.
2. The group central yield and reservations management structure making revenue decisions without the full involvement of local management.

Focus immediately installed a new revenue management and reservations team based at the hotel supported by Focus's central revenue teams and provided them with all the necessary yield tools to enable them to compete fully in the local market. Focus in addition to the yield tools provided developed a revenue and yield culture in the operational team enabling the hotel to compete effectively with its competitive set.

The hotel quickly established itself as a key competitor taking its fair share of the market which resulted in a significant increase in occupancy without diluting the net average room rate.

Branding Review

Both the owner and Focus believed that the hotel would benefit from new branding more in line with the standard of the property. Both parties believed from their knowledge of the market that the Hilton Doubletree brand would suit the hotel best and a decision was made to go with this brand.

Focus negotiated the brand with Hilton including all PIP requirements and the brand went live in July 2012.

Achievements

For the financial year 2012, and in a stable local market, Focus improved the performance of the hotel against the previous financial year, (prior to Focus management take-over) as follows:

- Gross Revenue increased by 21.6%
- Occupancy increased from 55.6% to 74.15%
- Revpar increased by 28.9%
- EBITDA increased by 28 %

In 2013, the hotel continued to grow market share and performed in line with its new 4* competitive set, and the owner's objectives on profitability:

- Gross Revenue increased by 20.6%
- Occupancy increased from 74.15% to 82.03%
- Revpar increased by 9.6%
- EBITDA increased by 40%

In 2014, the hotel continues to trade well and is on target to achieve its enhanced budget. The STR RGI (revenue generation index) of the hotel continues to perform at 100% + of its competitive set.

Retrieved from <http://www.focushotelsmanagement.co.uk/200-bedroom-airport-hotel.html> (accessed 24/11/2016)

Warm up exercises

1) What does the acronym CVA stand for?

- a) credit value added
- b) cash value added
- c)certified valuation analyst

Solution: C

2) A lease is:

- a) A contract granting use or occupation of a property during a specified period in exchange for a rent or other form of payment

b) something lent or furnished on condition of being returned, e.g a sum of money lent at interest

Solution : A

3) The primary aim of Revenue management is:

a)identifying business needs, gathering business requirements and determining solutions to business problems. Main solutions include a systems development, business process improvement, change of organizations or strategic planning and legal policy development.

b)selling the right product to the right customer at the right time for the right price and with the right pack. The essence of this discipline is in understanding customers' perception of product value and accurately aligning product prices, placement and availability with each customer segment.

Solution: B

Questions:

1) What is yield management? Why is it important?

2) How many pricing tools do you know? State how they work and what the “pros” and “cons” of each tool might be.

3)Why do you think the hotel benefited from the Hilton rebranding?

4) Imagine you are the airport hotel manager and need help from Focus or a similar hotel management consultancy company. Write an e-mail to the company describing your situation.

5) Take an insightful look at the Focus website clicking on the link provided below, then illustrate how the company advice may boost revenue for a hotel business

<http://www.focushotelsmanagement.co.uk/>

References:

<http://www.focushotelsmanagement.co.uk/200-bedroom-airport-hotel.html>

http://www.customer-alliance.com/en/articles/hotel_revenue_management_1/

<http://dictionary.cambridge.org/dictionary/business-english/>

<https://www.tnooz.com/article/what-is-in-the-ultimate-tool-kit-for-hotel-revenue-managers/>

<http://boutiquehotelmanagement.com/company-cultural-change-human-resources-business-coaching/>

Additional literature:

<http://www.hotelbusiness.com/Finance/Joint-Venture-Acquires-The-Ritz-Carlton-Kapalua/55724>

<http://www.hotelbusiness.com/Brands/Marriott-Signs-Four-Properties-in-Mexico/55740>

http://www.ijbssnet.com/journals/Vol_3_No_22_Special_Issue_November_2012/18.pdf

<http://www.pwc.co.uk/assets/pdf/uk-hotels-managing-the-downturn-issue18.pdf>

Further topics for discussion :

Hotels and the challenge of Air b and b

Chain vs independent hotels

TripAdvispr: the power of online reviews