

Benchmarks for Excellence in Hotel Management



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AGENDA

- **Study Overview & Key Findings**
- **About the Benchmark Class**
- **Marketing and Operational Performance**
- **Customer Service Excellence**
- **Personnel Management**

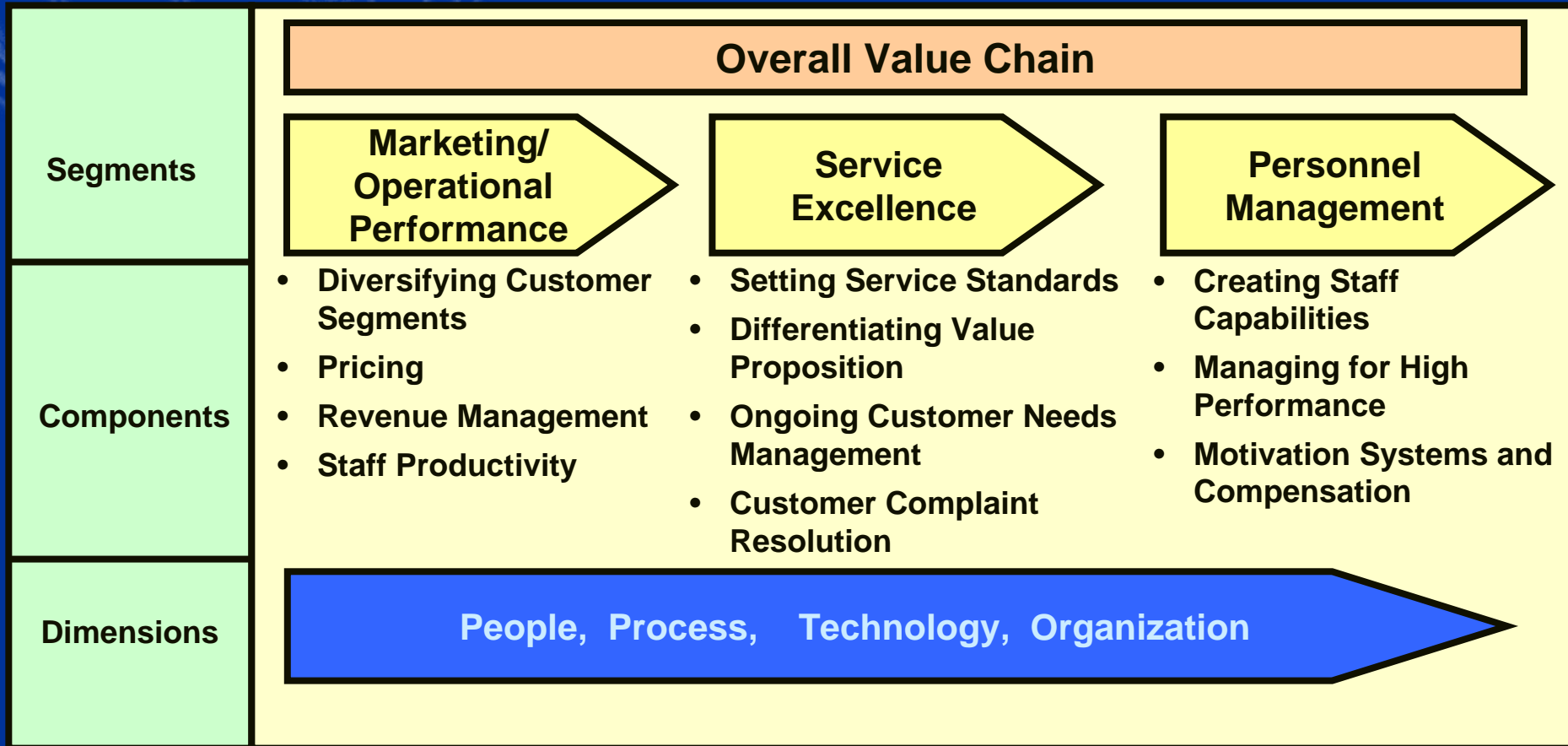
Overall Project Approach

This pilot project for the hotel industry was conducted according to the following steps:

- 1. Identify goals and expectations for this project in terms of underlying need/problems to be addressed**
- 2. Articulate segments of the value chain that will address these needs for each industry**
- 3. Develop metrics to measure productivity and impact for people, process, technology and organization factors in each segment of the value chain**
- 4. Gather metrics and operational insights through surveys and onsite interviews**
- 5. Synthesize data and findings into benchmarking report**

Framework for this Project

The benchmarking study probed the following value chain for financial service organizations:



Key Findings and Recommendations

1. Operational Performance: Improve revenue and occupancy rates in both high and low seasons with yield-management techniques and technology.
2. Customer Service Excellence: Formalize and codify processes for customer service to establish specific quality standards for staff behavior and guest expectation.
3. Personnel Management: Direct employees to desired performance levels with personal, hands-on coaching techniques and milestone-setting activities.
4. Rewards and Recognition: Personalize rewards and simplify requirements in incentive programs to make them meaningful and important to employees.

Participating Organizations List

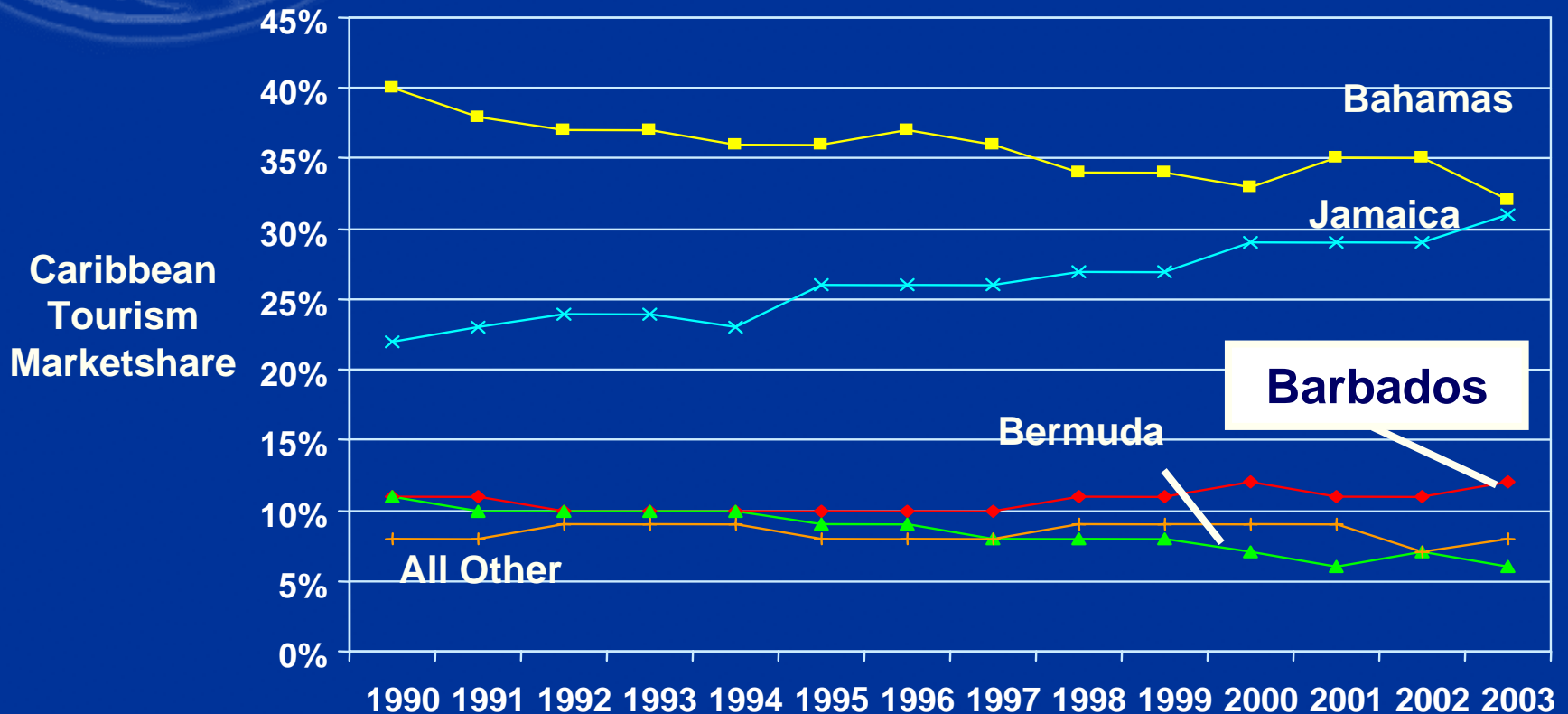
Managers and executives representing the following hotels participated in this benchmarking study.

Benchmark Partners



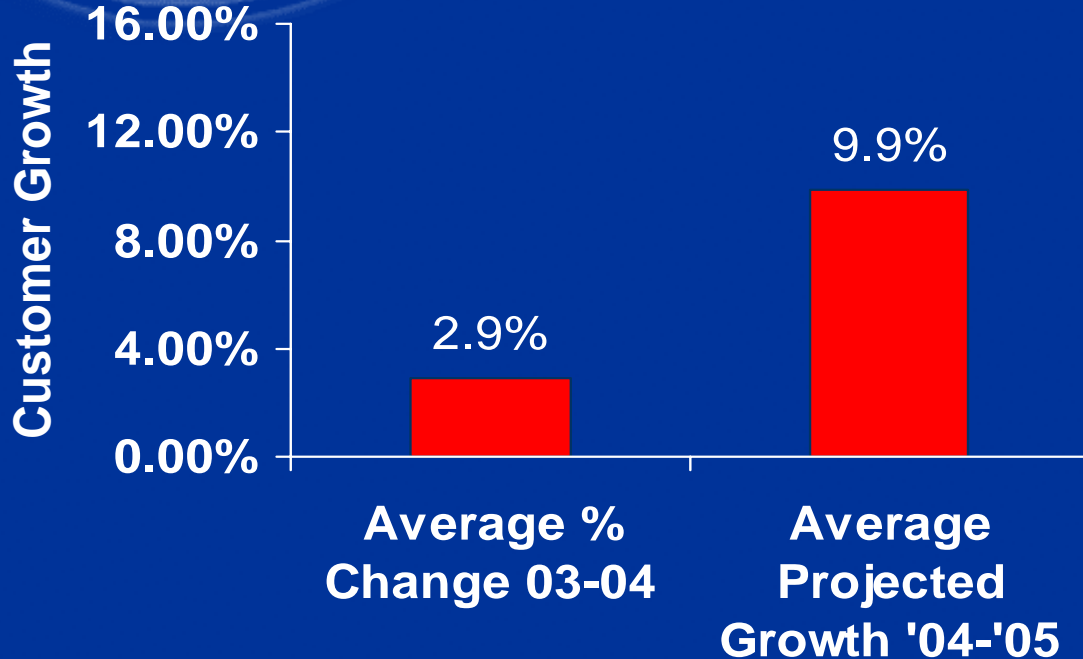
The Regional Battle for Visitors

In terms of marketshare for annual tourist arrivals in the Caribbean, Barbados is well positioned compared to most rivals. But competition is growing with new investment and aggressive marketing efforts throughout the region.



Customer Growth Over Time

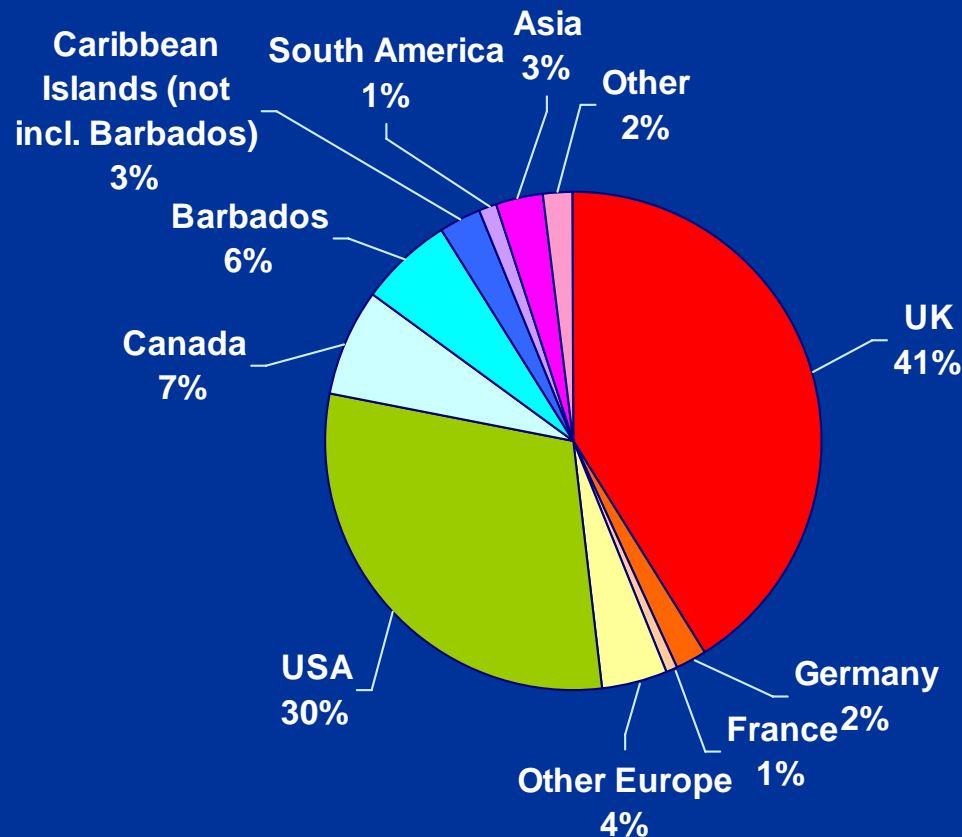
Customer numbers rose slightly from 2003 to 2004. A stronger growth in customer volume is expected among island hotels for 2005.



Customer Demographics

The largest market for benchmark class hotels is the United Kingdom. Some hotels rely on British tourism for a significantly larger portion of their overall customers than the benchmark average.

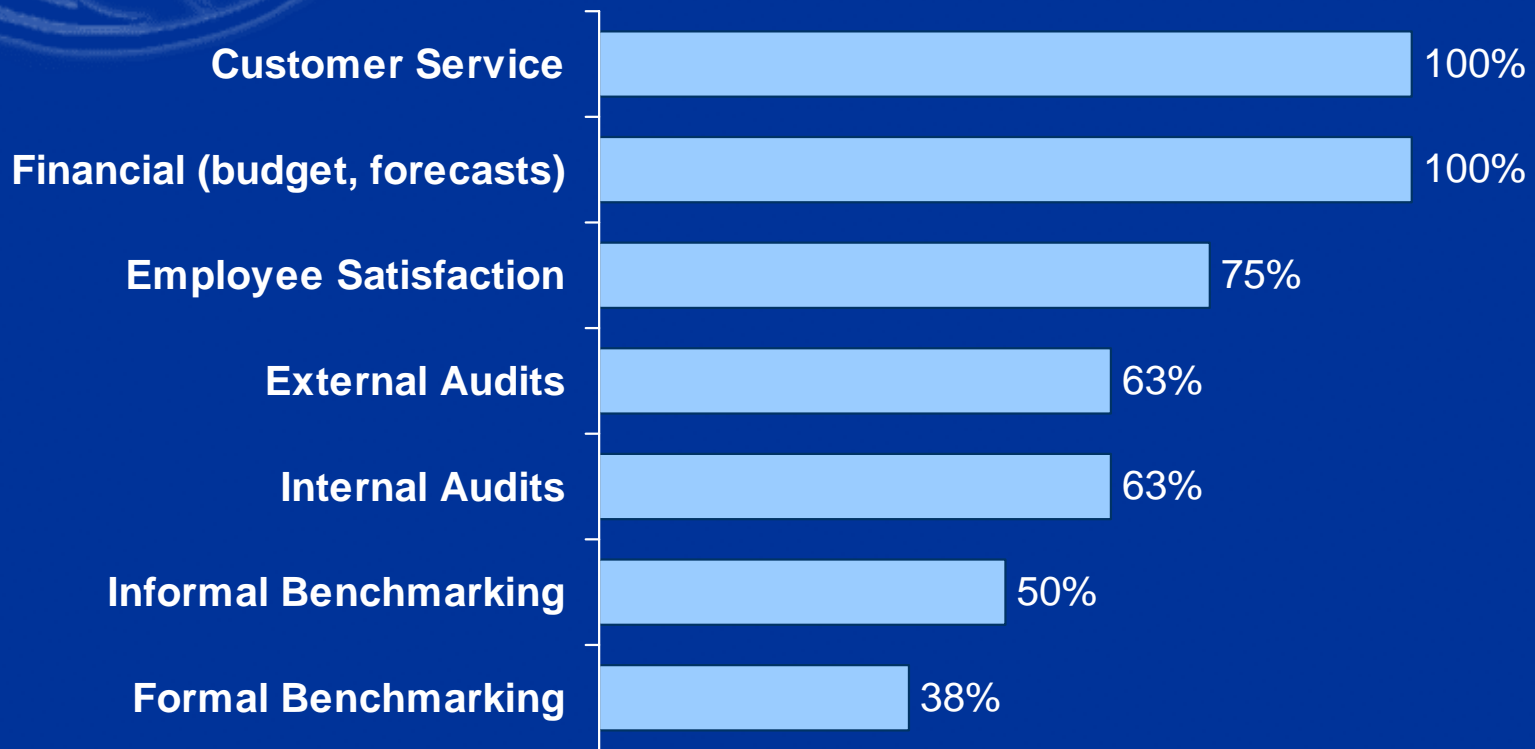
Average Hotel Composition of Customer Segments



Key Hotel Performance Metrics

All benchmarked hotels use customer service metrics combined with financial forecasting or budgeting to assess hotel performance.

Key Metrics That Track Hotel Performance



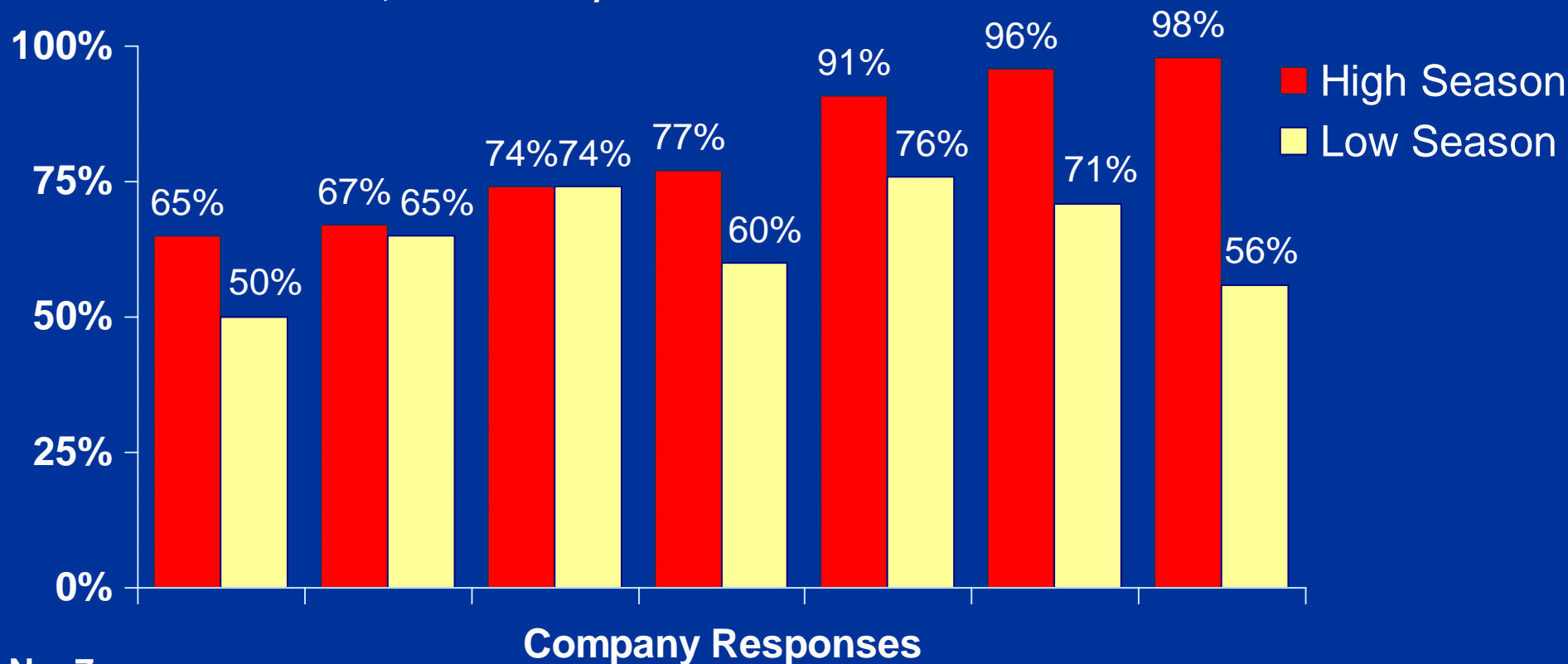
Percentage of Companies Using the Practice

Seasonal Occupancy Rates

Three hotels in the benchmark class achieved occupancy rates above 90 percent in the high season. Of these, two sustained significant occupancy rates in the low season as well.

Occupancy Rates for High and Low Season*

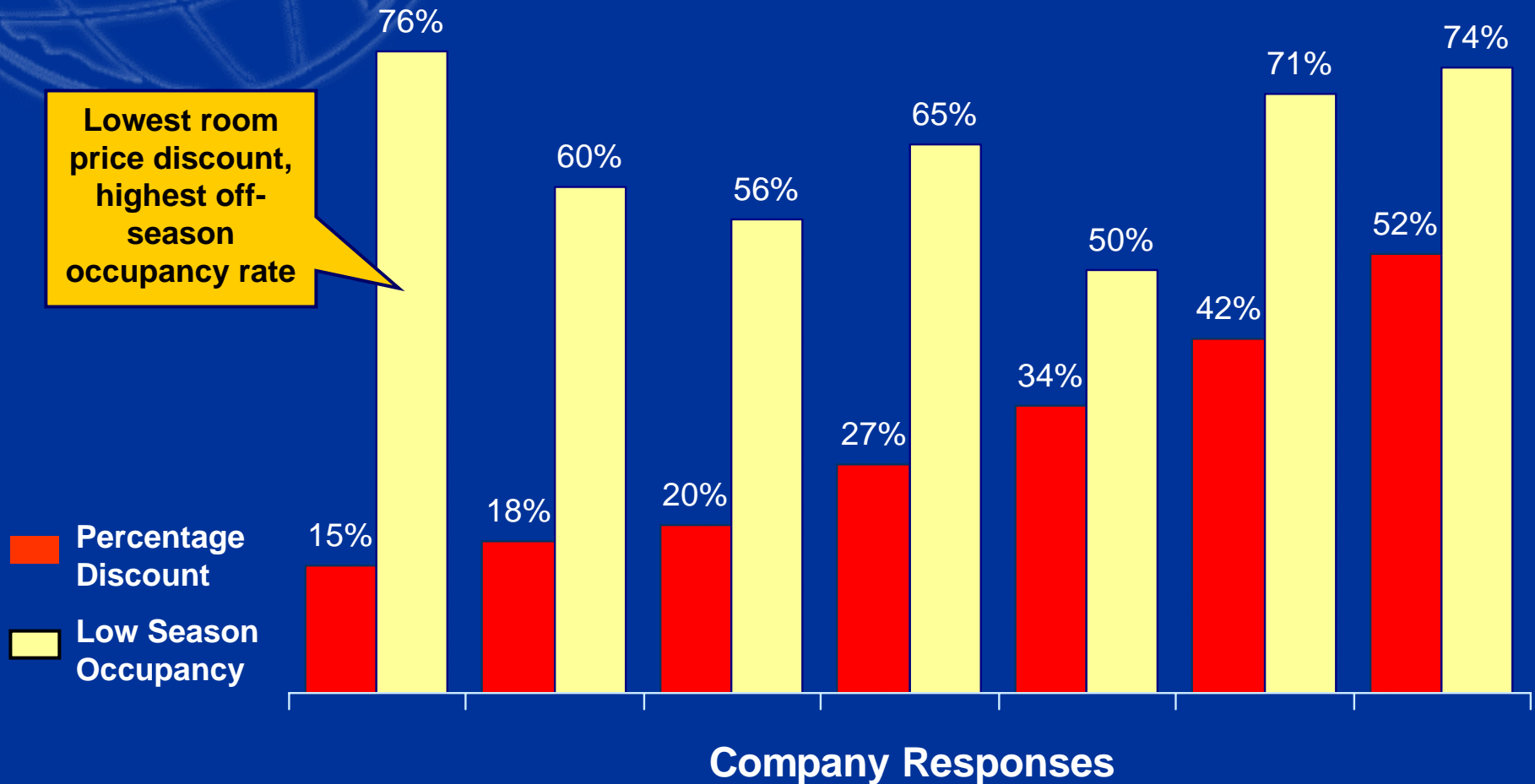
**High season typically runs from December 15-April 15; low season from April 16-December 14, with the exception of one hotel.*



N = 7

Seasonal Discount and Occupancy

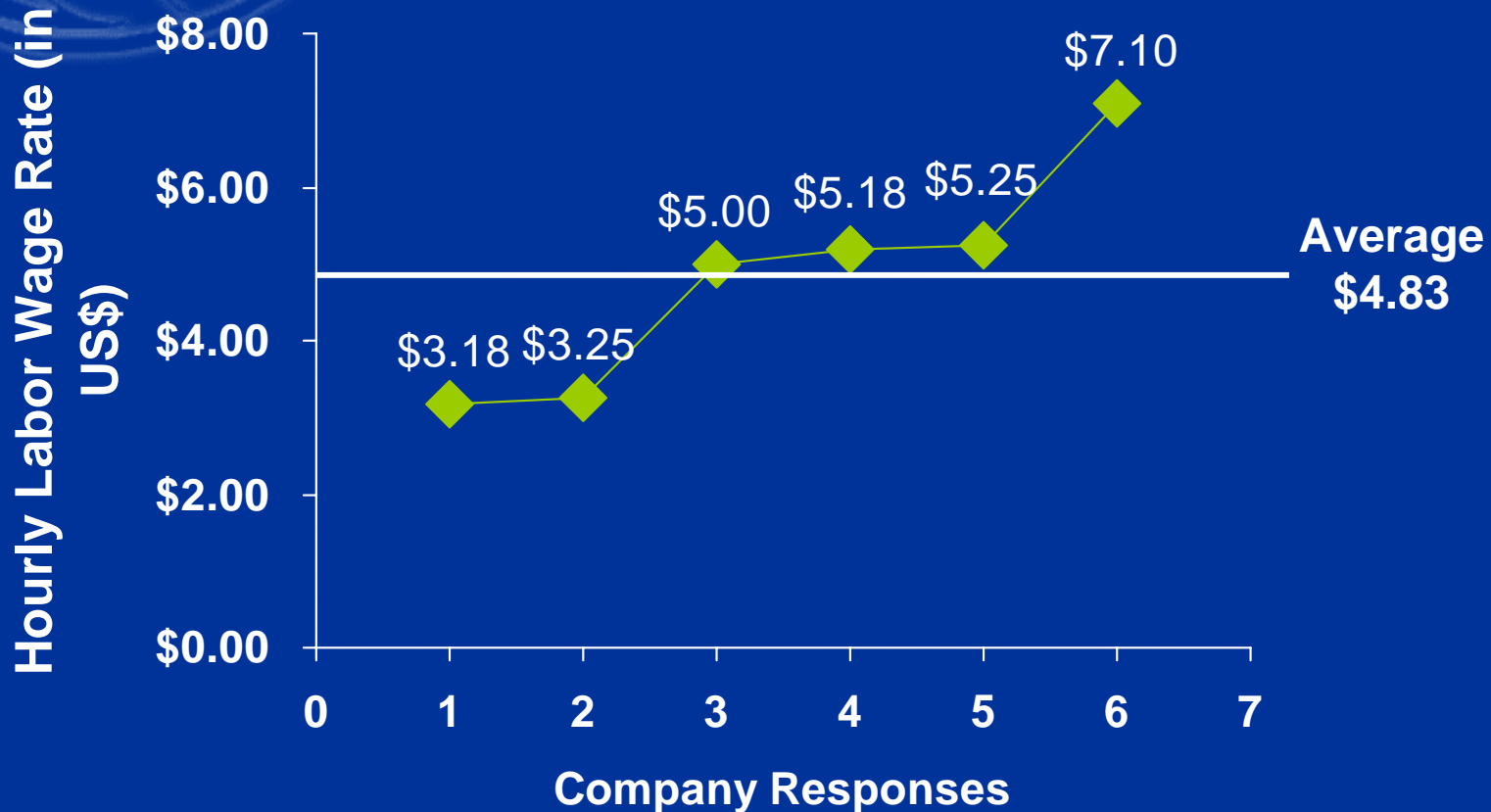
Companies that are able to keep average room rate discounts in the low season to a minimum and preserve high occupancy rates demonstrate superior ability to sell value to customers. One participant excels in this measure.



Hourly Wage Rate

Average wage rates vary according to compensation policies, size of hotels and other factors. Interestingly, companies with higher wages perform well in terms of RevPAR and occupancy rate, and staff productivity.

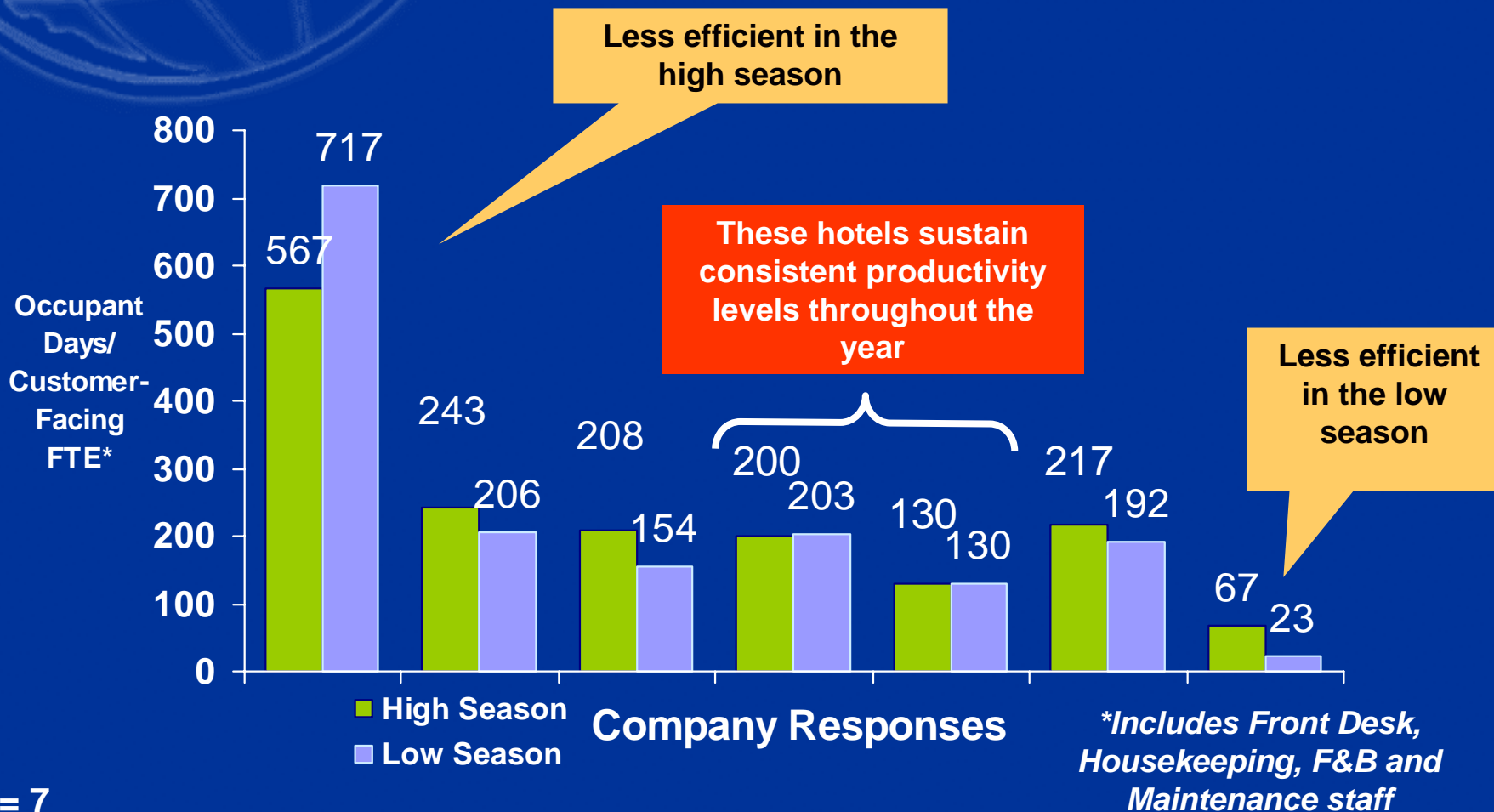
Employee Wage Rate



Staff Productivity Seasons Compared

Hotels with similar average productivity measurements for the high and low season are closest to achieving balance of staff efficiency and consistent service levels.

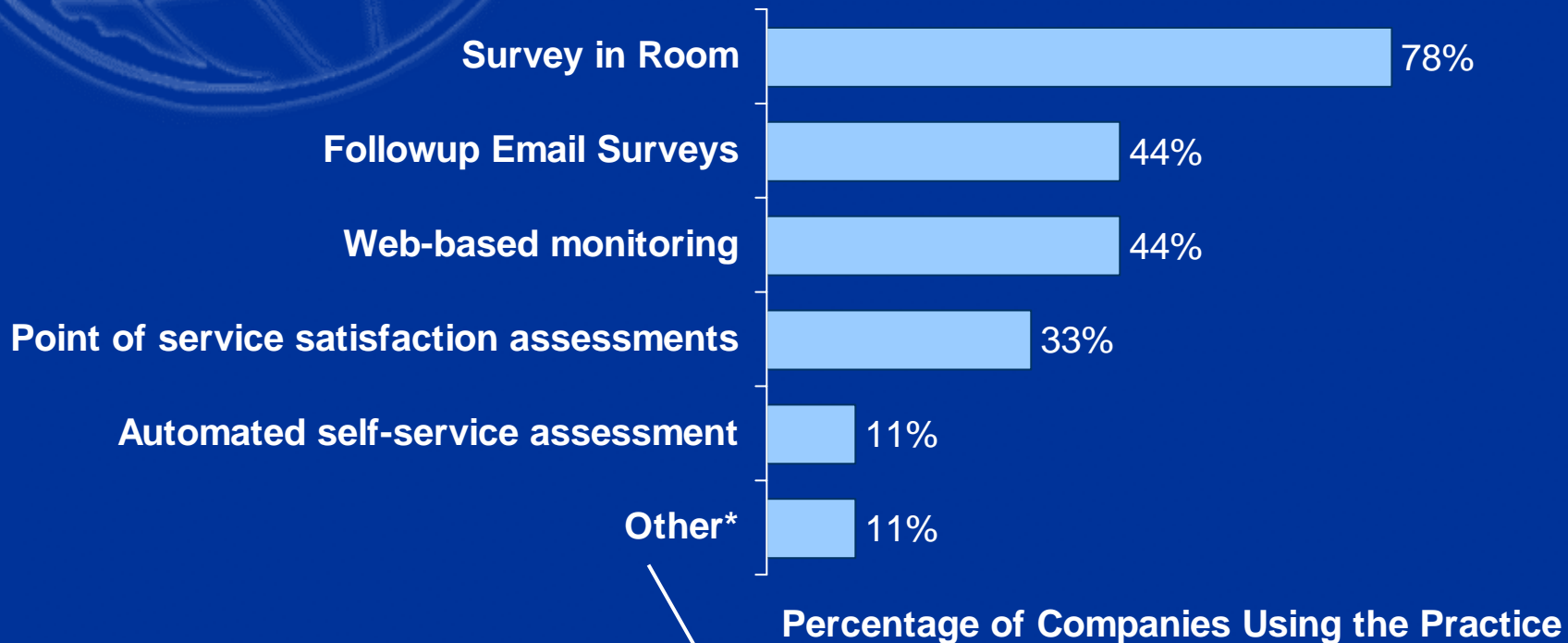
Staff Productivity Normalized High Season Compared to Low Season



Customer Satisfaction Metrics

Guest comment cards are used by all participants in one form or another. Leading hotels also employ more hands-on efforts to identify and resolve passive customer dissatisfaction issues.

Customer Satisfaction Measures Used by Participants



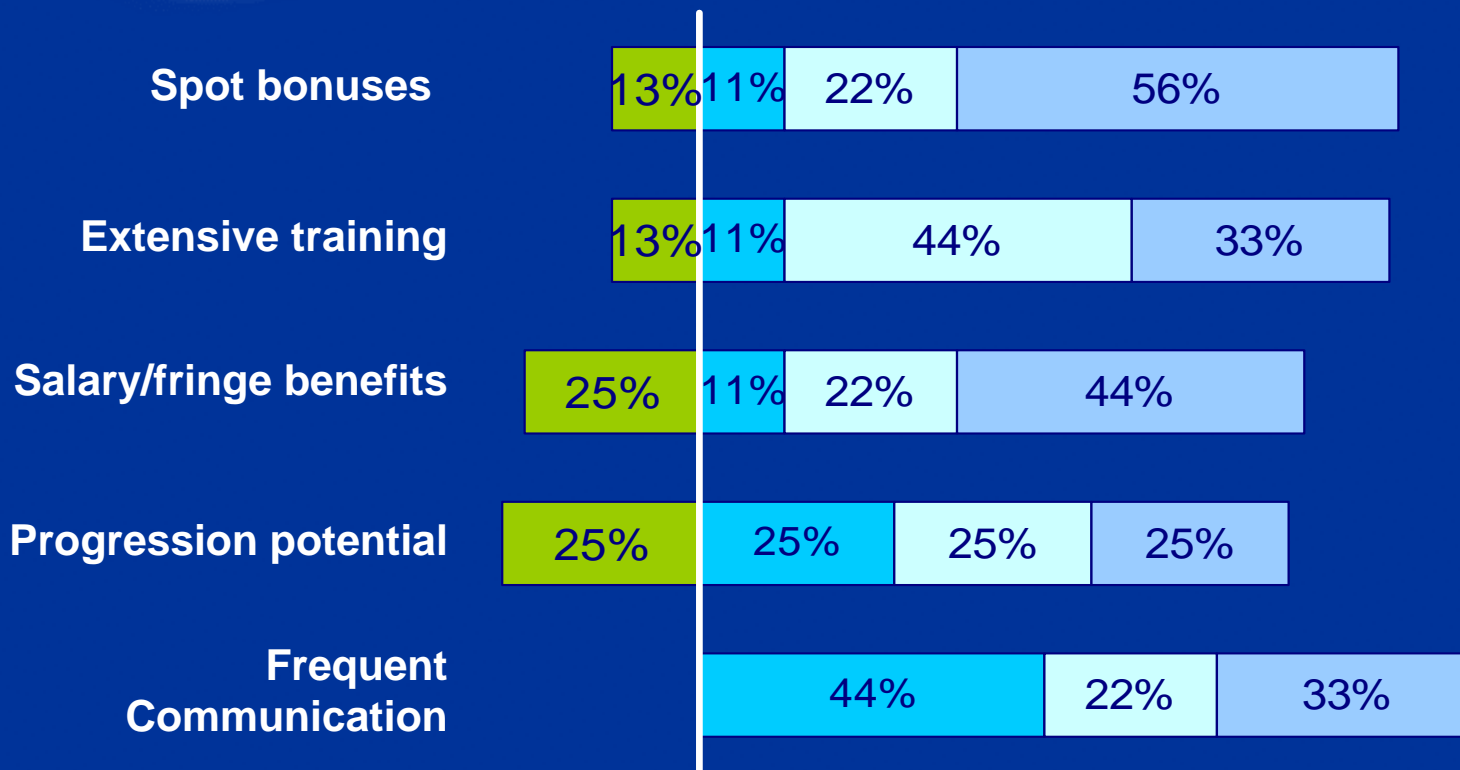
* Other customer satisfaction metrics Identified by participants include:
-- Customer forums with guests picked at random while they are still at the hotel

The Importance of Training for Staff Morale and Motivation

Extensive training rivals bonuses and benefits among tactics rated most effective by Barbadian hotels to motivate staff.

Staff Motivation Tactics

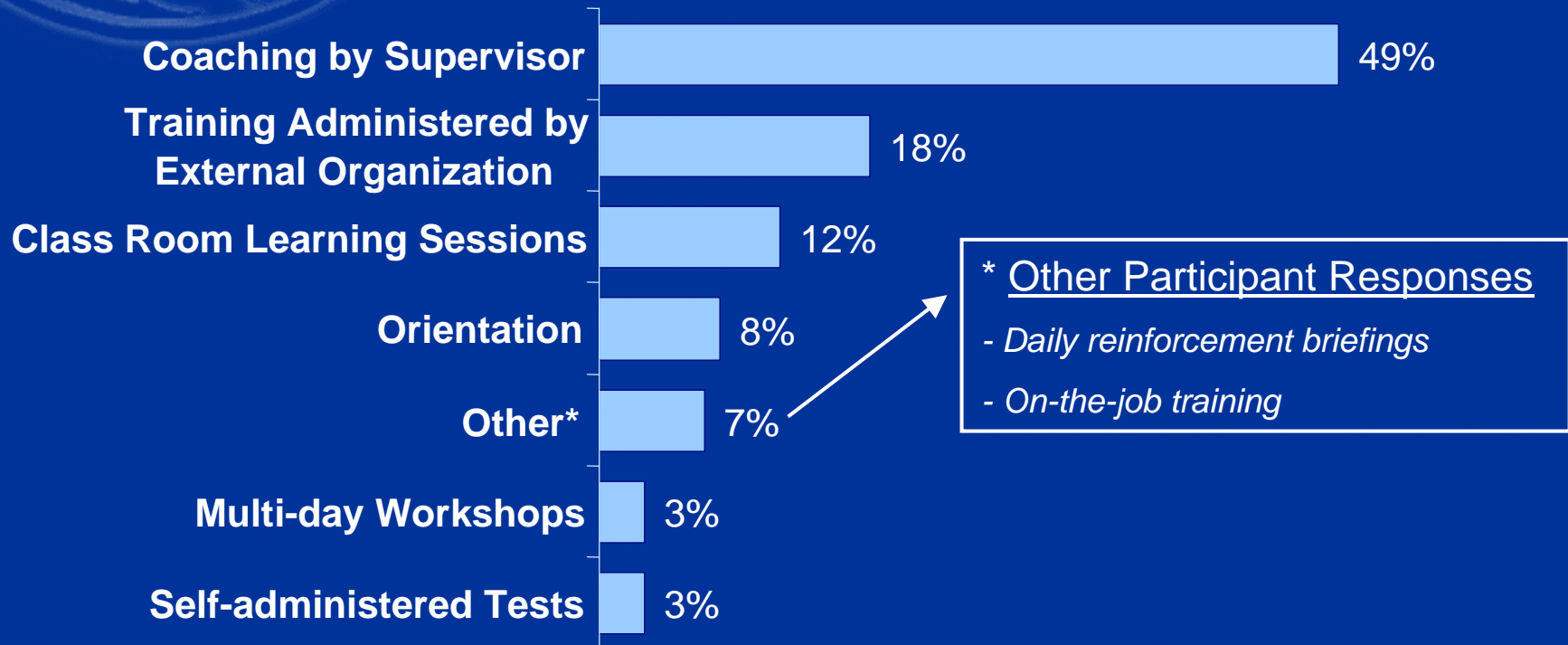
■ Not in Use ■ Somewhat Effective ■ Fairly Effective ■ Very Effective



% of Companies

Finding An Optimal Training Mix

Ongoing coaching by managers is clearly the most popular method to train employees. However, training administered by external specialists cannot be neglected, because it provides details on specific topics that internal staff may not be able to train on.

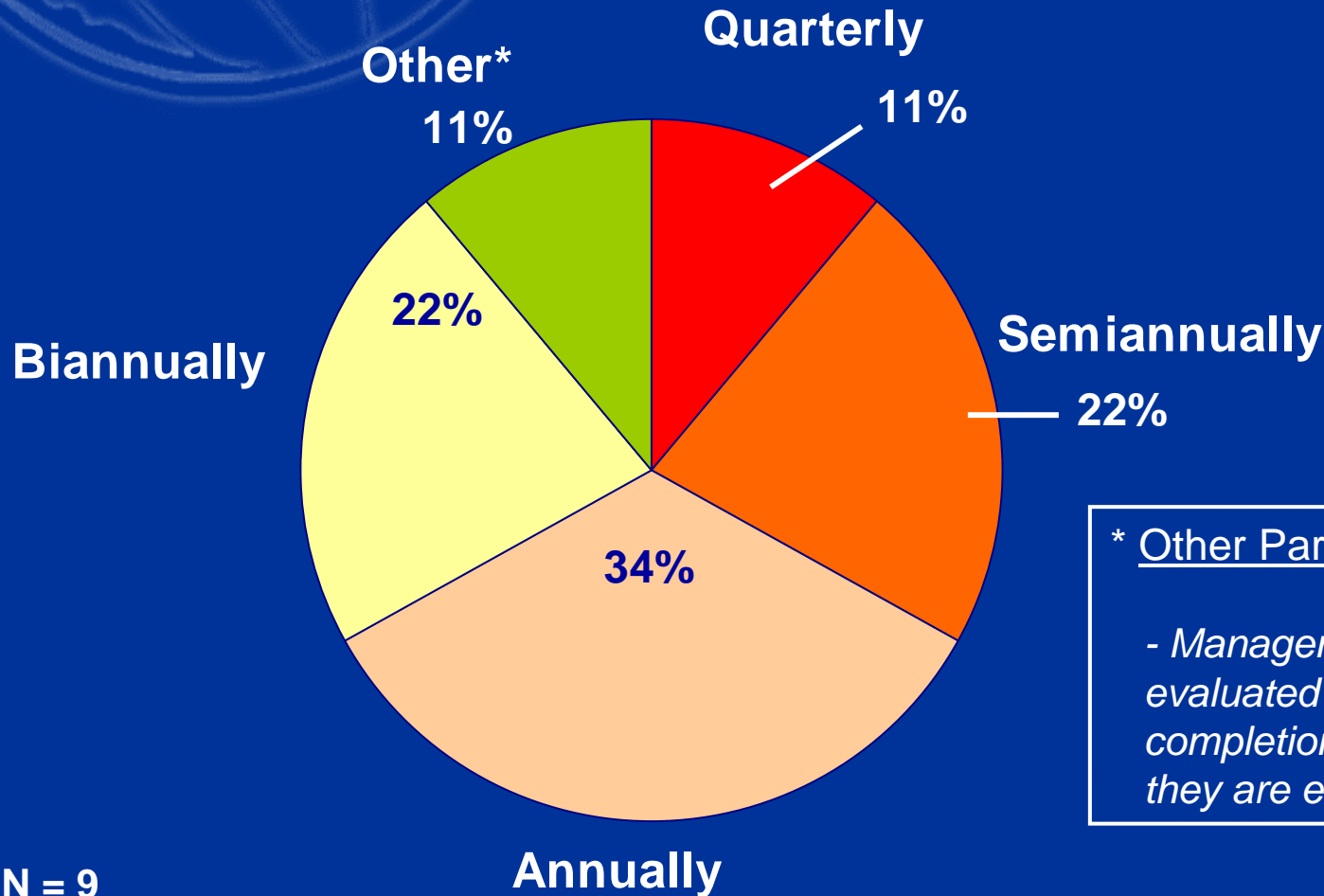


Average Composition of Training

Frequency of Employee Evaluations

Most companies conduct evaluations once a year or less frequently. Hotels that are more aggressive in monitoring performance focus most on continuous improvement.

Frequency of Employee Evaluation



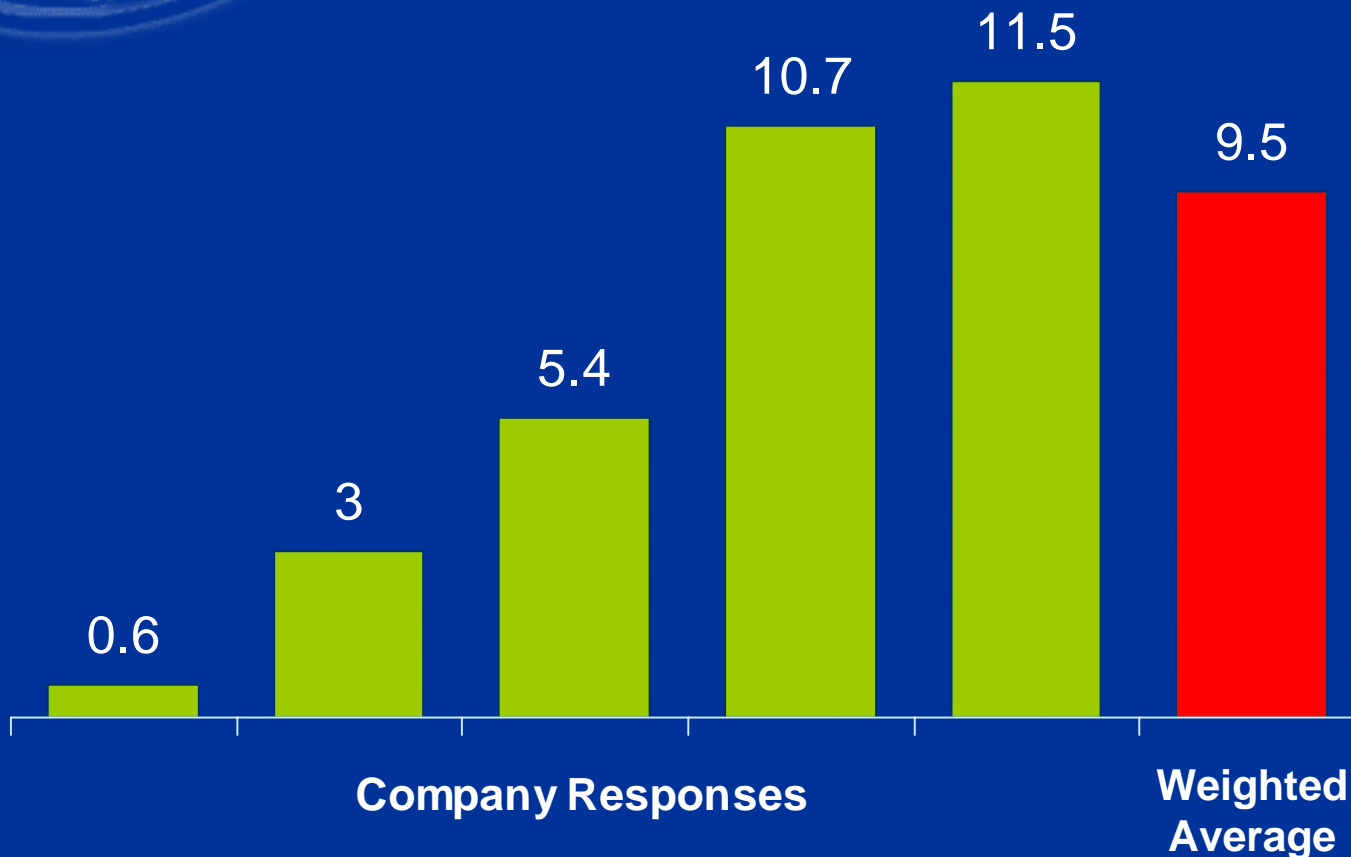
* Other Participant Responses

- Management trainees are evaluated monthly and upon completion of initial training they are evaluated quarterly.

Employee Absent Rates High Season

Some hotels experience high employee absenteeism in the critical high season, which hurts customer service and financial performance. Others have refined tactics that limit absenteeism.

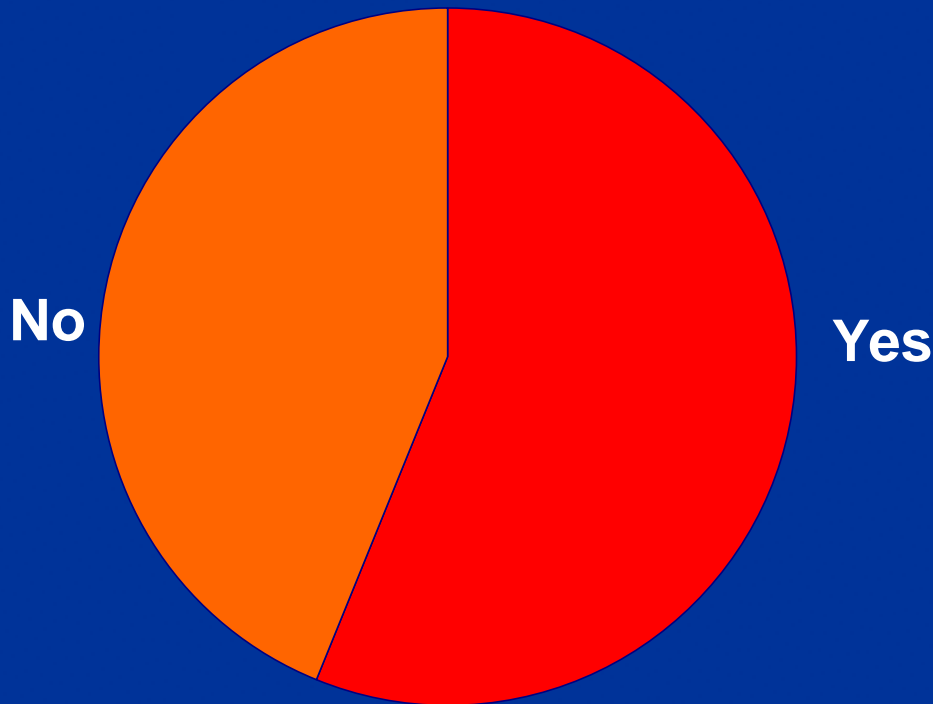
Absent Days per Employee for the High Season



Employee Satisfaction

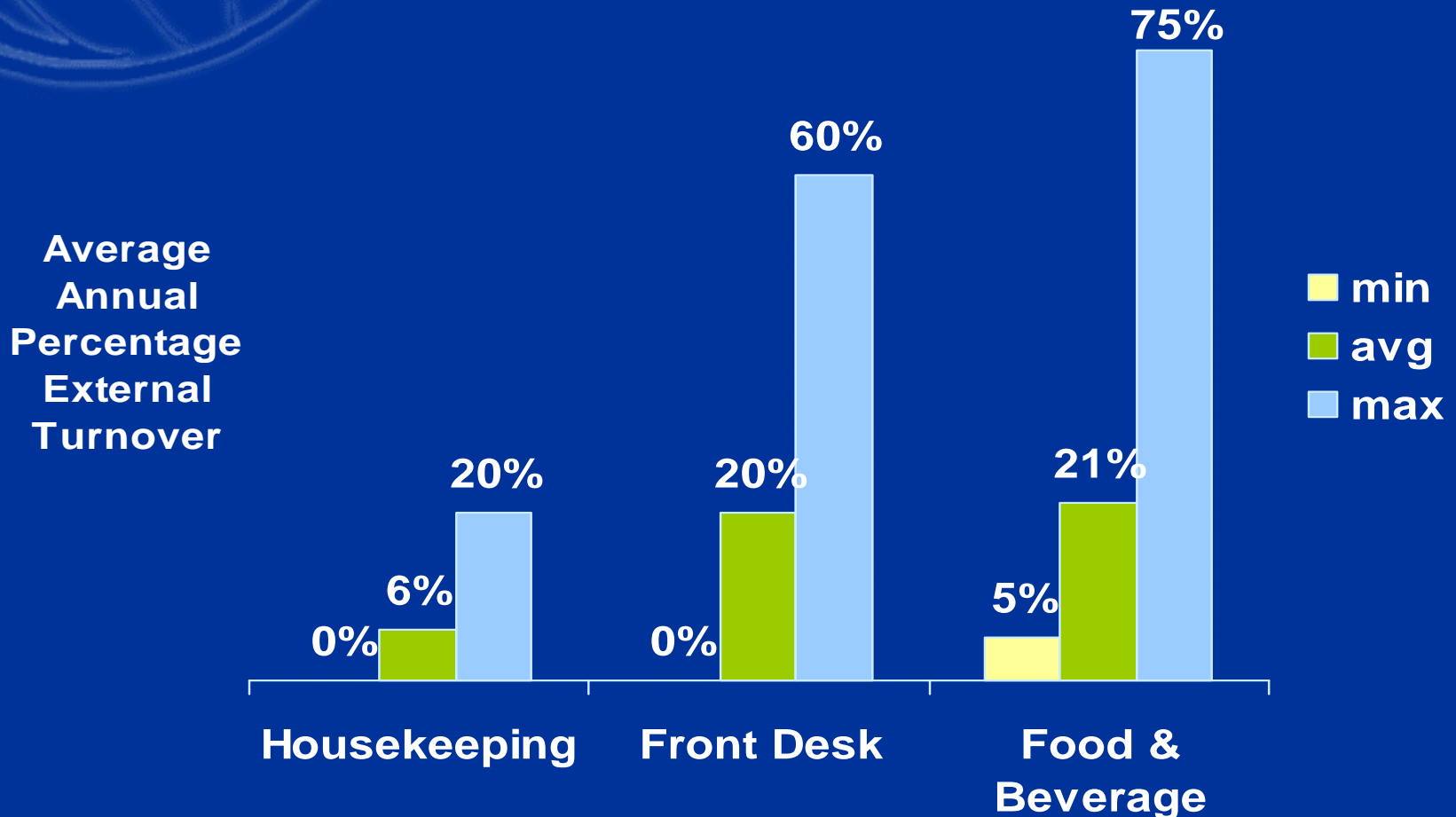
All of the companies that measure employee satisfaction do so annually with an employee opinion survey that targets several areas of hotel operations. One hotel manager does not employ a formal process, but holds regular one-on-one staff meetings to discuss areas of concern with staff members.

Is Employee Satisfaction Measured?



Turnover Rates

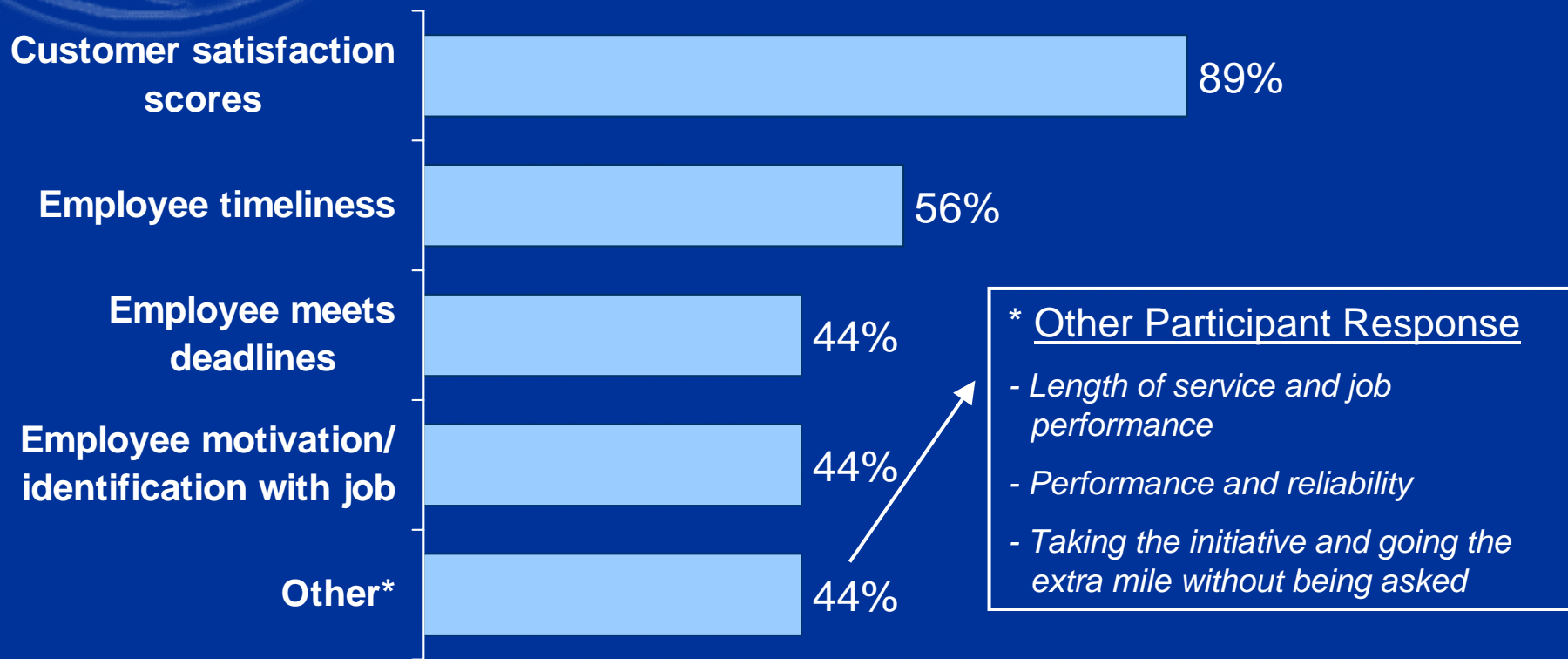
On average, hotels have about a 20% annual turnover rate among customer-facing staff. One hotel has much larger percentages, but attributes this to the fact that it hires ambitious employees who develop quickly and frequently move on to higher-level jobs.



Qualifiers for Incentives and Rewards

Criteria for rewards should be aligned with desired behaviors, but should not be too complex. Customer ratings are used by the majority of benchmarked hotels to assess staff performance.

Incentive Qualifiers



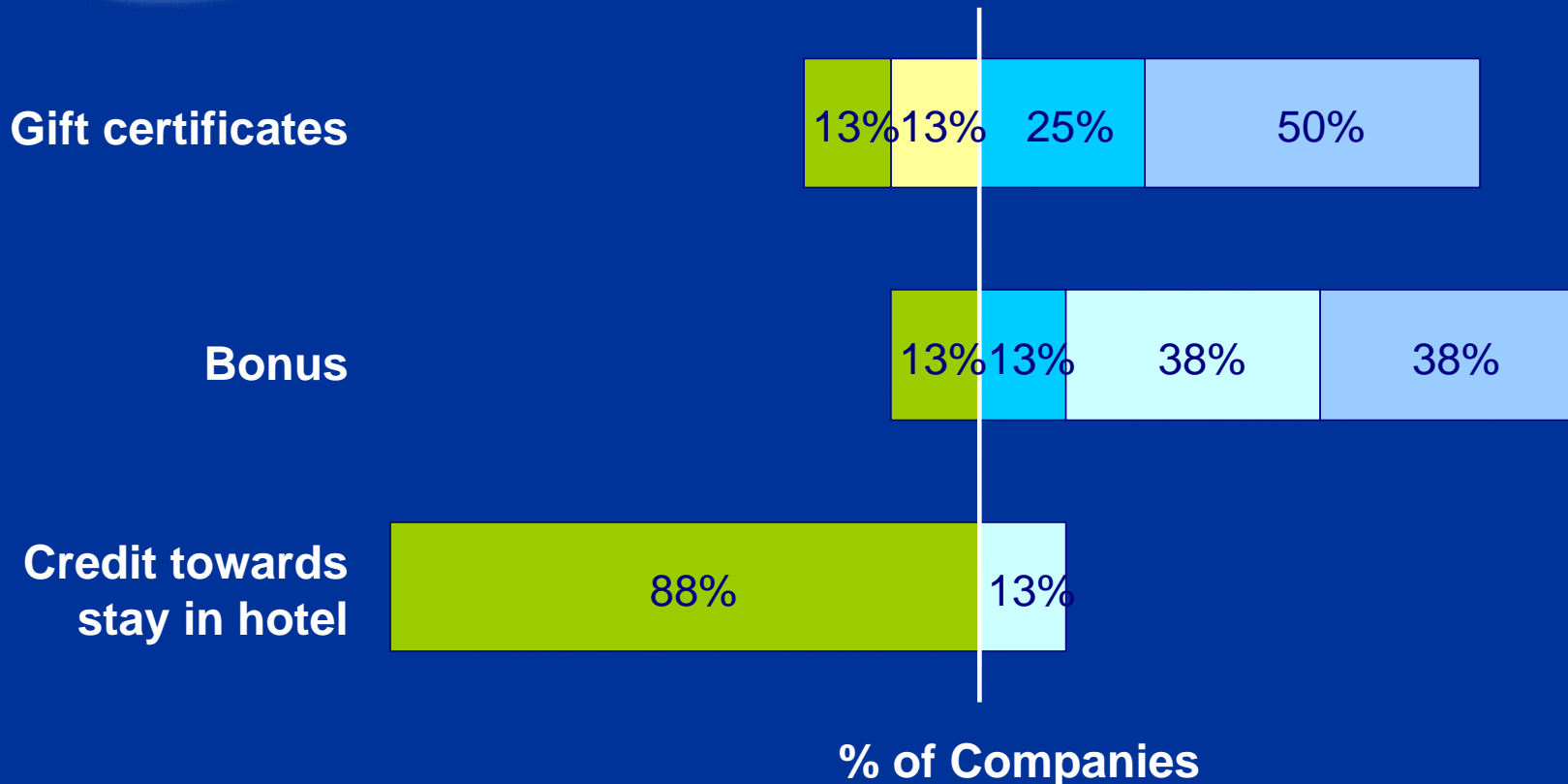
Percentage of Companies Using the Practice

Using the Right Cash Incentive

Gift certificates and personalized gifts rival cash bonuses in terms of their overall perceived effectiveness. Some hotels consider them to be more effective in building morale in the long run because they can be more personal.

Effectiveness Rating for Cash Incentives

■ Not in Use ■ Not Effective ■ Somewhat Effective ■ Fairly Effective ■ Very Effective



Recommendations Revisited

1. Operational Performance: Improve revenue and occupancy rates in both high and low seasons with yield-management techniques and technology.
2. Customer Service Excellence: Formalize and codify processes for customer service to establish specific quality standards for staff behavior and guest expectation.
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