

HOSPITALITY MANAGEMENT




CARLSON
REZIDOR
HOTEL GROUP



Club
CARLSON 


ARENA
TURIST

artotel®


Park Plaza
Hotels & Resorts



**University of
Sunderland**

HOSPITALITY MANAGEMENT IN PPHE HOTEL GROUP

By

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A this is submitted to the

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In partial fulfillment

Of the requirements for the degree of

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2014

Acknowledgement

This would not have become a success without the contribution of many. And I make this the opportunity to thank all of them who gave the support.

I would like to extend our sincere gratitude to for his guidance and constant supervision in completing the project.

Also I like to express our special gratitude and thanks to industry persons for giving me such attention and time by providing necessary information regarding the project.

My thanks and appreciations also go to my colleague in developing the project and people who have willingly helped me out with their abilities.

Thank you.

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Executive summery

There intentionally aimed to get a better understanding regarding the economic and operational characteristics of the hospitality operations & the product developments within the hospitality environments as well as the pricing and profitability concepts within the hospitality operations while using some appraisal techniques in order to analyze and improve the operational performance of the selected company which is named as PPHE Hotel Group in the hospitality industry. Thus there it may describe about the PPHE Hotel Group company's offerings while evaluating the factors affecting to its service demand. Then it may analyze the customer profiles and their expectations of the organizations with the factors affecting to the customers' spending power as well. After that it may explained about the product developments and pricing strategies of the organization and ultimately it may critically analyze the different appraisal techniques in order to improve the organizational performance as well.

Introduction

PPHE Hotel Group can be recognized as a pan-European company which was established in year 1989 & in today, its annual turnover is over EUR200m. Their best-quality portfolio in the field of hotels & resorts is basically located over the Europe, however now they are expanding its operations within the Asia, Middle East as well as in Africa. The company's fundamental activities are developing as well as operating & franchising in the best-service hotels & resorts while enjoying the Carlson s' exclusive license .The company portfolio is mainly owned and managed 39 hotel properties while offering approximately 8,340 rooms facility over the 11 hotels in Europe & UK. The company's mainly focusing to expand its market in the market segment which is highly affordable and luxury through the established unique strategic development techniques of the company.

Task 01

1.1 Analyze the nature of different product and service areas that PPHE Hotel Group Company's offers and evaluate the different influences affecting patterns of demand within the organization.

PPHE Hotel Group can be identified as a successful Market listed company as well as operator of the hotels industry, thus the Company mainly focus on offering reasonable & affordable luxury resorts & hotels for the high income level people as well as lower income level people within their operational region in Europe, UK, the Middle East as well as Asia & Africa while Focusing on main gateway cities consisting London as well as Amsterdam & Berlin(Clark,1995). The company's main strategy is Expansion of its portfolio via the acquisition & quick development in the identified pipeline. The PPHE Hotel Group's different product and service areas and its nature as below;

Park Plaza® Hotels & Resorts



Size: room's facility 100-300

Expectation:

To offer a blend of sophisticated technology as well as provide "Full Service" & four-star deluxe

Target audience:

Business & leisure travelers

Main Facilities & main features:

Art facilities in each & every room, Exclusive conference facilities, restaurants & Bars

Art'otel®



Size:

Room's facility 100-200

Expectation:

Fusion of travel as well as architecture & contemporary art Luxury hotels

Target audience:

Leisure travelers & Professionals who have an interest in the fields of arts & culture

Main Facilities & main features:

A valuable Collection of artwork which is original The Company has the rights to this brand in worldwide

Arena Turist

Have 8 hotels & 5 apartment complexes with having a huge Mix of product & service offering in leisure while offering food & beverage outlets as well.

**Hospitality Offering**

This includes the facilities of conferencing, restaurants & bars, the opportunities of Cross selling via the Club Carlsons which mainly Provide 25% excess of the revenues of the Company. This offered 254 meeting room facilities in twenty seven hotels. Its available Meeting space is ranging from 20m² to 1,200m² in size. Large accommodates for 1,400 guests in the style of theatre & large free venues especially in London as well.

1.2 Compare customer profiles and their differing expectations and requirements to the organization and critically analyze the factors which might affect their spending power.

According to the PPHE group company perspective, they have main four target customer groups such as business, leisure travelers, professionals and arts & culture interests. Thus these main categories are aiming to fulfill their different kind of expectations or the requirements through the organization as well. These are varying with their dynamic behavior and the ability to spend or the spending power such are enjoying the beauty of nature, take an exclusive rest, carry out a successful business plans, fulfill the expected business plans or

agreements, get the experience and knowledge through the PPHE group company's invaluable Collection of artwork which are original etc. although people or the customers are willing to fulfill their different kinds of needs, their spending power may control themselves to make a actual demand. So there are several factors may affect to their spending power such as economical situation inside of the country like inflationary situations, financial crisis, unemployment situations, depressions in the economy and the social attributes of the country like religion, age, civil status, income level, education level, occupational level, social beliefs and societal changes etc. these factors are both influence in good as well as adversely to the customer spending power as the income of people is the main constraint which may vary with sociological economical factors as above mentioned.

Task 02

2.1 Evaluate the key stages in product and service development of the organization and analyze the features which contribute towards customers' perception of products and services.

Products development is essential to do according to the changes of the society, and it sometimes may be an outcome of the technical breakthrough. There the idea may be generated to entering to the new market or replacing the existing products with new features and various attributes other than the competitors do. When it comes to consider the key stages of the product and service development there are seven main stages such as Idea Generation,

01. Idea Generation

This can be explained as the Systematic idea searching for new products within the Internal Employees and competitors, distributors & suppliers as well.



Figure 01

02. Idea Screening

This can be recognized as the Process of getting good ideas as well as dropping poor ideas immediately while estimating ,Market Size, Product Price, Development Costs and Time, Rate of Return etc.(Clark,1995)

03. Concept development

This can be identified as a process of developing product concepts, concept testing and select the best one as well.



Figure 02

04. Marketing Strategy

There the organization should have to decide the overall goals and short term and long term goals of the marketing as well.



Figure 03

05. Business Analysis

06. Product Development

There the company should have to review its sales, costs and profits whether they achieve the stated goals & objectives and thereby decide the product concept is accepted or not.



Figure 04

07. Test Marketing

There the company is really introducing the product to the purpose of testing that product with in the expected sample of target customers.

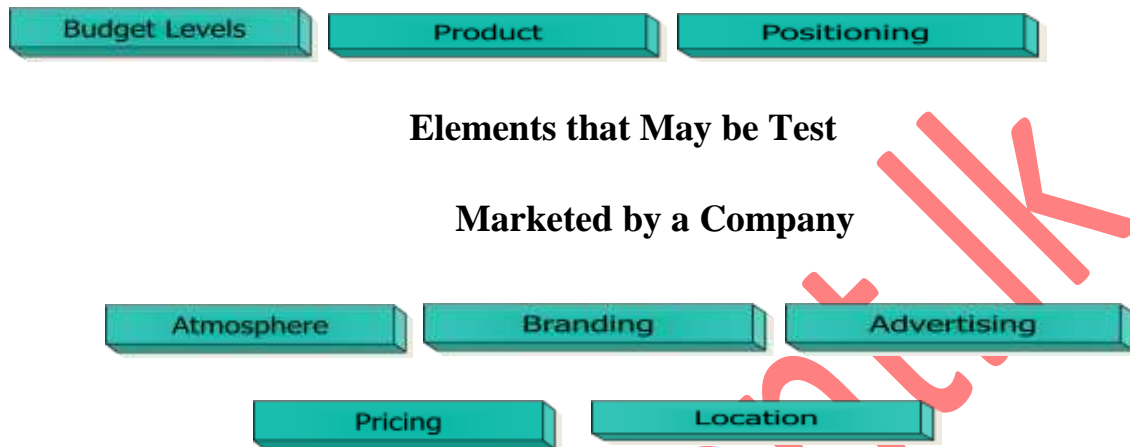


Figure 05

08. Commercialization

There the company introduce new product to the whole market place as per the results of the test marketing. (Baum, Tom, Ram, 2000)

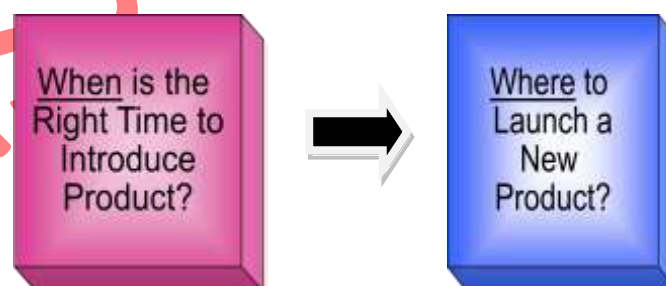


Figure 06

According to the PPHE group company, their expected product and service development schedule and their expected features with the customer requirements are as follows;

Project	Location	Operating structure	No of rooms	Status
Park Plaza Histria Pula	Pula, Croatia	Co-owned and management contract	241	Expected to open 2012
Park Plaza Verudela Pula	Pula, Croatia	Co-owned and management contract	385	Expected to open 2012
Park Plaza Medulin	Medulin, Croatia	Co-owned and management contract	190	Expected to open 2012
art'otel amsterdam	Amsterdam, The Netherlands	Co-owned and management contract	105	Expected to open 2013
Park Plaza Nuremberg	Nuremberg, Germany	Owned	175	Expected to open 2013
Mixed-use development Park Royal	London, United Kingdom	Contracted to acquire	160	Expected to open 2013
art'otel london hoxton	London, United Kingdom	Joint venture and management contract	352	Expected to open 2014
Mixed-use development Pattaya Bay	Pattaya Bay, Thailand	Owned	100	Expected to open 2015

Table 01-Product & service development schedule

2.2 Assess the opportunities and constraints affecting product and service development of the organization and evaluate different merchandising opportunities of the organizations product and services.

According to the context PPHE groups are available opportunities for the product and service development with fields such as disabled access & disabled provision, the access of restaurants; availability of the human, financial & physical resources, best standardisation, high brand image, better nutrition& dietary needs, luxury Accommodation facilities as well as space utilisation etc. (Howell, David,2010)But it can be seen that there are some of the constraints for the company in order to do this as lack of the time, financial, physical and human resources within the organization and the available technology systems within the organization as well.

Merchandising can be identified as a method of ensuring the distributors to sell many products quickly by the producers by advising them, either through their sales forces or their merchandising specialists. There are different kinds of merchandising opportunities are available for the PPHE groups are as follows;

- (a) Posters
- (b) Show cards
- (c) Mobiles
- (d) Metal /plastic stands for displaying cards & brochures
- (e) Plastic shopping bags



Task 03

3.1 Evaluate different pricing methods and assess the factors which might affect the revenue generation and profitability of PPHE Group Company.

The PPHE group of company is possible to use the following different kinds of pricing strategies when they making the pricing policies as well.

The type of pricing	Descriptions
Premium pricing	There the company uses a higher price and gives the best product or service to customers
Penetration pricing	There the company can offer low price in order to attain a high market share and after that the prices can be increased.
Price skimming	There the prices are relatively higher during their introduction stage and ultimately it may decrease for the 'parity'
Psychological pricing	There it is aimed to get quick customer respond on the emotional basis, other than customer rational basis by pricing as 99p not as £1.01
Product line pricing	This may become various with the product range of the company
Pricing variations	This include the 'off-peak' pricing as well as booking discounts for the earlier etc
Geographical pricing	The company may charge different prices from its customers in different countries.
Value pricing	This is happened with the difficult economical situations within the country such as financial depressions, crisis etc.

Table 02-The different kinds of pricing strategies of the PPHE group company

According to the context, the PPHE groups of company is mainly using Premium pricing strategy as well as Pricing variations as their pricing strategies which is mainly aimed to improve its revenue through the expanding their asset portfolio as well.

The factors which might affect the revenue generation and profitability of PPHE Group Company such as the Costs of the company with its operations, Competitors of the company such as Hilton Group of company, (Howell, David,2010) Britannia Resorts etc and its target Customers and their demand, Business Objectives like maximizing the profits, achieving the target return for investments, achieving aimed sales, achieving a high market share as well as matching with the competition etc. on the other hand these factors can be easily identified as external and internal factors as follows;

External Factors:

- The perceptions of the Buyers
- The available Competition
- The expectations of the Channel member
- The issues related with Environment such as legal issues & other regulatory issues etc.
- demand Elasticity

Internal Factors:

- marketing objectives of the organization
- Costs of the company
- Other variables of the marketing mix
- The objectives of Pricing

Task 04

4.1 Critically analyze the different performance measures and appraisal techniques to the PPHE Group of company's operation and determine the effectiveness of different quantitative and qualitative appraisal techniques that applies to the company.

The PPHE group of company basically use the physical measures as well as combined measures in order to measure its performance as bellow;

Physical measures

The main advantage of this kind of non-financial measures is able to recognize whether the performance has improved or not, in spite of the cost, and the no of products sold. PPHE groups of company used Occupancy rate as a better non-financial measure and these measures are mainly used to identify its productivity.

- Serving Productivity = $\frac{\text{No of rooms serviced}}{\text{No of staff hours}}$

e.g.
$$\frac{300}{400} = 0.75 \text{ h}$$

Combined measures

There the PPHE groups of company uses the Average spend as their combined measure.

- Average spend = $\frac{\text{Total revenue}}{\text{No of customers}}$

e.g.
$$\frac{202,380}{10000} = 20.380$$

- **Qualitative measures**

This is measured through the observations as well as verbal communication which are utilized via the operations.

- **Quantitative measures**

This is basically measured through the financial indicators with the Revenue, Costs, Profits & The product.

Revenue appraisal

As the Revenue is equal to price *volume, Appraisal needs to consider the changes of the both price & volume as well. But the averages are not accurate always & these will made misinterpretations too. However it should allow for the current inflation as well as price increases but the Revenue can't fully appraise only itself. The PPHE groups of company's revenue appraisal as follows;

Operational Results FY 2011 €'000	FY 2010 €'000	FY 2009 €'000
Room revenue	139,030	93,357
Food & beverage revenue	52,408	36,018
Minor operating revenue	3,516	2,504
Management fees ¹	3,214	4,602
Franchise fees & reservations fees	1,575	2,297
Marketing	2,184	813
Other revenue	453	238
Total	202,380	139,829

Table 03-The PPHE groups of company's revenue appraisal

Cost appraisal

There the available Structures are varying as well as changing over the time intervals and this is possible to measure in cash and in percentages too. This also indicates the Proportional relationship among the costs & inflation. There it can be done as Cross-sectional analysis or time-series analysis for the better understanding. If the producers are capable of manufacturing or producing their services lowest costs, they can get a main competitive advantage in the industry and it is more complex to allocate indirect costs rather than allocating direct costs here.(Howell, David,2010)

According to the context, PPHE group of company's cost, revenue and profit appraisal summery as follows;

Financial Information FY 2011 €'000	FY 2010 €'000	FY 2009 €'000	
Consolidated statement of operations			
Revenues	202,380	139,829	80,326
EBITDAR	75,029	46,447	26,144
EBITDA	65,050	37,633	16,244
Profit/ (loss) before tax for the period	10,634	60,482	(7,160)
Normalized profit before tax	13,607	6,084	(7,160)
Consolidated balance sheet			
Total assets	954,589	935,305	731,871
Consolidated statement of cash flows			
Net cash from/(used in) operating activities	17,584	15,151	(84,653)

Table 04- the PPHE group of company's cost, revenue and profit appraisal

Profit appraisal

There it should have to be clear the way of profit measures contrive & it should have to appraise against the established goals and objectives in order to give value. And also these Setting objectives may include the subjective judgements as well. There the analysis of Sales mix may determine the real trends of it and the percentages of the profits are measured the efficiency it's not measure the profitability with allowing for the comparisons only. Thus the comparison with the industry norms or the bench marks may be very useful to the company. There it should consider the stakeholders' priorities as well. The below figures are related with PPHE groups of company's profit appraisal.

Financial Information FY 2011 €'000	FY 2010 €'000	FY 2009 €'000	
Consolidated statement of operations			
Revenues	202,380	139,829	80,326
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Consolidated statement of cash flows			
Net cash from/(used in) operating activities	17,584	15,151	(84,653)

Item	€'000
Hotel properties (book value)	610,881
Hotel properties (fair value)	721,831
Bank loans	418,128
Cash and cash equivalents	31,005

Table 05-The PPHE groups of company's profit appraisal

Product Appraising

This is basically consisting with the customer satisfaction measuring, monitoring Complaints, Staff focus groups, the analysis of Quality standards, the reviews of the Process, Quality audits & Mystery shopper etc. According to the context the PPHE Company is mainly using the quality standards and diversification their product portfolio in order to get the maximum customer satisfaction and they monitor their customer complaints using the Club Carlson guest rewards programme in the company which has already 8 million members of it as well.

The basis of effective appraisal

Effective appraisal is possible to done only when there are pre -established operational objectives within the company itself. Thus these objectives should have to be as budgets & other standards statements which are help to measure & appraise the actual performance easily and intentionally.

As per the PPHE groups of the company's operation condition, they have pre established operational strategies as mentioned in bellow;

- Enhance the overall performance via innovative marketing & revenue generation
- Enhance the operational performance with high quality service
- Utilizing the company's partnership with Carlson Rezidor Hotel in order to promote the business as well as future revenues of the company.
- Decrease the overall operational cost by 3% in 2015 by more capitalism

4.2 Apply approaches to business analysis and evaluate the evaluation and planning process appropriate to the organization and suggest the proposals for action

Forecasting is very important in order to deliver the services to customers when they required and expected & thereby achieve the goal of providing high quality service than the competitors in the industry. The main objective of the forecasting is matching the capacity with the demand in capability and quantity as well. The following approaches can be used for the business analysis, (Baum, Tom, Ram, 2000)

Quantitative methods

These methods get the historical information regarding the phenomenon & then organise those according to the mathematical rules.

Extrapolative techniques

These are related with the future predictions based upon historical or present trends needs a basic prerequisite there are several methods such as single moving average, auto regression, double exponential smoothing, classical decomposition, single exponential smoothing, etc.

Times series analysis this is only needed a data series & a computer spreadsheet programme.

Qualitative

These are referred as 'judgemental models' because the experts are organising the available historical information with the use of their past experience as well as expertise within the

hospitality industry & then they make judgments regarding the future scenarios other than using mathematical rules.

Delphi technique

In this method it is asking the opinions, attitudes & views of a panel of experts who have a better knowledge in the politics, sociology, economics, & climatology regarding the industry in future, then it is predicting the industry state in future as well.

According to the context the PPHE groups are mainly using the both quantitative and qualitative approaches as mentioned in the above for their business analysis and it has provided them to achieve their established goals and objectives successfully. But sometimes they got fail within the market according to their planning and evaluation errors. As an example they plan to enter into the Amsterdam luxury gateway city in year 2010, while evaluating the target audience 1 million, but are unable to achieve that goal as the forecasted operational expense was 8 million and the actual expense was about 15 million. Thus they had to face with huge loss with the forecasting and planning errors of the company. Because of that it can be suggested that the company should have to more improve its forecasting and planning, evaluation process than current position in order to prevent from these errors in the future as well. (Baum, Tom, Ram, 2000)

Conclusion

Ultimately it can be concluded that the PPHE group of the company's overall performance within the hospitality industry environment is considerably in a good state with comparing their key competitors as explained. Because of that the company is possible to get over EUR200m annual turnover and its current market capitalism is about 94 million, while efficiently & effectively utilizing its limited resources with maximization of their profits through the diversification of their asset portfolio and product portfolio successfully. Therefore the company is in a better position of achieving its targets within the hospitality industry by using appropriate techniques for the pricing, merchandising, and appraising as well as evaluating and planning under the influence of the sociological and economical factors while getting the advantage of the available market opportunities under some constraints in order to maximize the customer satisfaction by providing the best quality service within the market as well.

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