CUSTOMER PROFITABILITY ANALYSIS
IN A LOCAL FIVE STAR HOTEL:
A CASE STUDY

by

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Requirements for the award of the
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DEDICATED TO MY PARENTS
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Declaration of Authenticity

I, the undersigned, confirm that this dissertation is an original work done by myself as a result of my own research. Any work consulted during the course has been listed in the bibliography. Any conclusions, statements and suggestions are mine.

______________________________

Cherise Doriette Cuschieri

April 2010
Abstract

In today’s competitive environment, it is imperative that a hotel is able to identify those customers which tend to contribute a large amount of profit towards the business. Hotels invest in their customers to try and gain their loyalty, which results in engaging in repeated business with them.

The objective of the study is to identify the current approach towards customer profitability analysis adopted by the hotel, how customer relationships are handled and identify any areas where improvement is necessary. Costs are firstly analysed by departments, the undistributed operating expenses are then deducted to arrive at the gross operating profit, and overhead costs, which are not controllable by the hotel, are subtracted to arrive at the Net Profit.

The price set for each segment is determined after taking into account a number of factors, amongst which there is the targeted budget, the economy’s situation, competitor’s position, demand and supply. Each person in the sales department is responsible for communicating with clients of a specific market segment.

Indirect costs are allocated to their respective cost centre and are not apportioned to profit centres. The market determines the selling price therefore continuous research must be conducted to see what competitors are offering. Analysing customers’ feedback is vital to try and build long-term relationships with customers.

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List of Abbreviations

CPA: Customer Profitability Analysis

ABC: Activity-Based Costing

CRM: Customer Relationship Management

F&B: Food and Beverage

HOD: Head of Department

MHRA: Malta Hotels and Restaurants Association

MOD: Minor Operating Department

DMC: Destination Management Company

MICE: Meetings, Incentives, Conferences, Events

RFP: Request for Proposal

TO: Tour Operator

P&L: Profit and Loss
CHAPTER 1

INTRODUCTION
1.1 Customer Profitability Analysis

Customer profitability analysis involves the identification of revenues, costs and profits by individual customer or customer group. The assessment of costs incurred to support the sales to each market segment is the key to customer profit reporting.

Differences in profitability among customers could arise as a result of four major factors: differences in customer generated revenue, differences in customer service levels, differences in distribution channels, and differences in cost.

Knowledge of both profitability and responsiveness of customers can help a firm control its marketing efforts in a more profit-maximising manner. Many service companies invest considerable resources in marketing campaigns to attract new customers. By acknowledging characteristics of profitable customers, companies can direct their marketing efforts to specific segments that are most likely to yield profitable customers.

Service companies should distinguish the characteristics of newly acquired customers from the loyal ones. Due to the high cost involved in acquiring new customers and the time invested in establishing a relationship, initially, new customers may not be profitable. Companies should therefore forecast the variation of customers over time to calculate their total life-cycle profitability.
1.2 The Company

This dissertation will focus on how customers’ profitability is treated in a local five star Hotel, which for confidential purposes will be given the fictitious name of Mediterranean Paradise. All other names given are also fictitious.

This hotel forms part of a group of companies, Paradise Collection. The group has five-star hotels in various countries all over the world, but all have to report to the head office. Paradise Collection Hotels & Resorts is a joint venture between Paradise Investments to the extent of 70% and Deluxe Hotel Group to the extent of 30%.

Mediterranean Paradise is a five-star deluxe hotel which has been in operation since 1995 and is made up of 250 rooms varying from standard rooms, executive rooms to junior suites and ambassador suites. The hotel targets various customer segments, each having their own specifications. Costs are firstly analysed by departments; they are then distributed among the number of rooms sold based on the forecasted occupancy which is determined on past trends. The hotel follows standards which are set by Paradise Collection for the deluxe hotels.
1.3 Local Need for the Study

Firms today are competing in a liberalised and more competitive market, therefore customer profitability has become increasingly important. Businesses invest substantially in their customers to win their loyalty and retain them. The hotel faces strong competition by other five star hotels having similar standards and also located in the same area. Therefore the need for analysing customer profitability is essential for the long run profitability of the hotel, thereby aiming to retain the most profitable customers.

The hotel provides value to its customers, but its customers also provide value to the hotel. Customer perception is extremely important as if it is not positive, it will lead to negative advertising, and therefore there is the need to gain customer loyalty. It is imperative to determine how to manage customer relationships in order to increase customer satisfaction, therefore the hotel should be knowledgeable as to how various customers consume the company’s resources.

Analysing customer behaviour and applying strategies to transform unprofitable customer relationships into profitable ones is vital in order to improve the overall profitability of the company and make the most efficient use of limited resources.
1.4 Objective of the Study

Customer profitability analysis is suitable for businesses that have a diversified customer portfolio that triggers several customer-related costs which under traditional costing systems would be considered as period costs. This is true for the hotel industry, as the direct costs are small in comparison to the amount of costs incurred to service the customers.

The main aim of the study is to identify the current approach which the hotel adopts for profitability purposes and analyse the way it retains customer relationships, as well as to assist management in targeting specific sectors which prove to be more profitable than others by carrying out customer profitability analysis. This will lead to the retention of existing profitable customers and also increase the rate at which new profitable customers are added.

By combining both revenue and cost data, customer profitability analysis will provide management with the vital information regarding the customer base, which is essential in the long-term to be able to make well-informed decisions.

To better understand and satisfy present and future demands, and to increase customer satisfaction profitably, an analysis of the cost allocation and traceability is needed to direct managerial attention to areas of improvement which can lead to greater customer profits.
1.5 Structure of the Dissertation

This chapter incorporates background information about customer profitability analysis, some general information about the hotel being studied, highlights the need and objectives of the dissertation, and also the structure of the dissertation.

The second chapter takes a theoretical perspective of various authors with regards to customer profitability analysis, including the most recent findings.

The third chapter includes a clarification as to the research methodology chosen and evaluates the techniques used for collecting data and gathering information in the case study.

The fourth chapter comprises an analysis of how the hotel management accounts for costs, revenues, and how it deals with its customers; and also determines its most profitable customers. Limitations are also noted.

The fifth chapter consists of an analysis of the findings discovered and how customer profitability will assist management in making decisions. It also highlights the strengths and weaknesses of the current system adopted by the hotel.
Chapter 1

Introduction

The final chapter contains a summary of the study together with any conclusions and any recommendations.
2.1 The Concept of Customer Profitability

“Customer profitability analysis is the reporting and analysis of revenues earned from customers and the costs incurred to earn those revenues” (Horngren et al. 2005, p.501). Although matters are improving, there is still very little information available about the profitability of customers since management is still primarily focused on product profitability analysis for financial reporting purposes (Noone & Griffin 1997, p.76).

Companies continuously make distinctions among their customers by allocating more resources and providing more support to their regular and most profitable customers while reducing resources spent on customers who are less profitable. Managers can ensure that customers providing large contributions to the operating income of a company receive a level of attention which matches their contribution to the company’s profitability (Horngren et al. 2005, pg.501).

Wilson and Gilligan (2005, p.89) state that it is an approach to segmental analysis where marketing managers require information showing both the existing picture and future prospects if marketing effort is to be directed at customers or market segments with the greatest profit potential.

According to Drury (2004, p.1008), a company can be very successful in terms of market share, customer retention and acquisition, and customer satisfaction, but this may be achieved at the expense of customer
profitability. Apart from having satisfied customers, a company also wants profitable customers. Profitability should be analysed by different customer segments and unprofitable segments must be identified.

2.2 Need of Customer Profitability

Customers are essential to any business, but some of them are not always profitable. “Customer profitability should always be based on a thorough understanding of business processes so that it correctly represents the costs incurred to support different customers” (Selden & Colvin, 2003 cited in Horngren et al., 2005, p.505).

According to Howell and Soucy (1990, cited in Glaütier & Underdown, 2001, p. 596) “few companies have management information that provides managers with a clear understanding of which customers and markets are profitable”. Companies serve a wide range of customers with various demands and buying behaviour. Therefore it is important that companies be knowledgeable as to how different customers consume the companies’ resources. If the cost benefit of compiling the information is favourable, and the outcome of any subsequent strategic decision leads to income increases, then CPA is justifiable (Smith & Dikolli 1995, p.3).

Customers may have little influence in markets which are dominated by large business organisations, and it is difficult to see how things could be
adjusted, even if more information would be made available (Glautier & Underdown, 2001, p.13). Customers are interested in information indicating the fairness of pricing policies, such as the differential costs between one product or service and another.

2.3 Managing Customer Relationship

2.3.1 Understanding Customers’ Perceived Value

Through close contact and interaction with customers, a company’s sales and marketing organisation is usually in the best position to identify customers’ need and their perceived value for a product or service (Horngren et al. 2005, p.425).

2.3.2 Customer Relationship Management (CRM)

CRM integrates people and technology to enhance relationships with customers, partners, and distributors. Management accountants track the costs incurred in each value-chain category in order to manage costs in each category and improve efficiency. Cost information helps managers make cost-benefit tradeoffs (Horngren et al. 2005, p.5).
2.3.3 Relationship Marketing

Piercy (1999, cited in Wilson & Gilligan, 2005, p.210) recognises the need for relationship strategies based upon the principles of market segmentation and customers’ relationship-seeking characteristics:

“Relationship investment with profitable relationship seekers is good. Relationship investments with exploiters and transactional customers are a waste. The trick is going to be developing different marketing strategies to match different customer relationship needs.” (Wilson & Gilligan 2005, p. 210)

Exhibit 2.1: Customers and the nature of their relationship needs

Source: (Wilson and Gilligan 2005, p.211)
Although a link between customer satisfaction and customer loyalty seems obvious, there is little hard evidence to suggest that anything more than an indirect relationship exists. Instead, it is customer dissatisfaction that leads to customer disloyalty (Wilson and Gilligan 2005, p.210).

Newell (2003, cited in Wilson & Gilligan, 2005, p.211) suggests the need for a new balance of power that allows “the customer to tell us what she’s interested in, what kind of information she wants, what level of service she wants to receive, and how she wants us to communicate with her – where, when and how often” (Wilson & Gilligan 2005, p.211).

### 2.3.4 Competitor Analysis

According to Glautilus and Underdown (2001, p.596), both existing and potential competitors must be identified to do a competitive analysis. Customers critically assess the standards of service provided by competing hotel firms, and researchers and firms have confirmed that the customers’ approval of a firm’s quality of service has profit consequences (Zeithaml, 2000 cited in Lee et al., 2003, p.423).

Lee et al. (2003, p.423) state that the hospitality industry recognises that superior quality of service is one of the crucial factors within its control that can add value to its product and, subsequently lead to customer loyalty.
2.3.5 Customer Loyalty

It is imperative for hotels to tailor hotel services to the changing needs and lifestyles of customers (Min et al., 2002 cited in Lee et al., 2003, p.423) with a view to increasing customer loyalty and retention.

Gremler and Brown (1997, cited in Lee et al., 2003, p.425) argue that customer satisfaction and service quality are prerequisites of loyalty. Although it plays a role in maintaining customer loyalty, competitive pricing alone is unlikely to generate loyalty in the long-term (Schultz & Bailey, 2000; Scott, 2001, cited Lee et al., 2003, p.424), and can have an adverse effect on a firm's medium-term and long-term viability (Ernst & Young, 1996 cited in Lee et al., 2003, p.424).

Hotel image is believed to play an important role on a customer’s decision to use a hotel. Corporate image is mainly derived from customers’ past experiences (Kandampully & Suhartanto, 2000 cited in Kandampully & Hu 2007, p.440). It is important for hospitality firms to gain higher customer satisfaction by managing service encounters, thus gaining customer loyalty. Perceived service quality and customer satisfaction form an important part of a customer's repurchasing decision process (Kandampully & Hu 2007, p.439).

Ensuring that existing customers are retained in their targeted segments is one method of maintaining or increasing market share. As stated by Drury
(2004, p.1007), customer retention can be measured in terms of the average duration of a customer relationship. Surveying defecting customers to ascertain where they have taken their business and why they left can provide valuable feedback on the effectiveness of the firm’s strategy.

The long-term benefits of a loyal customer-supplier relationship can be significant to any hospitality firm, as the “return on relationship” reflects directly on the firm’s long-term financial outcome (Gummesson, 1999 cited in Lee et al., 2003, p.424).

### 2.4 Implementation of Customer Profitability Analysis (CPA)

The implementation of CPA can be achieved by a series of steps which are:

1. Define clearly the customer groups and market segments so as to distinguish customers’ needs of different groups.
2. For each customer group or market segment, identify the factors which cause variations in the costs of servicing those customers.
3. Analyse the ways in which servicing costs are differentiated between customer groups.
4. Clearly identify the resources used to support each customer group or segment.
5. Determine ways in which the costs of resources can be attributed to customer groups.
6. Relate revenues and costs to each customer group, with profit emerging as the difference.


The total cost for a given customer is a measure of the effort which has been allocated to that group, while profit is a measure of the return from that effort.

Increasing attention is being given to analysing profits by customers using an activity-based costing (ABC) approach (Van Raaij 2005, p.373). Customer profitability analysis provides important information which is used to determine which classes of customers should be emphasised or not and the price to be charged for customer services. ABC is required for customer profitability analysis to have an accurate measure of the resources consumed by customers (Drury 2008, p.260).

2.5 Cost Allocation

Horngren et al. (2008, p. 539) state that customer profitability does not only depend on the gross margin of the products or services purchased. It also depends on the costs incurred to fulfil customers’ orders and to provide other customer services such as order changes, returns, and expedited scheduling or delivery.
Managers must understand how different customers consume costs and resources, as otherwise organisations cannot successfully calculate customer profitability. Cost allocation provides information needed for both strategic and operating decisions. In customer profitability analysis, the customer, rather than the product, is the cost object and revenues and costs are assigned to each customer.

### 2.5.1 Comparing Activity-Based and Traditional Costing

Horngren et al. (2008, p.151) state that one important difference between traditional and activity-based costing (ABC) systems is the extent of allocation across the value chain. Traditional systems generally assign only production costs to the products and often focus on simply measuring such inventory value. ABC systems focus on the costs that are important to decision makers and often expand cost allocation beyond production to processes. ABC systems are more complex but promise more accurate costs which are more useful for decision making.

ABC also causes managers to look closely at the relationships among resources, activities, and cost objects. ABC systems make use of the concept of a cost hierarchy to identify the cost drivers that best demonstrate the cause-and-effect relationship between each activity and the costs in the related cost pool (Horngren et al. 2005, p.146).
When designing and implementing their cost allocation, companies must weigh the costs and benefits. For each cost-allocation base, a cost rate per unit is calculated. Indirect costs are allocated to products on the basis of the total quantity of the cost-allocation base for each activity used by the product (Ibid. 2005, p.146). Traditional systems do not generate this cost information, while ABC systems do. The latter can also promote better operating efficiency in addition to providing better costing activity.

2.5.2 Identifying Resources, Activities, Costs, and Cost Drivers

According to Horngren et al. (2008, p. 47), a traditional view of how costs behave focuses on how the amount of units produced affects costs. However, in order to help control costs on a daily basis, managers have an activity-based view of cost behaviour as they look at how each activity needed for production affects costs. Both views require the identification of cost-drivers, outputs of resources or outputs of activities which require the use of resources and thereby cause costs.
Exhibit 2.2: Traditional and Activity-Based Views of Cost Behaviours

Source: Horngren et al. (2008, p.47)

2.5.3 Direct and Indirect Cost Allocation

Accountants can identify direct costs which relate exclusively to a particular cost object in an economically feasible way. On the contrary, assigning indirect costs to cost objects is a challenging task as decision makers who ignore indirect costs or receive inaccurate measures of such costs, often tend to make poor decisions. Some form of ABC should be used in order to
assign the more indirect costs to customers since it would be more accurate and appropriate.

Decision makers have to be careful in using allocated indirect costs. When the allocation base measures how much cost is caused by the cost objects, allocated costs will be relevant for many decisions, whilst allocated costs are irrelevant for many decisions when the allocation is not related to the cause of the costs (Horngren et al. 2008, p. 140).

Exhibit 2.3: Assignment of Direct and Indirect Costs

Source: Horngren et al. (2008, p.142)
2.5.4 Service Organisations

In service organisations, the emphasis on the composition of costs is significantly different from that in manufacturing organisations as labour comprises a much greater proportion of cost in the former than in the latter and material costs are greater in manufacturing than in service organisations (Glautier & Underdown, 2001, p.394). Also, it is much more difficult to identify the cost with the delivered service. Fewer costs can be directly identified with a service; therefore more will be classified as overheads.

2.5.5 ABC and Service Industries

ABC was primarily put forward as a manufacturing costing technique. In fact most management accounting techniques are still taught in the context of the manufacturing process, despite the growth in services and its increasing importance in terms of its contribution to economic prosperity (Noone & Griffin 1997, p.78).

Most of the changes in manufacturing which led to the introduction to ABC are similarly applicable to services. Cooper notes that the introduction of ABC was a response to inaccuracies in traditional product costing techniques which are also attributable to services, with the exception that labour is essential in many service organisations. A cost unit is harder to identify in the hotel industry since it is a service.
There are fundamental differences between manufacturing and service organisations. The service sector is less homogenous than the manufacturing sector. Manufacturing companies tend to perform many of the same types of activities in similar ways, while there is little similarity between the activities of various service sectors. Since output in the service sector is less tangible, it is harder to define, thus making costing more difficult (Glautier & Underdown, 2001, p. 392).

### 2.5.6 Activity-Based Costing, Customer Profitability Analysis and the Hotel Industry

Noone and Griffin (1997, p.78) state that the concept of ABC and its potential application in CPA for hotels has received little exposure in hospitality-related literature, with the exception of work published by Dunn and Brooks. If the preliminary revenue information required by CPA is accommodation specific, further revenue analysis is required incorporating customer spend in other revenue generating areas, principally food and beverage. This data relating to the additional spending of hotel guests should be accessible from the hotel property management system.

CPA will also require management to analyse costs and match them with the relevant customer groups. The benefits of ABC extend beyond its role in cost assignment. The ABC process will provide hotel managers with valuable information concerning the activities taking place in the organisation. They will then be in a position to evaluate each activity in order
to determine if it adds value. If not, management can eliminate that activity, thereby reducing costs without a decrease in quality or customer satisfaction (Ibid. 1997, p.79).

It was established in two unpublished studies by Aquilina et al., and Grech et al., that a hotel is divided into either profit or cost centres. The former includes Accommodation, Food and Beverage (F&B), and Other Services, with the latter contains Administration, Marketing, Water and Electricity and Maintenance.

From a study conducted by Alexander Tanti (2007), overheads in local hotels are not apportioned using a traditional or ABC system. Overheads are allocated to their respective cost centre but there is no attempt to apportion them again to profit centres. The most common cost units are number of customer nights and rooms sold. Even though the system used to allocate overheads is simple, the study shows that hotels are more sophisticated with respect to cost unit identification and use.

### 2.6 Uses of Customer Profitability Analysis

Companies, nowadays, make use of advanced CRM systems, which compute customer profitability figures on the basis of sales and service data. As stated by Van Raaij (2005, p.373), the general process of CPA must be reviewed, so that the accuracy of computed CPA figures can be evaluated.
2.6.1 Managing Costs and Revenues

Customer profitability data manages revenues from individual customers and costs to be incurred to secure those revenues. Without the allocation of marketing, sales, and service costs to individual customers, all revenue from customers may seem good revenue, and it is difficult to justify investments in marketing, sales and service to secure those revenues. Van Raaij (2005, p.373) argues that CPA enables managers to calculate the marketing expenditure per customer in line with current revenues per customer and with future revenue potential.

2.6.2 Managing Risk

CPA also provides information about the vulnerability of future cash flows from customers. A profitability distribution curve contains information about levels of dependency and subsidisation within the customer base. The extent to which profits generated by profitable customers subsidise losses generated by other customers is referred to as subsidisation. Dependency refers to the extent to which profitability depends on a small proportion of customers (Van Raaij 2005, p.377).
2.6.3 Strategic Positioning

Customer profitability data is also used for segmentation, targeting and positioning. Based on profitability data, customers can be classified into profitable, break-even, and unprofitable customers (Van Raaij 2005, p.379).

Organisations can target more customers resembling those in the most profitable segments. The assumption is that managers have a good understanding of what makes these customers more profitable than others. Customers similar to those in the least profitable segments can be avoided, or at least customer acquisition investments in those segments can be reduced. Apart from current profitability, factors such as segment size, segment growth, competitive intensity, and the fit with company objectives and capabilities should also be taken into account for segment attractiveness (Ibid. 2005, p.379).

Organisations can use profitability data to develop different value proportions for different segments. CPA provides deep insights into the costs associated with various service levels.

2.6.4 Pareto Analysis

Drury (2008, p.261) states that CPA can also be used to rank customers by order of profitability based on the Pareto Analysis, where a very small proportion of items usually account for the majority of the value.
Relationships with the most profitable customers are enhanced through special attention to ensure they do not migrate to competitors. Also, more emphasis can be given to attract new customers having the same attributes as the most profitable ones.

The information produced by the CPA process is a valuable reward for all the efforts. CPA yields aggregate and individual figures, which together provide novel insights on costs, revenues, risk and strategic positioning. CPA figures provide a clear picture how buying and supplier behaviour compare with revenues and sales margins at the level of individual customers (Van Raaij 2005, p.374).

### 2.7 Terminating Profitable Relationships

Managers should be extremely cautious when deciding to discontinue business with customers, especially as not all costs assigned to the customer are variable in the short run. Terminating customer relationships will not totally eliminate the costs assigned to that customer in the short run (Horngren et al. 2005, p.508).

According to Smith and Dikolli (2005, p.6), through CPA management will at least be armed with information about unprofitable customers and can focus attention on developing innovations which might reduce the lack of profits from particular customers, without reducing customers’ satisfaction.
2.8 Limitations of Customer Profitability Analysis

CPA is based on a cost model, which can have varying degrees of sophistication. Assumptions and decisions are built-in within the cost model, with regard to how fixed and variable costs are assigned to activities, and subsequently, to customers. Users of CPA outcomes must be aware of how the cost model is constructed (Van Raaij 2005, p.381). CPA analyses past performance and should be used with an appropriate level of caution, so as not to focus only on past information.

2.9 Conclusion

“CPA is a potent tool for marketing intelligence gatherers and strategic planners to understand how profitability is distributed within the customer base.” (Van Raaij 2005, p.380) The hospitality industry evolved into a global industry; for many people, hospitality services have become an integral component of business and social life, therefore hotel managers must incorporate services which customers demand.

The traditional core offerings of a hotel represent only a small part of the package of experience that customers search for. In order to ensure their firm's future survival, hotel managers need to consider enhancing services, thus resulting in customer loyalty (Lee et al. 2003, p.430).
Shareholder value is created through cash flows from customers. CPA uncovers where these cash flows are generated. “CPA provides a more reliable basis for decisions about service level agreement, investments in customer relationships, and strategic targeting and positioning” (Van Raaij 2005, p.380).

In today’s business environment, in order for a company to perform well, it must have enough information about its customers’ costs and revenues in order to conduct profitability and understand the different profitability levels. Efforts should then be made to try and improve the client revenue by using appropriate marketing strategies to the various customer segments.
CHAPTER 3

RESEARCH METHODOLOGY
3.1 Scope and Type of Research

"The ultimate aim of qualitative research is to offer a perspective of a situation and provide well-written research reports that reflect the researcher’s ability to illustrate or describe the corresponding phenomenon. One of the greatest strengths of the qualitative approach is the richness and depth of explorations and descriptions." (Myers, 2002)

Qualitative research was used for the study to be able to gain insight and information to the behaviour and value systems of the hotel. This study is a qualitative case study and involves empirical investigation of a local company within a real-life context. The work incorporates a single case study which is embedded as it aims to analyse customer profitability analysis within the hotel. According to Robert Yin (2003), qualitative data is represented by perceptual and attitudinal dimensions and real-life events, and it is not data which can be readily converted to numerical value.

Hancock (1998) stated that information can only be loosely measured: the main issues can be identified but not specifically measured. Data cannot be statistically analysed and data collection tools are more loosely structured, which tend to be more time consuming. With respect to the analysis of data, according to Kumar (2005), qualitative research subjects responses, narratives or observation data to identification of themes and then describes these.
Qualitative research was used for the study to be able to gain insight and information to the behaviour and value systems of the hotel. In this case, it was ideal as the data required for the evaluation was not readily available for everyone; therefore primary sources of data were used.

### 3.2 Interviews

Qualitative interviewing involves a less structured approach as it allows the interviewer to probe further and clarify questions, thus having the ability of exploring topics in greater depth. It provides flexibility to explore unexpected ideas raised by interviewees. The interviews conducted were semi-structured with a set of open-ended questions developed in such a way as to cover the subject in question.

Face-to-face interviews were carried out with the financial controller to better understand the way in which costs and revenues are split amongst the various customer segments, the revenue manager and persons from the sales department to identify characteristics of different customers. The interview questions set are found in Appendix 1, while the covering letter requesting the interviewees to carry out the interview is shown in Appendix 2.

The purpose of interviewing was to acquire information on how revenues, costs and profits are identified according to individual customers or customer
group. An insight on how hotel management deals with its customers was also gathered. Interviews were ideal and preferable to other methods of data collection as they allow the interviewer to further explain any queries which could lead to misconceptions.

3.3 Research Design

“A case study is an empirical enquiry that investigates a contemporary phenomenon within its real life context, especially when the boundaries between phenomenon and context are not clearly evident”. (Yin, 2003)

Case studies may be conducted through the collection and analysis of empirical data, and where findings and conclusions may be derived from such data. The case study research is placed within the framework of the scientific method: hypothesis is developed, empirical data is collected, and conclusions are developed based on such data.

One of the essential strategies in order to complete a successful case study is the reliance on theoretical concepts to be able to guide the design and data collection of such case study.

Yin (2003) stated that making use of multiple sources strengthens case studies. Documentation, archival records, interviews, direct observation, and physical artifacts can all be used as evidence. Case study data is less prone
to any irregularities which might derive from any single source, when findings, interpretations, and conclusions are based on such multiple sources.

A case study has to be significant; it must be of general public interest. Completeness of the case study must be present, therefore the case limitations must be given attention. Alternative perspectives have to be considered. The case study must be able to display sufficient evidence and be composed in an engaging manner.

This research was carried out by means of a case study in order to conduct an in-depth investigation of the organisation. A single-case study has been done due to time constraints and limitations. Once the descriptive information was collected, it was analysed in order to reach a conclusion from the information gathered. The evidence was collected to become familiar with how the system works at the hotel; it was then understood and evaluated.

### 3.4 Sources of Information

In collecting data, primary sources were used, mainly interviews held with the finance director. Attention was also given to original materials such as management accounting data and other company records, in order to understands the break-down of the various hotel costs and revenues. These
are sources which are original and have not been manipulated and commented upon.

Information for the literature review was collected from various textbooks found at the University of Malta library and elsewhere, past dissertations, internet sources and journal articles.

3.5 Period of Study

This study was researched between October 2009 and March 2010. Through a combination of knowledge acquired from various sources, I was able to gain an understanding of the company practices, and also suggest areas of possible improvements.
CHAPTER 4

FINDINGS
Management accounts are the tools given to management after the event to brief management on the financial position of the company.

4.1 Costs

The primary source of revenue for a hotel is generally attributed to the rental of various rooms to guests. Room revenue differs according to the segment in which the respective guest falls under, as some rates are negotiated through a contract; and also on the type of room clients select.

Profit centres include:

- Rooms department
- Food and Beverage (F&B)
- Spa
- Minor operating departments (MODs)

Costs which are directly attributable to a specific profit centre are accounted for in the department they are incurred to. The three main departments are Rooms, F&B and Spa: those which contribute to the greatest amount of revenue. Each department has a number of sub-departments. Such costs are specifically allocated to the respective department from which revenue is being generated.
Costs related to Room revenue are made up of payroll and other expenses. The payroll consists of that of several departments, those being of manager’s office, front office, concierge, housekeeping, public area and reservations. Apart from the payroll, other expenses are certain overheads which are deducted from the Room revenue.

With regards to overheads, at budget stage the fixed element is established, then an allocation is taken depending on the actual number of employees in each department. The total rooms profit is then calculated.

F&B revenue is made up of revenue from the various sub-departments, which include the hotel outlets, Conference and Events, Events Catering Room Service and the Kitchen Department. Some of the outlets are seasonal and operate only during the Summer months since they are situated in the open air. F&B revenue includes all sales for consumption by customers. For each sub-department, the respective cost of sales, payroll, as well as the general overheads calculated at budgeted stage, are deducted from the revenue to arrive at the departmental net profit or loss.

Cost of food sales includes the cost of food served to guests in all segments of food revenue. The same applies for cost of beverage sales. Spoilage, waste, and spillage are included in the cost of food sales and are not charged to other expenses.
The Spa revenue consists of membership fees, packages, beauty treatments, retail products and fees from the gymnasium. Costs directly related to the spa are the cost of sales, payroll and the general distributed overheads. Deducting these from the revenue leads to the net profit or loss.

Payroll and related expenses for each department comprise the expenses associated with salaries, wages, and bonuses and payroll-related expenses for employees of each respective department.

There are also minor operating departments (MODs) which include:

- Telecommunications
- Satellite/Cable TV/Internet
- Guest laundry
- Rental and other income
  - Shop rents receivable
  - Foreign exchange transactions
  - No shows/cancellation charges
  - Other income

Telephone revenue has decreased nowadays due to people making more use of personal mobile phones and communicating through internet.

There is revenue from Internet and pay-TV in the rooms, however due to the fact that it is a five-star hotel, clients nowadays expect internet and Wi-Fi to be free of charge. Internet and pay-TV is available free of charge in the
fourth and fifth floors and all suites free, whilst Wi-Fi is free in the lobby area; otherwise internet and pay-TV in all other rooms are available at a charge.

In the case of laundry services, the hotel acts upon guests’ request whereby the laundry is sent, either using the normal service or express service, to a local laundry service store.

Any adjustments or discounts given are deducted from the respective revenue area and the total cost of sales incurred is affected. The revenue received from the rental and other income section is added to the total gross profit.

Rental and other income section includes the following sub-departments:

1. Concession income is income deriving from shops leased to third parties such as the salon services and jewellery shop. Previously, there was also the gift shop.

2. Profit on exchange of foreign currency, which has decreased nowadays due to the introduction of the Euro; however it is still possible to exchange other currencies.

3. Cancellation and no-show charge income which does not fall under room revenue in order not to artificially top up the average room rate.

A cancellation charge occurs when a guest cancels the pre-booked
reservation within less than 24 hours prior to the arrival date. A no-show charge is when the guest does not show up at all; this is mainly common in the case of groups, and it will be stipulated in the contract.

To arrive at the gross profit of each sub-department, the cost of sales is deducted from the revenue of each respective sub-department, except in the case of rental and other income, which does not have any costs of sales.

The above costs are directly attributable to the profit centre to which they are incurred to. There are other costs which are common to the hotel operation a whole, known as undistributed expenses, which are divided into various cost centres.

Costs centres include:

- Finance & Administration
- Sales & Marketing
- Maintenance

In order to achieve uniformity in the costing system, it is not appropriate to allocate these types of expenses to specific departments. These costs are within the control of the hotel. They are fixed costs specific to the hotel which present a problem in identifying an appropriate apportionment. The undistributed operating expenses are separated into:
- Administrative and General (payroll & expenses)
- Marketing and Sales (payroll & expenses)
- Water and Energy costs
- Repairs and maintenance payroll
- Maintenance expenses

Gross operating profit is calculated by subtracting total undistributed expenses from the total departmental income.

Apart from these, there are other overhead costs, over which the hotel has no control over such as:

- Depreciation
- Interest
- Overhead expenses which are not attributable to the profit centres and which are not considered as undistributed expenses

These are not apportioned but are deducted as a whole from the gross operating profit. Such expenses are not controlled by the hotel. The hotel is only responsible for overheads up to the gross operating profit.

Overhead expenses arrived at after the gross operating profit, are mainly made up of fees which are payable to the head office, fees relating to directors, owners, and other extraordinary expenses. These vary from one
five-star hotel to another. Deducting these expenses leads to the net profit before taxes.

**Table 4.1: The front page of Management Accounts**

<table>
<thead>
<tr>
<th>Category</th>
<th>Actual</th>
<th>Budget</th>
<th>Variances A. vs B. Last Year</th>
<th>Variances A. vs B.</th>
<th>Last Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€</td>
<td>%</td>
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<td></td>
<td>€</td>
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<tr>
<td>Rooms Revenue</td>
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<tr>
<td>Payroll</td>
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<tr>
<td>Other Expenses</td>
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<tr>
<td>Departmental Income</td>
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</tr>
<tr>
<td>Food and Beverage Revenue</td>
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<tr>
<td>Cost of Sales</td>
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<tr>
<td>Gross Profit on Sales</td>
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<tr>
<td>Payroll</td>
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<tr>
<td>Other Expenses</td>
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<tr>
<td>Departmental Income</td>
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<tr>
<td>Beauty &amp; Wellness Spa Revenue</td>
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<td></td>
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<tr>
<td>Cost of Sales</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Gross Profit on Sales</td>
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<tr>
<td>Payroll</td>
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<tr>
<td>Other Expenses</td>
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<tr>
<td>Departmental Income</td>
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<tr>
<td>Other Operating Departments Revenue</td>
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<td>Other Expenses</td>
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<tr>
<td>Departmental Income</td>
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<td></td>
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<tr>
<td>Administrative &amp; General Payroll</td>
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<td></td>
<td></td>
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<tr>
<td>Administrative &amp; General Other Expenses</td>
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<tr>
<td>Sales &amp; Marketing Payroll</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Sales &amp; Marketing Other Expenses</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy Costs</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repairs &amp; Maintenance Payroll</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Maintenance Expenses</td>
<td></td>
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</tr>
<tr>
<td>Total Undistributed Expenses</td>
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<td></td>
</tr>
<tr>
<td>Gross Operating Profit/(Loss)</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overhead Expenses</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Net Profit before Taxes</td>
<td></td>
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</tbody>
</table>
Some of the expenses are direct expenses, while others are classified as indirect. Cost of sales is a direct expense as it is incurred only if revenue is generated. Some expenses can easily be classified as direct while others, like payroll, have to be split between direct and indirect. With or without revenue, certain expenses cannot be avoided, such as 24-hour front office coverage. Anything over and above that minimum requirement can be considered as direct.

Laundry can be considered a direct cost as the hotel has to change the linen only if there are hotel guests in the room, Guest supplies such as amenities placed in the room are a direct expense.

When it comes to the number of rooms, the minimum cost per room is established in order to determine the lowest rate that it can go for.
Chapter 4

Findings

Table 4.2: Minimum cost required per room

<table>
<thead>
<tr>
<th>Nature of expenses</th>
<th>€</th>
</tr>
</thead>
<tbody>
<tr>
<td>Laundry cost per room occupied</td>
<td>3.42</td>
</tr>
<tr>
<td>Cleaning supplies per room occupied</td>
<td>0.25</td>
</tr>
<tr>
<td>Guest supplies per room occupied</td>
<td>0.72</td>
</tr>
<tr>
<td>Consumables per room occupied</td>
<td>0.25</td>
</tr>
<tr>
<td>Printing &amp; Stationery per room occupied</td>
<td>0.55</td>
</tr>
<tr>
<td>Floral supplies per room occupied</td>
<td>0.19</td>
</tr>
<tr>
<td>Melita Cable &amp; Internet per room occupied</td>
<td>0.24</td>
</tr>
<tr>
<td>Licence per room occupied</td>
<td>1.33</td>
</tr>
<tr>
<td>Guest Transportation</td>
<td>0.22</td>
</tr>
<tr>
<td>Tea &amp; Coffee making facilities</td>
<td>0.04</td>
</tr>
<tr>
<td>Commission per room occupied</td>
<td>2.73</td>
</tr>
<tr>
<td>Housekeeping payroll cost per room occupied (including supervision &amp; public area)</td>
<td>partly fixed/variable 9.46</td>
</tr>
</tbody>
</table>

Rooms on the book are the future rooms forecasted. Revenue forecasts for every segment are prepared by the yield manager on a quarterly basis and are provided to the financial controller. The management accounts are done depending on the amounts given.

The financial controller meets the other head of departments (HODs) and communicates the budget to them so that they are able to control their respective department’s expenses. The Grand Prix amount is always used, as costs are calculated depending on that amount. The Grand Prix amount is an estimate which changes continuously as the month draws closer and commences. The initial estimates could have been either over or under-optimistic. A copy of the rooms on the book is shown in Appendix 3.
4.2 Pricing

The various hotel customers are split into segments which are:

- Rack
- Corporate
- Meetings, Incentives, Conferences & Events (MICE)
- Leisure
- Groups
- Tour Operator (TO)
- Airlines
- Others

Management looks at the room nights occupied in the past years on a monthly basis per segment, and looking backwards, they get an idea of the potential which could be generated. Once customers are split by market segment, it would be possible to determine the potential of growth for that particular segment by looking at past trends. The room nights, room revenue and average room rate are forecasted for each year depending partly on those of previous years and on any other current factors which influence them. In Appendix 4 there is an example of such forecasted rates for 2010.

Business with tour operators (TOs) is done by a contract, and if every year the growth in the number of room nights is usually not more than a certain percentage, it doesn’t make sense to negotiate a rate with a growth rate higher than that percentage. In the current situation, where the tourism industry is depressed, tour operators do their best to offer the same package and with similar prices.
The number of rooms expected to be occupied in any period and the actual rate itself are also affected by the challenges the hotel is faces during that particular period. The budget is calculated on the forecasted rates but also depends on the budget of the respective client. A huge challenge is clients’ limited budget and the fact that supply is much higher than the demand for the service of a hotel.

The total room revenue budget is given to the sales personnel for them to be able to work with it. There are circumstances where the sales and marketing department would be receiving requests for future years. In such cases, the current average room rate is taken and then altered depending on the expected percentage growth.

In the case of F&B, the price varies according to seasonality and the menus themselves dictate the prices. Competitors are identified and information is gathered about features in their menus, in order to try and provide clients with similar menus with slightly lower prices, where possible.

While working the budget process, there are other parameters which are taken into consideration, such as inflation rate, rate of exchange, and VAT rate. Management tries to forecast what the yearly inflation rate would be. In order to calculate the 2010 one, the actual for 2008 was taken, then at around September 2008, the forecasted rate for 2009 and 2010 were calculated. Obviously these would be amended depending on any changes encountered and would be re-proposed. Likewise if VAT relating to the hotel
industry will change, then it will definitely affect the pricing. These three factors are taken into consideration before starting to work on the actual price.

For certain decisions direct costs are taken into consideration, while others also include the indirect costs. For instance, having a maid cleaning a room is a cost specific to the room, likewise the linen. When considering electricity, for instance, the likelihood is that it would be switched on in that wing, whether the room is occupied or not. If the hotel does not have a large amount of business to cover the fixed costs, it would be priced to try and mainly cover the fixed element.

With most business providers, besides establishing the rate per season, there are also commission contracts which are an incentive to the business provider to do business with the hotel.

Two factors incentivising business providers to do business with the hotel:

- Rate contracted to hotel at contract stage
- Commission contract which can be more beneficial than other contracts offered by other hotels.

The detailed profit and loss (P&L) forecast or budget is presented in comparison to previous years. In the first year, more detail is given as the P&L is split on a monthly basis, while amounts for previous years are presented on a yearly basis.
The same applies for projections; a lot of detail is provided for the first year as figures are given on a monthly basis, while the yearly totals are taken for the remaining years.

4.3 Customer Profitability

The primary objectives of the hotel vary according to the scenario the hotel is working in. Currently, it is the listing of the parent company on an International Stock Exchange. Maximisation of profit is therefore an important objective and a lot of decisions being taken are based on profit. However, one needs to establish a balance between profitability, employee satisfaction, clients’ satisfaction.

The hotel does not assess the profitability of business clients by asking for copies of financial statements as a guarantee. If a client would like to do business with the hotel, he has to apply for a credit rating. This is checked and a copy of the black list clients which are not to be accepted is issued to all cashiers.

A black list is circulated all throughout Paradise Collection Hotels. Also, if MHRA gets to know of a client who proved to be a bad debt, they circulate it to the various member hotels so that they are aware and will not accept such a client.
The hotel management tries as much as possible to sell the various hotel outlets to clients. In the case of having groups in the hotel, sales personnel try and sell an outlet to the group.

Some business providers have, in their structure, a Destination Management Company (DMC), such as MI Malta, Events travel, Colours of Malta, etc. These have a number of contacts outside Malta. If a large company outside Malta would like to hold a conference in Malta, they contact a DMC in Malta and he would organise the event. The DMC would be like a middle man. Sometimes sales personnel have mutual contracts; a company does business with the hotel, but if the hotel needs to purchase some items which such company sells, then the hotel would buy from that company.

When Meetings, Incentives, Conferences and Events (MICE) business was at its peak, most DMCs were complaining that the hotel did not have high class restaurants, so that led to the opening of a high class restaurant, where a lot of money was invested in order to please such clients and be able to keep the business within the hotel itself. An explanation of what the MICE segment incorporates is provided in Appendix 5.

From the employee survey, the hotel receives feedback and suggestions from employees. UniFocus reports are the sources received from the client on whether he considers his holiday or business trip as value for money. An explanation on UniFocus is found in Appendix 6. The key element is profit...
but then one needs to balance between the three key pillars: profitability, employee satisfaction and clients’ satisfaction.

Customers’ feedback is very much appreciated and it is that which lately led to the hotel to undertake certain capital commitment such as enhancing the executive club, taking back the restaurant from the concession to have a fine dining restaurant of its own and introducing family rooms. The rooms’ configuration structure has changed as guests were requesting family rooms as previously they had to make use of two rooms as no more than three beds can fit in a standard room.

Recommendations come both from the final client who stays in the room and from the DMC. Group organisers also have a form of questionnaire which they have to fill in once they have organised an event at the hotel in order to give feedback on their stay and any suggestions they might have.

The way the sales department is divided, everyone in it has his own market segmentation; from the beginning of the relationship with the client, there is always the same reference point. If a client or an agent would like to ask for a quotation, he would deal with the same sales team member and if he has any enquires, he would contact that person. There is a relationship with the same person, whereby that sales team member would focus his/her attention on the needs of the particular client in the segment. The respective sales managers can be experts in their particular segment and they focus on
it, therefore customer attention is divided, resulting in an advantage as various customers receive individual attention and care.

### 4.3.1 Groups and Tour Operators

Sales team members are provided with a budget which they have to adhere to as much as possible. The tour operator (TO) rate is then established. When a request for a group for a certain date is received, if it is possible to provide a better rate than that established, then such a rate must be provided to the requestor.

Rates are provided by the revenue manager and leisure sales manager and are then discussed among the sales team. Every sector has its own budget to reach. Groups contact the sales department with different requests. In Malta, DMCs are all given the same rate, while if the client asks for rates directly, a higher rate is offered.

The TO abroad sends requests to DMCs in Malta, who send it to hotels. When the request comes directly from a client, there is no commission, while when it comes from a travel agent, a percentage commission is offered. The hotel provides a quotation to the local agent, who sends it to the tour operator abroad and is delivered to the client.

Groups ask for quotations and remain in contact with the sales department. Should the group confirm, the business is closed. A contract is issued, with
conditions regarding deposit and cancellation, between the hotel and the travel agent, which is then sent abroad. When a signature is received for deposit, it is sent back signed to the hotel and a 25% deposit is required to confirm the booking, 50% one month before the group arrives, while the rest within 30 days upon invoice. These are the normal conditions, however, more often than not; they tend to be more flexible.

If any special offers are issued, they are sent to the groups’ agents. TOs distinguish between themselves as there are some which operate in various countries, while others are smaller, therefore different contracts are issued.

4.3.2 Corporate and MICE Clients

The hotel deals with every single company registered in Malta or which does business through Malta. Corporate clients have a corporate rate agreement and such rates are negotiated according to the established relationship, production of rooms nights and time of year, depending on budget. January to March is considered as cheap, April to June is slightly more expensive, July to October are the peak months, while November to December are quiet once again. On a year-to-year basis, the hotel aims for an increase however it is not always possible, depending on various factors.

The rate must be compared with other rates; for instance added value such as pressing and/or free internet in the room, could be given to make the package more attractive and try to gain an advantage over competitors. It is
the responsibility of the sales team members to follow up their clients. Each sales call is input in the database. If there are clients who are not doing business with the hotel as regularly as they used to, it is up to the sales team members to call them and see if things are doing well.

Corporate sales members provide hotel services to individual business travellers or small corporate groups (up to ten rooms) who request a meeting space. However, if corporate clients book more than ten rooms without a conference room, then they would still be looked after by the corporate sales people.

If clients request more than ten rooms together with a meeting space, then the MICE sales people will take care of them. MICE sales people cater for the accommodation of individual business travellers or corporate groups, requesting a conference room.

Request for proposal (RFP) is a system operated by Paradise, where hotels bid on an international scale. When companies would like to negotiate groups with a specific market, they select the best bid and will consider it as the best negotiated room. They might have a number of best negotiated hotels in the same market. Clients might be offered added value in their package, such as free internet or a late check-out free of charge.
4.3.3 Clients’ Attention

Clients are all given equal importance; the guest relations manager tries to speak to as many clients as possible during their stay to be able to make their stay a pleasant one. The hotel management last year introduced ‘the guest of the day’ whereby a client is selected daily to be the guest of the day and is given a free upgrade to a higher quality room and will also be entitled to certain facilities. Obviously, whenever a client with a potential of spending is identified, hotel management does its utmost to pamper such a client in order to try and increase the revenue of the hotel.

When a group makes a request, it will not necessarily result in negotiation. A track of how many requests were sent to clients is kept and a percentage is taken, on a monthly basis, to try and get an idea of how many of them will confirm and result in business coming in. This is called a customer conversion rate; the amount of quotations which will result in actual business.

The sales department has introduced a Corporate Incentive Programme which is a customer relationship scheme whereby a corporate client booker receives Hotel vouchers which can be exchanged for the hotel services, including any hotel outlets. Corporate bookers make use of these vouchers instead of cash. They are earned through the business a corporate client booker provides to the hotel. It is a scheme, an added value, provided by the
hotel providers to the agents, depending on the business generated the previous month.

The incentive program statement is mailed to clients on a monthly basis together with any promotions. For instance in the February, the Easter menu and special offers offered at the Spa have been mailed. Clients receive hotel vouchers which are available for them to exchange for hotel services as well as any promotions.

The management accounting system allows the accounts department to determine the average rate and turnover of the market segment. When the market segment is analysed, the bulk of the revenue is generated by MICE business, provided that the hotel is working under a normal scenario where MICE business is operating. In the current period, this does not apply as such business is very low, especially during the Winter months.

Depending on the analysis required, there are various ways on how to compute it, mainly by market segment. When it comes to money terms’ analysis, revenue is analysed by department. ‘By nationality’ and ‘by country’ analyses are mostly used when comparison is done at a national level, mainly for statistical purposes to generate reports on room occupancy. At hotel base, figures are mainly analysed by department and market segment. MHRA makes use of such statistics in order to derive a report on the market sources. It needs information from all individual hotel bases. Such an
analysis makes sense when data is collected from all the hotels in order for MHRA to be able to generalise an analysis.

### 4.3.4 Profitability Accounting

The hotel management accounts are produced on a monthly basis, but every quarter a consolidated pack is issued, which is similar to the financial statements, and are passed onto the corporate office to be able to work on the consolidation of the whole group.

A large part of the profits is generated by a small number of customers, when it comes to room revenue, however it depends on the particular departments. For instance, the F&B department relies heavily on the local market.

### 4.3.5 Hotel Software

All Paradise Collection Hotels make use of the same software; it is part of the centralisation process. In this way, key people can easily be transferred from one hotel to another. Certain procedures used at one hotel are implemented also in the other. The Malta-based hotels share data, and if one encounters a problem, they try to help each other out.

Systems are all inter-phased and mainly make use of the Opera System and Micros. There is always room for improvement when it comes to software.
The Opera System will be upgraded later on during 2010. It is important to keep updated, not only on the software, but even hardware as competition is on the increase. Throughout the years, there was a shift on how bookings are done and nowadays it is more computer-based. It involves money which is a necessary evil as apart from the software itself there is the license, resulting in large amounts of outflows every year which are of a fixed nature. Support is also extremely important.
CHAPTER 5

DISCUSSION AND ANALYSIS ON FINDINGS
5.1 Customer Profitability Analysis in Today’s Environment

In our local economy where competition is always on the increase, hotel management must be able to deal with both the internal and external pressures that affect the hotel business, and which are continuously changing. Also, due to the financial crisis currently affecting the whole world, the tourism industry has been severely affected; therefore more attention needs to be placed when doing business in such an environment. For hotels to be able to assess their performance, profitability must be analysed. Past information should enable hotels to improve future performance and goal setting.

The hotel must first evaluate its customers before deciding the strategy to be adopted as customers’ role is essential in the tourism industry. A strategy based on customers is not limited to the marketing and sales department only but it is hotel-wide. The costing system is very important when considering the reliability of results based on profitability analysis.

Figures are also expressed in percentage terms as they permit management to better comprehend the accounts and thus can easily identify areas where improvement must be made. The actual and budgeted figures are compared, thus resulting in variances, which can be investigated. The actual figures of the current year are also compared to those of the previous one, thereby being able to compare to the previous year’s ones and look into any significant changes.
5.2 Costs

The total departmental contributions, shown as gross operating income, provide support to undistributed indirect costs for the hotel as a whole. Each profit centre includes its share of directly attributable expenses, these being under the responsibility of the respective head of department. The total income for the whole hotel is achieved by adding the contributory income from each department. It is a useful tool to evaluate the department’s performance over an operating period.

With regards to the overhead treatment, a very simple traditional system is adopted by the hotel. Undistributed indirect expenses are allocated to their respective cost centre but are not re-apportioned to profit centres. In this case, overheads are not allocated or apportioned using a traditional or activity-based costing method.

Undistributed operating expenses are considered to be fixed and uncontrollable by the respective head of department as they are incurred for the benefit of the hotel as a whole; thereby they are simply allocated to cost centres and not directly associated with each profit centre. The gross operating profit measures the overall efficiency of the operation’s management. Other overheads, such as interest and depreciation, are not controllable by the hotel management as the latter is responsible only for the undistributed expenses.
Apportioning indirect costs and overheads is considered to be subjective and could also create problems when it comes to divisional performance and comparability. Furthermore, apportioning such costs implies more work and cost, resulting in more time employed to provide accurate information. Consequently, the accounts department might be unable to meet the tight deadlines which they are constantly faced with.

Not allocating and apportioning indirect costs will lead to a better assessment of managerial performance. It is not fair to burden departmental managers with costs which they do not have any control over, and such costs may still be incurred if the department is closed down.

Although the overhead system used in the hotel is quite simple and different from what the theory stated in section 2.5 suggests, such a system allows comparison among hotels as they all make use of a similar terminology and structure of accounts.

As stated in section 2.5.5, it was revealed that a cost unit is difficult to indentify in the hotel industry. The hotel makes use of different cost units, depending on the cost in question, mainly number of customers, occupied bed nights and rooms sold. Sometimes composite costs units are also used, such as number of customers and occupied bed nights.
5.3 Pricing

Due to the competitive environment, it is very easy for customers to switch from a competitor to another, thus customer profitability can be very useful in very sensitive areas like price setting. It is also used for decision making in relation to customer management and for identifying profitable customers. The hotel is a price taker, as it considers competitor prices and also abides by the hotel chain’s standards. Although cost data is available, the market determines the selling price. Research is conducted for each customer market segment to gain knowledge about what similar luxury hotels are offering, while also considering the market factors affecting pricing.

5.4 Customer Profitability

CPA can be used to gain insight into which customer segments provide the greatest contribution towards the hotel profit and therefore those which should be particularly targeted for promotion. Apart from focusing on segments which tend to contribute a large part of the hotel revenue, the sales team has specific objectives and targets which they need to focus on in order to retain a good relationship with the customer as well as promoting any new offers introduced during any periods. Such objectives and targets are presented in Appendix 7.
Chapter 5  

Discussion and Analysis on Findings

The traditional belief that typically 80% of the revenue is generated by 20% of the customers’ base is not applicable in this case. Despite this fact, it has been stated that under normal business conditions, it is in the MICE segment of customers where revenue is mostly generated. Special attention is given to these customers by the respective sales people. The objective of the sales team in this segment is to market the hotel in the source markets where any potential meeting planners are present.

As stated in section 2.7, the hotel gathers information, even on customer segments which result to be less profitable, to promote packages which could turn such customers into more profitable ones. Service elements can be influenced by offering components which add value to the package and eliminating others which are not needed.

The finance department must work together with the sales department to be able to take into account non-financial variables which are necessary to conduct customer profitability accounting. A large amount of information is gathered and kept by hotel management. Feedback received either directly from customers through questionnaires filled upon departure, such as that shown in Appendix 8, or from representatives such as tour operators, have to be taken into consideration to be able to increase customer satisfaction.

It could be useful to carry out a segment-based variance analysis for the different segmental customers residing at the hotel and also study their buying behaviour towards extra services during their stay. If such behaviour
patterns differ significantly from budget, then particular attention by management is required to study the causes of such differences. Relationship marketing is essential and is used by the hotel to be able to better understand customers and the factors affecting their buying decisions.
6.1 Summary

The main objective of this dissertation was to identify how Mediterranean Paradise analyses the profitability of its customers and also to look into the manner in which customer relationships for each market segment are conducted.

The study revealed that profitability is analysed by mainly four departments, the last one being comprised of various sub-departments. Undistributed overheads and overhead expenses are then deducted as a whole from the total profitability. Also, people in the sales team are responsible for their respective segment they are assigned to, in order to maintain a good relationship with customers and keep them updated on any promotions the hotel has to offer.

6.2 Conclusion

Gaining knowledge about customer profitability is essential to aid the hotel in making the right decisions regarding customers and also to try and obtain a competitive advantage. CPA allows management to assess the impact of decisions, such as price adjustments and potential profit contribution of their customer base.
Performance evaluation through CPA is relevant for hotels to analyse their operations. It is able to analyse hotel performance on the basis of profits and profitable growth together with a growth in sales. In today’s competitive world, the identification of profitable customer relationships is vital in order to remain in business.

CPA is highly valuable by itself and is a useful tool which helps the hotel in deciding what customer strategy to adopt. An adequate costing system is necessary in order to conduct such an analysis. CPA is essential due to the increased attention for customer relationship management and customer loyalty.

6.3 Recommendations

On the basis of the study conducted, the following recommendations could be made:

6.3.1 Adequate Accounting System

If a full cost accounting system is implemented, it will provide management with the total minimum revenue figure required to cover all costs, despite the fact that control of some of them is not under its responsibility. In this way, profitability is assessed at a departmental level which could help management in analysing the departmental impact on the net income, even though it is more time-consuming and tends to be subjective. Bases could
be suggested on how to allocate certain expenses, identifying which is the most appropriate.

Whether or not indirect expenses are allocated, the total net profit before taxes for the hotel, as shown in table 4.1, will be the same. Hotel management must be conscious and try to reduce costs wherever possible. ABC cannot be used to determine the price a customer must pay as this is mainly affected by market conditions.

Hotels, in general, might be unwilling to try out ‘new’ approaches since performance could be poor. Management is heavily involved in achieving strategic objectives and thus could be reluctant to change, especially during periods where the business is low. Also, it could reduce the capability of comparison with other hotels and with reports issued by the MHRA.

### 6.3.2 Providing a Wider Range of Services with Incentives

Corporate bookers are already provided with an incentive to make use of the hotel services through the Hotel vouchers provided to them depending on the business generated in the previous month. Similarly, a loyalty program, perhaps to locals or even leisure travellers who prove to be repeated guests, would aid the hotel to increase the occupancy rate and contribute towards undistributed expenses and overhead costs. Incentives are given as the incremental cost of an additional customer is not high compared to the fixed costs. If a loyalty program is introduced, then the number of nights spent by
clients will increase. With the information available to the hotel about customers, it would be quite easy to make good use of the efficiency of such a program.

There could be different levels of program memberships, thereby enabling better analysis of the program’s performance. However, the effectiveness of this measure over the lifetime of a client would have to be measured. Once this information is given, hotel management would be able to carry out a net present value analysis to assess the financial feasibility of such a program.

The hotel industry faces many uncertainties based on a number of factors. The long-term scene could be seen as a series of short-term events, by providing promotional prices and using marginal costing, which are valid only for a certain period. Taking such a short term perspective might prove to be beneficial and maximise performance and profits in the short run.

6.3.3 Customer Feedback and Corrective Action

Every business depends on customers, especially in the case of services, where the person providing the service has an essential role in it. Hotel management must ensure that hotel staff satisfy customers’ requests and where possible also exceed their expectations. This will lead to indirect advertising by word of mouth; if it is negative, it will be transmitted at a faster rate than if it is positive. Management must try to encounter as many guests as possible in order to increase the amount of feedback received by clients
to be able to gain more insight on their experience at the hotel. Such information must be logged onto the system and necessary corrective action must be taken. If a customer has a negative experience, management must do its best to try and change that into a better one by providing some kind of compensation, but also by improving things.
Appendix 1: Interview Questions

Costs

Accounting Structure

1. How are costs currently allocated in the hotel?

2. What costing system does the hotel adopt?

3. Do profit and cost centres currently exist?
   Profit centres – accommodation, food & beverage, others services, others
   Cost centres – administration, marketing, maintenance, others

4. What do direct and indirect costs consist of?

5. Are direct costs individually allocated to their respective profit centre?

6. Are indirect costs allocated or apportioned to profit centres?
   E.g. administration payroll, electricity and water, depreciation, interest

7. On what basis of apportionment are the indirect costs apportioned (if they are apportioned)?

8. Are there any particular areas where you believe that the current cost analysis might be problematic?

9. Do you think it is feasible for the hotel to introduce activity-based costing?

Cost Unit

10. What is taken as the cost per unit (for budgeted and actual costs/unit)?
    [Customers, occupied bed nights/customer nights, rooms sold]

11. What activity level is taken to calculate the budgeted cost per unit?
    [Maximum occupancy, average occupancy, forecasted occupancy]

12. If forecasted occupancy is used, on what basis is it calculated?
Pricing

1. How are the various customer segments priced? How is the price determined?

2. Do you consider customer profitability analysis in the pricing decisions?

3. What are the difficulties faced in analysing your customer portfolio?

4. For negotiating short-term pricing, which cost figures are taken into account?
   [Variable cost/unit, fixed cost/unit, direct cost/unit, indirect cost/unit, total cost/unit]

5. For long-term pricing, which cost figures are taken into account?
   [Variable cost/unit, fixed cost/unit, direct cost/unit, indirect cost/unit, total cost/unit]

6. Do you take into account the profitability of entering into a long-term relationship with a customer?

Customer Profitability Analysis

1. Is the accounting system under your complete control?

2. What is the primary objective of the hotel?
   [Maximisation of profit, maximisation of sales, increasing/maximising shareholders' wealth, survival]

3. The hotel's strategy is focused on customers; which are the segments customers are divided into?

Customer attention

4. Does the hotel gather information about its customers to be able to target services offered and to focus better on the marketing campaign?

5. Does the hotel give the same importance to all customers or focus on a selected few that are the most profitable?
6. How are the different sectors treated with respect to customer attention?

7. How is customer retention measured?

8. Do you consider the life-time value of a customer when evaluating your customer portfolio?

9. Does the hotel adopt customer relationship management practices to increase customer satisfaction?

10. Does the management accounting system allow you to gauge a level of customer satisfaction? If yes, does it help you to use it for each market segment?

11. Does the hotel analyse its customer portfolio using Pareto analysis (using the 80/20 rule)?

**Profitability**

12. How is customer profitability analysis analysed by the hotel?
   [By department, by customer, by country, by market segment, by nationality]

13. On which basis is such analysis taken?
   - Revenue less direct costs (contribution)
   - Contribution less indirect costs (using cost and effect cost drivers)
   - Direct costing less arbitrary allocations
   - Sales less all costs
   - Other (please explain)

14. How often is this done?
   Monthly, quarterly, half-yearly, yearly

15. Do you feel that the current profitability analysis is adequate for the hotel?

16. Is the hotel’s costing system capable of analysing the customer profitability?

17. Is a large part of your profits generated by a relatively small number of customers?
18. Are there such customers labelled as high-cost-to-serve customers? How do you deal with them?

19. Do you think that analysing customer profitability, results in benefits for the hotel?

20. Can the system produce multi-dimensional reports that link data from one particular database to another, in order to be able to merge the information required? Are these reports used?

21. Do you think that the present Information Technology system in the hotel is able to support customer profitability analysis?

22. What problems do you imagine would hinder the implementation of a system that would analyse customer profitability?
27th November 2009

Dear Madam/Sir,

Ms Cherise Dorinette Coschieri is a Bachelor of Accountancy (Hons) student reading through the last year of her course. As part of her academic studies and assessment, she is preparing a dissertation concerning “Customer Profitability Analysis at Corinthia Hotel St. George’s Bay: A Case Study”.

As part of her dissertation project, she is required to carry out a number of interviews and this is the purpose of this letter. You are kindly being asked to help Ms Coschieri and provide her with any information that you can offer.

The Faculty of Economics, Management and Accountancy of the University of Malta would be very pleased with your collaboration. All information will be treated with the strictest confidentiality.

Yours sincerely,

Mr Lino Soler
Dissertation Supervisor
## Appendix 3: Rooms on the Book

<table>
<thead>
<tr>
<th>Month</th>
<th>Rooms (t)</th>
<th>Reserve (t)</th>
<th>Day of Week</th>
<th>Rooms (n)</th>
<th>Reserve (n)</th>
<th>Day of Week</th>
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<td>August</td>
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<td>September</td>
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Appendix 4: Forecasted Rates

Market Segment Growth Analysis – Forecasted Room Nights for 2010

<table>
<thead>
<tr>
<th>Segment</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ru</td>
<td>%</td>
<td>Ru</td>
<td>%</td>
</tr>
<tr>
<td>Rack</td>
<td>756</td>
<td>1.4%</td>
<td>526</td>
<td>0.9%</td>
</tr>
<tr>
<td>Corporate</td>
<td>9,833</td>
<td>17.7%</td>
<td>9,511</td>
<td>16.5%</td>
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<tr>
<td>MICE</td>
<td>12,379</td>
<td>22.2%</td>
<td>14,408</td>
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<tr>
<td>Leisure</td>
<td>5,883</td>
<td>10.6%</td>
<td>9,033</td>
<td>15.7%</td>
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<tr>
<td>Groups</td>
<td>6,782</td>
<td>12.0%</td>
<td>4,561</td>
<td>7.9%</td>
</tr>
<tr>
<td>Tour Operator</td>
<td>17,182</td>
<td>30.9%</td>
<td>14,187</td>
<td>24.6%</td>
</tr>
<tr>
<td>Airlines</td>
<td>0.0%</td>
<td>-</td>
<td>0.54</td>
<td>0.1%</td>
</tr>
<tr>
<td>Others</td>
<td>2,936</td>
<td>5.3%</td>
<td>5,331</td>
<td>9.3%</td>
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<tr>
<td>Total</td>
<td>55,673</td>
<td>100.0%</td>
<td>57,611</td>
<td>100.0%</td>
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<tr>
<td>Available rooms</td>
<td>78,650</td>
<td></td>
<td>91,500</td>
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</tr>
<tr>
<td>Occupancy %</td>
<td>70.79%</td>
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<td>62.96%</td>
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Forecasted Room Revenue for 2010

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<th>2009</th>
<th>2010</th>
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<td>EURO</td>
<td>EURO</td>
<td>EURO</td>
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<tr>
<td>Rack</td>
<td>207,010</td>
<td>146,680</td>
<td>29,391</td>
<td>37,521</td>
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<td>1,131,422</td>
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<td>1,122,093</td>
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<td>MICE</td>
<td>1,317,843</td>
<td>1,587,891</td>
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<td>Leisure</td>
<td>789,675</td>
<td>1,073,762</td>
<td>1,195,957</td>
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<td>Groups</td>
<td>357,361</td>
<td>251,259</td>
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<td>Tour Operator</td>
<td>1,474,389</td>
<td>1,146,555</td>
<td>972,626</td>
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<tr>
<td>Airlines</td>
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<tr>
<td>Others</td>
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<td>396,287</td>
<td>214,799</td>
<td>148,558</td>
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<tr>
<td>Total</td>
<td>5,390,999</td>
<td>5,742,440</td>
<td>4,452,062</td>
<td>4,819,079</td>
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<tr>
<td>Rooms Occupied</td>
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<td>57,611</td>
<td>46,557</td>
<td>48,344</td>
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<td>Average Room Rate</td>
<td>96.83</td>
<td>99.68</td>
<td>95.63</td>
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## Forecasted Average Room Rate for 2010

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<th>Segment</th>
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<th>2008</th>
<th>2009</th>
<th>2010</th>
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<tr>
<td>Rack</td>
<td>273.82</td>
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<td>240.91</td>
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<tr>
<td>Corporate</td>
<td>105.38</td>
<td>118.96</td>
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<td>MICE</td>
<td>106.46</td>
<td>110.21</td>
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<td>157.10</td>
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<td>Total</td>
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<td>Room Revenue</td>
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<td>5,742,440</td>
<td>4,452,062</td>
<td>4,819,079</td>
</tr>
</tbody>
</table>
Appendix 5: MICE (Meetings, Incentives, Conferences, Events)

Meetings

Getting to know people and meeting new clients and partners is an important element of a company development strategy. It is necessary to meet in order to achieve the desired goals. Whether a meeting is going to be organised for just a few people or for a larger group, is irrelevant. What counts is that a meeting is prepared in a professional manner. Business meetings are important at every level. This is why the hotel takes great care to ensure that the meetings held are conducted in an environment that offers favourable conditions for taking strategic decisions.

Incentives

Incentive travel is used all over the world as one of the tools in the management process and for employee motivation, strengthening ties with the company and mutual integration. This facilitates and strengthens human relations; common experience and effort are a great introduction to carrying out a specific task; and often helps in overcoming existing problems. In the preparation of every incentive trip, creativity is the key success factor. Keeping in mind clients' budget, the hotel is able to create a unique and interesting program with carefully selected attractions.

Conferences

The exchange of opinions has always been an important element in business, and this is why a conference is an ideal way to circulate information. It also creates an opportunity to discuss and exchange views on a given subject or problem. The sales team members have extensive experience in planning, preparing and realising conferences and congresses, including all the extra activities both on and off-site accompanying such events. Professional staff and service is guaranteed for the entire event.
Events

Special events must be unique and leave every participant with unforgettable memories. Preparations for such events and their realisation often require much energy and effort. An event is created to meet customers’ expectations and requirements. Special events are always a key to success, and this is why every detail requires special attention, even the smallest one.
Appendix 6: UniFocus

UniFocus feedback solutions are designed for a number of areas, including hotels. UniFocus empowers people to clearly understand how every facet of the hotel relates to customer loyalty, helping them make informed decisions about compensation, resources, benchmarking best practices and many other applications.

*UniFocus provides loyalty management components, such as:*

**GUESTScope™**
It identifies satisfied customers with the intent to return or recommend.

**STAFFScope™**
It re-engages employees and deploys talent more effectively.

**SERVICEScope®**
It links service standard attainment to customer perceptions.
## Appendix 7: Sales & Marketing Activity Plan

### Sales

<table>
<thead>
<tr>
<th>SEGMENT</th>
<th>ACTIVITY / ACTION DESCRIPTION</th>
<th>OBJECTIVE / TARGET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Back</td>
<td>Mainly voice (personal selling - one to one) directly from the reservations FO / sales team and anyone to offer the best rates and close the deal (including the guaranteeing of the booking by credit card or pre-payment). Ensure we capture the business from each enquiry received and try to up-sell into Executive rooms, suites, restaurant reservations and spa treatments.</td>
<td>To capture high rated direct business to increase our ADR and for us to be in control of our inventory by personal selling and yielding by offering the right rate level based on rooms available.</td>
</tr>
<tr>
<td>Corporate</td>
<td>Regular and ongoing sales calls to each existing account. Targets with goals set for new accounts. Ensure that the decision makers are taken care of and that they remain loyal to CHI. Sales blitzes, twice yearly and area surveys around Malta and Gozo. Regularly update of the Lanyon system and co-ordination with the Wyckham account managers and Manager Resorts for all Target Corporations and RFP processes for the International Corporate Rate agreements / solicitations 2010/2011. Rate negotiation in order not to loose any business and try to adhere to the rate structures as set where possible. Market intelligence - competitor rate analysis and reader board.</td>
<td>To Keep, Win and Grow each account to the maximum. To increase the room nights by approx. 10% from 2009 and increase rate marginally on 2009 to maintain same volume.</td>
</tr>
</tbody>
</table>
# Appendix 7: Sales & Marketing Activity Plan

## M.I.C.E.
- Staying constantly in touch with the decision makers and facilitating the sale.
- Following up and closing deals with M.I.C.E. locally and our RSOs and GSAs to ensure that they propose us to all their clients and push our business our way.
- Incentivize the local M.I.C.E. and foreign PCOs by doing the best professional presentations, negotiations, commissions and relationships to close the deal.
- One on one meetings and actions with our RSOs & GSAs in all regions to ensure we leave no stone unturned.
- Updating special offers and packages on a monthly basis, sending them to all contacts including our RSOs, depending on the availability and to try to fill gaps with competitive rates.
- Maximize on our partnerships with Wyndham and with Helms.

## Leisure
- Manage the BAR daily, ensure rate parity across all sites, use the web & all channels to maximize our exposure on the web for maximum visibility to encourage more bookings from more sites.
- Issue local offers packages to our mailing lists on a regular basis to attract more local business which comes for weekend breaks.

## Groups
- Sales calls to niche market travel agents in conjunction with local agents and our RSOs or GSAs in the respective destinations.
- Negotiation and RFP sourcing to make sure we fill the gaps especially during the winter months.
- Bidding Special Packages and offers in advance to special interest agents, such as Globusair, SH, MILE, Gallifants and other operators.

## T.O.
- To negotiate the best rates and conditions with each operator and wholesaler for a “win win” situation.
- To work with the Revenue manager prior to contracting to good communication.
- Attend major fairs in our core markets: Madrid, Oslo, Rovini, Berlin, Moscow, Gothenburg and UK.

## Airlines
- To ensure availability and booking pace, issue special offers in time to stimulate channel and increase bookings.
- To reduce the number of no-shows and cancellations.

## Others
- To decrease slightly the room nights in 2009. Precisely no business is in hand for the first quarter unlike same time last year, where we had groups already confirmed.
- To strengthen the relationship with the key clients and grow the relationship with existing accounts.
- In Leisure we are increasing volume on 209 and maintaining a similar rate for 2010.
- To grow the F&B business / Leisure segment from the web.
- To be visible on the major websites and increase our awareness of the hotel and brand on the web.
- To be able to sell discounted inventory and come up with manageable offers in advance for early guaranteed business or to fill last minute room stock at the best possible rates.
- To ensure we do not lose any existing Group Tour Sales business, especially for the winter months with an increase in volume from previous years on the special interest markets.
- To source new Leisure Group business from special interestorganizers such as the Bridge, Football, Spa and sports.

In T.O. we have increased the volume on 2009 and decreased the rate. This segment will be detrimental to establish an advance base occupancy in order to build volume.

To create, maintain and strengthen relationships with new and existing business providers. To manage the TO allocation and release dates especially during the peak months and ensure we are in full control of our inventory. Reducing or increasing the allocations during the year and increasing or decreasing release periods to allow operators to sell without restrictions.

Part of Corporate.
# Marketing

<table>
<thead>
<tr>
<th>SEGMENT</th>
<th>ACTIVITY / ACTION DESCRIPTION</th>
<th>OBJECTIVE / TARGET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rack</td>
<td>Annual Trade Party for all clients&lt;br&gt;Include the hotels in the main consortiums (example, HRG, Carolan, Wagon, Litt, Amex etc)&lt;br&gt;Organise monthly loyalty club/secretary club events (Hostings)&lt;br&gt;Monthly corporate e-newsletters/eblasts&lt;br&gt;Incentives to bookers, Double or Triple Corporate Commissions in low season/gap periods.</td>
<td>To thank, to host and pamper our clients&lt;br&gt;To target the large corporations to boost our hotels via the consortia&lt;br&gt;Keep in touch with the bookers directly and meet them in an informal environment, gather hotel intelligence and action up it&lt;br&gt;Promote F&amp;B, local MICE, special offers and Corporate Commissions.</td>
</tr>
<tr>
<td>M.C.E.</td>
<td>Sales trips: Spain x 2, France x 2, Belgium x 1, Germany x 2, Austria x 1, Italy x 2, US x 1, UK x 4, Switzerland x 2, Russia x 1 and Holland x 1&lt;br&gt;Fairs: Beust, Cornell, FMIF, Cornell, IMEX, M&amp;IT, Globe and ITB Berlin</td>
<td>To market the hotel in our source markets with potential / existing meeting planners during sales trips with our RSOs, GSA and DMCs</td>
</tr>
<tr>
<td>Leisure</td>
<td>Annual Trade Party, personalise hosting individual DMCs Advertising &amp; marketing on the web, including extracts from our new websites and new marketing campaigns</td>
<td>Promote the brand on the web and increase awareness of the hotels</td>
</tr>
<tr>
<td>Groups</td>
<td>Trade Party&lt;br&gt;Joint promotions with Sports and Special interest groups</td>
<td>To thank clients, use as a PR exercise and showcase our products</td>
</tr>
<tr>
<td>T.O.</td>
<td>Trade Party and hosting personally at the hotel&lt;br&gt;Marketing incentive, commission on tour operator business&lt;br&gt;Participation in the major international travel fairs and sales trips in the core markets</td>
<td>To pamper our top producers and ensure that they remain loyal. Events will be attended by the sales teams, and will serve as relationship-building exercises.</td>
</tr>
<tr>
<td>Airlines</td>
<td>Others</td>
<td></td>
</tr>
</tbody>
</table>
Appendix 8: Clients’ Questionnaire

During my visit, I experienced...

My Guestroom
A well serviced mini bar: .................................................. ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐
Easy to work from room: ............................................... ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐
Suitable temperature control: ......................................... ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐
Satisfactory water pressure: .......................................... ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐

Housekeeping Service
Excellent cleaning and upkeep of my room during stay: .......... ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐
Sufficient supplies during my stay: .................................. ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐

Employees
Knowledgeable employees: ............................................. ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐
Addressed me by name: .................................................. ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐
Efficient follow up from employees: .................................. ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐

Swimming Pools
Satisfactory outdoor pool facilities: ................................... ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐
Satisfactory indoor pool facilities: .................................... ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐

Overall Stay
Good value for the price paid: ........................................... ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐
Generally very satisfied: ............................................... ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐
Supposing I were in the area again, I would stay at this hotel: .......... ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐
I would stay at another Corinthia hotel in the future: ................. ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐
I would enthusiastically recommend this hotel to others: .................. ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐

Did you have a problem/issue during your stay? ☐ Yes ☐ No

If yes, how well was it resolved? (Please explain in comments.)
☐ Didn’t Report ☐ Exceeded Expectations ☐ Met Expectations ☐ Below Expectations

Including this trip, how often have you stayed at this hotel? ☐ 1st Time ☐ 2-4 ☐ 5-7 ☐ 8-10 ☐ 11+

Purpose of your visit?
☐ Business ☐ Pleasure or Leisure ☐ Group or Conference

Employees who enhanced your experience:

How can we make your next visit with us more enjoyable?

*First Name: ___________________ Surname: ___________________ Room#: ______ Date:
Email: _________________________
Home Address: __________________
City: ___________________ State: ______ Zip: ______ Country: ______
Phone: _________________________ Group: _________________________

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