
Hotel Benchmarking Task Force: A case study

By Rex Warren and Jane Boyland

Introduction

For graduates of hospitality programs who enter a multi-unit operating company, the opportunity to participate on a “task force” is quite common. Companies will often select a younger entry-level manager to participate in these improvement practices as both a training tool and as an opportunity for the newer manager to demonstrate his or her capabilities. Younger managers are generally much more “portable”, less expensive, and less critical to their “home” business unit than more senior manager and thus often used for these assignments.

This case offers a rich learning opportunity. It is designed to be as complex or as simple as the instructor chooses and may be incorporated into a multiple exercises or as a summative analysis experience. The case may be assigned to groups of students (the authors recommend no more than three students to a group) or to individual students.

The case is designed for an upper/senior level capstone course in which the students will have the opportunity to bring all of their learning to bear on the identification and solution sets, and on presenting their results. The case study allows the instructor to focus the students on analysis, synthesis, and evaluation using skills they have learned in earlier coursework.

The case is very flexible. The instructor may vary the complexity of the case by simply removing certain reports from the case. For example, an instructor may choose to remove guest satisfaction data, and focus exclusively on the financial statements. The case may be approached from multiple perspectives and instructors may choose to use the student driven solutions in either a presentation format (students present their findings and recommendations to the class) or a discussion format. While the case does not focus on budget variance analysis, instructors may choose to add this component. Benchmarks are very commonly used to create unit budgets, so this could be a natural extension of the case. Finally, the instructor may easily vary the number of issues students address, and the number of recommendations required to be identified in the case, increasing or decreasing either the specific items identified or the recommendations for management for each item.

Hotel Benchmarking Case Study

You are a Front Office Manager working for a major global hotel company. The company has 10 separate brands and over 1,700 hotel units in operation. The company owns none of these hotels, but manages about 20% of the hotels. Third party management companies manage the remainder on behalf of the franchise owners.

You have been promoted to a “task force” team of managers to travel to a hotel unit the company is managing that is struggling; to help the on site managers diagnose problems and implement corrective action. Your team serves as “internal consultants” to the managers of this troubled unit. Your team has one week to diagnose the problems and recommend solutions to the hotel unit managers. They then are responsible for implementing those solutions. The company has specified that all goals from task force recommendations must be equal to the upper quartile benchmark.

Each manager on your team will focus on an operational area of the hotel. You have been assigned to the rooms division. You will analyze the front office (front desk, bell service, guest transportation and valet parking service), housekeeping, and the laundry operations.

Prior to departing for the unit, the company provides your team with access to the various financial statements, guest satisfaction scores and employee satisfaction scores, along with a brief overview of the hotel. You study this information carefully, and begin to formulate a plan based on what you see in these reports.

The company has developed a very specific sequence they use to diagnose problems. Using this sequence:

1. Review all of the information you have, and list all of the items you see which appear to be problems. Your list should be categorized in the same manner as the checklist.
2. From your list, determine which 5 problems should be addressed first, based on your estimate of their likely financial impact. For the 5 items you select, you will need to determine the financial impact (increased profitability) based on the hotel's current performance and their distance from the company benchmark, using 2014 revenue and volume.
3. For each item on the list, recommend 4 specific action steps the management team must take to correct the problem and reach the benchmark.
4. Submit a written report “addressed to” the unit managers. In

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this report, for each of the 5 items identify, you need to:

- Identify what information you used to draw your conclusion for that item. Which report(s) you used in your review.
- Show the calculation you made to determine the financial impact.
- List the 4 action steps you are recommending they take. These can be bullet points, but must be specific.

Information Overview

Hotel Unit Number 267

Brand: This hotel is in the “Dionysus” brand for the company. This brand is classified as an Upper Upscale, Full Service hotel brand. The brand is designed and marketed to appeal primarily to business segments, on both the transient and group levels, however there are often leisure transient guests on the weekends, and social events held at the hotels. The marketing tagline for the brand is currently “Comfortable Chic”.

Opening: June, 2008

Location: This hotel is located in a suburban multi-use development consisting of shopping, entertainment, apartments and condominiums, and office buildings.

The hotel is on the perimeter of this development, near a major intersection. There are 4 other full service hotels, and 3 limited service hotels in the general area.

Size/Amenities:

- This unit has 285 rooms and 12 Suites, including a Presidential Suite.
- There is 25,000 square feet of flexible meeting space. There are two large ballrooms which may be divided into three separate sections each, smaller meeting spaces which may be divided into 12 separate meeting rooms, and 2 boardrooms. This area is served by a separate kitchen production facility.
- There are two restaurants. One is leased and branded and operated by a third party. This restaurant has a self-contained kitchen, and entrances from the hotel lobby and directly from outdoors. It is opened for dinner only.
- The second restaurant is operated by the hotel, and is opened for breakfast and lunch only.
- The hotel operates a lobby bar during the afternoon and evening hours. During the morning hours, this lobby bar serves coffee and tea based beverages.
- The hotel offers in-room dining for breakfast, lunch, and dinner. Dinner is served from the third party restaurant.
- The hotel has a fitness facility and an indoor/outdoor pool and Jacuzzi.
- The hotel has an on-premise laundry, but processes only

hotel terry and linen. All guest laundry and dry cleaning is outsourced to a local dry cleaner.

- The hotel has a parking garage and offers valet parking.
- The hotel provides on-demand shuttle service around the complex, however this is not a required brand standard.

Market: The surrounding area continues to grow, with additional condominium and office buildings having been built from 2007 through the present. The area is very popular as an upscale entertainment destination. There are presently a number of restaurants and bars in the complex, and a 26-screen theatre.

Management: Due to the poor performance of this unit in the past year, the entire management team has been terminated. A new General Manager, Rooms Division Manager, Director of Food and Beverage, Director of Human Resources and Director of Marketing have been assigned from other units to this hotel. Most of them have been in position for less than 30 days.

Ownership: This hotel is owned buy a large national Real Estate Investment Trust. This REIT owns several hundred hotels, and uses all major brands and many different operating companies. They have expressed their displeasure at the rapid decline in performance of this unit, and have threatened to terminate the brand and management if performance does not improve.

The management contract of the hotel allows the ownership to terminate the management company (brand) without penalty if certain market share and financial performance levels are not met for a period of six consecutive months. Currently, this hotel is missing these termination “trigger” performance levels, and has for the past two months.

Reports: Your team will have access to standard unit Financial Statements, Guest and Associate Satisfaction information, and Market Share analysis. In addition, you will have access to company performance benchmark information for the top quartile system wide.

The final report you write and submit will be delivered to the unit management, your corporate offices, and the ownership group.

Hotel Photographs



Exterior



Guest Room



Lobby



Lobby Bar



Concierge Level

Figure 1

Benchmark Metrics Report

**Hotel Dionysus Unit 267
Benchmark Metrics Report
For the Year ending December 31, 2014**

	Unit 267			Systemwide	Variance
	2013	2014	YoY Change	Upper Quartile Benchmark	Unit to System Benchmark
Market Share					
Occupancy	100%	93%	-7.0%	103%	-10%
ADR	103%	103%	0.0%	105%	-2%
Productivity (Man Hours Per Occupied Room)					
Front Office Supervisor	0.09	0.10	11.1%	0.08	25.0%
Front Desk Guest Agent	0.19	0.17	-10.5%	0.16	6.3%
Housekeeping Floor Supervisor	0.09	0.10	11.1%	0.09	11.1%
Guest Room Attendant	0.55	0.59	7.3%	0.48	22.9%
Public Space Attendant	0.08	0.08	0.0%	0.08	0.0%
Runners	0.10	0.13	30.0%	0.10	30.0%
Concierge	0.06	0.07	16.7%	0.07	0.0%
Bellmen	0.15	0.15	0.0%	0.15	3.4%
Doorman	0.17	0.19	11.8%	0.17	11.8%
Drivers	0.08	0.09	12.5%	-	
Payroll Taxes and Employee Benefits					
FICA	7.65%	7.65%	0.0%	7.65%	0.0%
FUTA	2.30%	2.31%	0.4%	2.31%	0.0%
SUTA	2.80%	3.00%	7.1%	3.00%	0.0%
Medicare	1.45%	1.45%	0.0%	1.45%	0.0%
Workers Compensation	9.00%	9.50%	5.6%	7.50%	26.7%
401k Match	2.00%	2.00%	0.0%	2.10%	-4.8%
Employee Meals	5.45%	6.10%	11.9%	5.00%	22.0%
Health Care	19.00%	25.00%	31.6%	19.10%	30.9%
Paid Time Off	4.00%	4.00%	0.0%	3.90%	2.6%
Total Taxes and Payroll Benefits	53.65%	61.01%	13.7%	52.01%	17.3%
Direct Expenses					
Amenity Expense	\$ 1.96	\$ 2.02	3.1%	\$ 1.85	9.2%
Cleaning Supplies	\$ 0.65	\$ 0.78	20.0%	\$ 0.65	20.0%
Decorations	\$ 0.77	\$ 0.61	-20.8%	\$ 0.74	-17.6%
Glassware Expense	\$ 0.36	\$ 0.36	0.0%	\$ 0.36	0.0%
Guest Transportation	\$ 2.79	\$ 3.31	18.6%	\$ -	
Linen Expense	\$ 2.18	\$ 2.58	18.3%	\$ 2.10	22.9%
Miscellaneous Expense	\$ 0.45	\$ 0.45	0.0%	\$ 0.45	0.0%
Paper Supplies	\$ 0.92	\$ 0.89	-3.3%	\$ 0.85	4.7%
Terry Expense	\$ 1.82	\$ 2.02	11.0%	\$ 1.62	24.7%
Uniform Expense	\$ 0.51	\$ 0.65	27.5%	\$ 0.50	30.0%
Total Direct Expenses	12.41	13.67	10.2%	9.12	49.9%

Figure 2

Productivity and Wage Rates

Hotel Dionysus Unit 267 Labor Cost Analysis For the Years Ending December 31

	2012	MHPOR	2013	MHPOR	2014	MHPOR
Rooms Occupied	79,136		76,968		73,917	
Room Revenue	\$ 11,526,982		\$ 11,554,781		\$ 10,461,202	
Man Hours						
Rooms Division Manager	2,040	0.03	2,040	0.03	1,024	0.01
Front Desk						
Management	4,080	0.05	4,080	0.05	4,096	0.06
Supervisors	5,840	0.07	6,570	0.09	7,320	0.10
Front Desk Agents	14,280	0.18	14,280	0.19	12,288	0.17
Total Front Desk	24,200	0.31	24,930	0.32	23,704	0.32
Housekeeping						
Management	2,040	0.03	2,040	0.03	2,048	0.03
Floor Supervisors	5,840	0.07	6,570	0.09	7,320	0.10
Guest Room Attendants	41,151	0.52	42,332	0.55	43,611	0.59
Public Space Attendants	5,840	0.07	5,840	0.08	5,840	0.08
Runners	7,914	0.10	7,697	0.10	9,609	0.13
Total Housekeeping	62,784	0.79	64,479	0.84	68,428	0.93
Guest Services						
Concierge	4,080	0.05	4,896	0.06	5,100	0.07
Bell Service	11,870	0.15	11,545	0.15	11,088	0.15
Door Service	11,680	0.15	13,140	0.17	13,870	0.19
Transportation Drivers	5,840	0.07	6,059	0.08	6,570	0.09
Total Guest Services	33,470	0.42	35,640	0.46	36,628	0.50

Wage Rates Per Hour/Overtime Hours	Base Rate	OT Hrs	Base Rate	OT Hrs	Base Rate	OT Hrs
Front Desk						
Management	\$ 20.00		\$ 20.40		\$ 20.81	
Supervisors	\$ 16.00	70	\$ 16.32	197	\$ 16.65	220
Front Desk Agents	\$ 12.75	171	\$ 13.01	571	\$ 13.27	737
Total Front Desk						
Housekeeping						
Management	\$ 20.15		\$ 20.55		\$ 20.96	
Floor Supervisors	\$ 16.00	70	\$ 16.32	329	\$ 16.65	732
Guest Room Attendants	\$ 9.13	494	\$ 9.31	2,540	\$ 9.50	5,233
Public Space Attendants	\$ 9.13	70	\$ 9.31	409	\$ 9.50	584
Runners	\$ 8.01	95	\$ 8.17	616	\$ 8.33	769
Total Housekeeping						
Guest Services						
Concierge	\$ 14.79	49	\$ 15.09	59	\$ 15.39	61
Bell Service	\$ 7.09	142	\$ 7.23	139	\$ 7.38	133
Door Service	\$ 10.15	140	\$ 10.35	158	\$ 10.56	166
Transportation Drivers	\$ 11.73	70	\$ 11.96	909	\$ 12.20	1,314
Total Guest Service						

Figure 3

Payroll and Payroll Benefit Expense

Hotel Dionysus Unit 267 Labor Cost Analysis For the Years Ending December 31							
	2012		2013		2014		
Payroll Expense	\$	% Room Rev	\$	% Room Rev	\$	% Room Rev	
Rooms Division Manager	\$ 76,500	0.7%	\$ 78,030	0.7%	\$ 39,795	0.4%	
Front Desk							
Management	\$ 81,600	0.7%	\$ 83,232	0.7%	\$ 84,897	0.8%	
Supervisors	\$ 94,842	0.8%	\$ 96,738	0.8%	\$ 98,673	0.9%	
Front Desk Agents	\$ 184,801	1.6%	\$ 188,497	1.6%	\$ 192,267	1.8%	
Total Front Desk	<u>\$ 361,243</u>	<u>3.1%</u>	<u>\$ 368,468</u>	<u>3.2%</u>	<u>\$ 375,837</u>	<u>3.6%</u>	
Housekeeping							
Management	\$ 41,096	0.4%	\$ 41,918	0.4%	\$ 42,756	0.4%	
Floor Supervisors	\$ 94,842	0.8%	\$ 96,738	0.8%	\$ 98,673	0.9%	
Guest Room Attendants	\$ 374,166	3.2%	\$ 381,650	3.3%	\$ 389,283	3.7%	
Public Space Attendants	\$ 54,113	0.5%	\$ 55,195	0.5%	\$ 56,299	0.5%	
Runners	\$ 65,636	0.6%	\$ 66,949	0.6%	\$ 68,288	0.7%	
Total Housekeeping	<u>\$ 629,853</u>	<u>5.5%</u>	<u>\$ 642,450</u>	<u>5.6%</u>	<u>\$ 655,299</u>	<u>6.3%</u>	
Guest Services							
Concierge	\$ 61,248	0.5%	\$ 62,473	0.5%	\$ 63,723	0.6%	
Bell Service	\$ 87,166	0.8%	\$ 88,909	0.8%	\$ 90,688	0.9%	
Door Service	\$ 120,318	1.0%	\$ 122,725	1.1%	\$ 125,179	1.2%	
Transportation Drivers	\$ 69,531	0.6%	\$ 70,921	0.6%	\$ 72,340	0.7%	
Total Guest Service	<u>\$ 338,264</u>	<u>2.9%</u>	<u>\$ 345,029</u>	<u>3.0%</u>	<u>\$ 351,930</u>	<u>3.4%</u>	
Total Rooms Department Payroll Expense	<u>\$ 1,405,859</u>	<u>12.2%</u>	<u>\$ 1,433,976</u>	<u>12.4%</u>	<u>\$ 1,422,861</u>	<u>13.6%</u>	
Payroll Taxes and Benefits Analysis		% PR		% PR		% PR	
FICA	\$ 107,548	7.65%	\$ 109,699	7.65%	\$ 108,849	7.65%	
FUTA	\$ 31,632	2.25%	\$ 32,981	2.30%	\$ 32,868	2.31%	
SUTA	\$ 36,552	2.60%	\$ 40,151	2.80%	\$ 42,686	3.00%	
Medicare	\$ 20,385	1.45%	\$ 20,793	1.45%	\$ 20,631	1.45%	
Workers Compensation	\$ 119,498	8.50%	\$ 129,058	9.00%	\$ 135,172	9.50%	
401k Match	\$ 28,117	2.00%	\$ 28,680	2.00%	\$ 28,457	2.00%	
Employee Meals	\$ 73,105	5.20%	\$ 78,152	5.45%	\$ 86,794	6.10%	
Medical Benefit	\$ 238,996	17.00%	\$ 272,455	19.00%	\$ 355,715	25.00%	
Paid Time Off	\$ 56,234	4.00%	\$ 57,359	4.00%	\$ 56,914	4.00%	
Total Taxes and Payroll Benefits	<u>\$ 712,068</u>	<u>50.7%</u>	<u>\$ 769,328</u>	<u>53.7%</u>	<u>\$ 868,087</u>	<u>61.0%</u>	
Total Payroll and Benefit Expense	<u>\$ 2,117,927</u>	<u>18.4%</u>	<u>\$ 2,203,305</u>	<u>19.1%</u>	<u>\$ 2,290,948</u>	<u>21.9%</u>	

Figure 4

Comparative Departmental Income Statement

Hotel Dionysus Unit 267						
Comparative Departmental Income Statement						
For the Years Ending December 31						
	2012	%	2013	%	2014	%
Revenue						
Transient	\$ 4,847,383	42.1%	\$ 5,234,698	45.3%	\$ 5,256,472	50.2%
Group	6,679,599	57.9%	6,320,083	54.7%	5,204,731	49.8%
Total Room Revenue	\$ 11,526,982	100.0%	\$ 11,554,781	100.0%	\$ 10,461,202	100.0%
Room Nights/ADR						
Transient	30,072	\$ 161.20	31,557	\$ 165.88	34,002	\$ 154.59
Group	49,064	\$ 136.14	45,411	\$ 139.18	39,915	\$ 130.39
Total Room Nights/ADR	79,136	\$ 145.66	76,968	\$ 150.13	73,917	\$ 141.53
Payroll and Payroll Benefit Expense						
Front Office	\$ 437,743	3.8%	\$ 446,498	3.9%	\$ 415,632	4.0%
Housekeeping	\$ 629,853	5.5%	\$ 642,450	5.6%	\$ 655,299	6.3%
Guest Services	\$ 338,264	2.9%	\$ 345,029	3.0%	\$ 351,930	3.4%
Payroll Taxes and Employee Benefits	\$ 712,068	6.2%	\$ 769,328	6.7%	\$ 868,087	8.3%
Payroll Taxes and Employee Benefits	\$ 2,117,927	18.4%	\$ 2,203,305	19.1%	\$ 2,290,948	21.9%
Direct Expenses						
Amenity Expense	\$ 150,793	\$ 1.91	\$ 151,062	\$ 1.96	\$ 149,427	\$ 2.02
Cleaning Supplies	\$ 52,981	\$ 0.67	\$ 50,029	\$ 0.65	\$ 57,656	\$ 0.78
Decorations	\$ 62,500	\$ 0.79	\$ 59,000	\$ 0.77	\$ 45,000	\$ 0.61
Glassware Expense	\$ 28,489	\$ 0.36	\$ 27,708	\$ 0.36	\$ 26,610	\$ 0.36
Guest Transportation	\$ 205,000	\$ 2.59	\$ 215,000	\$ 2.79	\$ 245,000	\$ 3.31
Linen Expense	\$ 174,098	\$ 2.20	\$ 167,789	\$ 2.18	\$ 190,707	\$ 2.58
Miscellaneous Expense	\$ 35,611	\$ 0.45	\$ 34,635	\$ 0.45	\$ 33,263	\$ 0.45
Paper Supplies	\$ 64,891	\$ 0.82	\$ 70,810	\$ 0.92	\$ 65,786	\$ 0.89
Terry Expense	\$ 135,322	\$ 1.71	\$ 140,081	\$ 1.82	\$ 149,313	\$ 2.02
Uniform Expense	\$ 41,151	\$ 0.52	\$ 39,253	\$ 0.51	\$ 48,046	\$ 0.65
Total Direct Expenses	950,836	\$ 12.02	955,368	\$ 12.41	1,010,808	\$ 13.67
Departmental Profit	\$ 8,458,219	73.4%	\$ 8,396,109	72.7%	\$ 7,159,446	68.4%

Figure 5

Inventory Analysis

**Hotel Dionysus Unit 267
Inventory Analysis
For the Years Ending December 31**

	2012	2013	2014
Rooms Available	285	285	285
Room Nights Occupied	79,136	76,968	73,917
Guest Amenities			
Soap	\$ 5,149	\$ 5,663	\$ 5,149
Shampoo	\$ 10,297	\$ 11,327	\$ 10,297
Conditioner	\$ 11,327	\$ 12,460	\$ 12,460
Total Guest Amenities Inventory	\$ 26,773	\$ 29,450	\$ 27,905
Linen			
Top Sheets	\$ 8,721	\$ 9,593	\$ 10,073
Bottom Sheets	\$ 10,465	\$ 11,512	\$ 12,087
Duvet Covers	\$ 12,558	\$ 16,326	\$ 17,142
Pillow Cases	\$ 8,285	\$ 8,451	\$ 8,873
Total Linen Inventory	\$ 40,029	\$ 45,881	\$ 48,175
Terry			
Wash Cloths	\$ 8,067	\$ 8,874	\$ 9,317
Hand Towels	\$ 10,890	\$ 11,979	\$ 12,578
Bath Towels	\$ 11,979	\$ 15,573	\$ 16,352
Bath Mats	\$ 8,386	\$ 8,553	\$ 8,981
Total Terry Inventory	\$ 39,322	\$ 44,979	\$ 47,228

Figure 6**Guest Satisfaction Information****Hotel Dionysus Unit 267
Guest Satisfaction Index - Rooms Division
For the Years Ending December 31**

	2012	2013	2014	2014 System Benchmark
I was greeted upon arrival in the driveway	9.6	9.4	8.5	9.80
I was greeted by the doorman.	9.7	9.5	8.6	9.90
I was greeted at the front desk by name.	9.0	8.8	9.1	9.20
Accuracy of Reservation	9.6	9.4	9.5	9.80
Check-in Speed	9.3	9.1	7.2	9.50
Guest room cleanliness upon arrival	9.5	9.3	8.5	9.30
Guest room temperature	9.4	9.2	9.7	9.60
Guest room lighting	9.5	9.3	9.0	9.70
Everything in the guest room in working order	9.6	9.4	6.2	9.80
The concierge was knowledgeable	9.5	9.3	7.0	9.70
Check-out speed	9.5	9.3	6.5	9.70
Accuracy of billing	9.0	8.8	5.0	9.20
I was thanked upon departure and asked to return	8.9	8.7	8.2	9.10
Value for price paid	9.3	9.1	8.2	9.50
Value compared to competition	8.8	8.6	6.5	9.00
I plan to return	9.2	9.0	8.2	9.40
I would recommend this hotel to my friends	9.6	9.4	8.0	9.80

Figure 7

Market Share Information—Occupancy

**Hotel Dionysus Unit 267
Market Share Report - Occupancy
For the Years Ending December 31**

	2011	2012	2013	2014
Market Occupancy	72.5%	72.1%	71.0%	73.0%
Hotel Occupancy	74.5%	73.0%	71.0%	68.0%

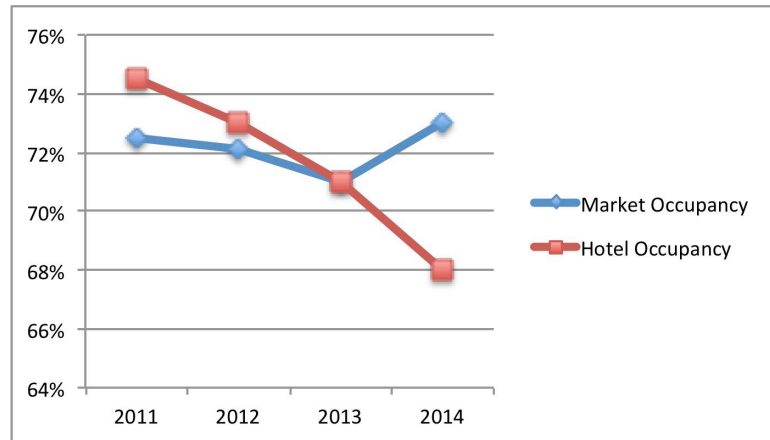


Figure 8

Market Share Information—ADR

**Hotel Dionysus Unit 267
Market Share Report - Average Rate
For the Years Ending December 31**

	2011	2012	2013	2014
Market ADR	\$ 140.00	\$ 141.23	\$ 145.62	\$ 138.00
Hotel ADR	\$ 142.09	\$ 145.66	\$ 150.13	\$ 141.53

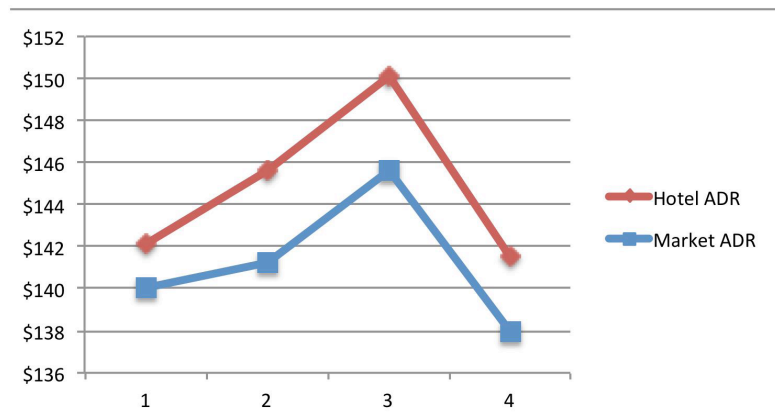


Figure 9

Calculation Reference for Students

Direct Expenses		
Benchmark CPOR		
Unit CPOR		
Variance	A	0
2014 Occupied Rooms	B	
Cost Savings	A x B	\$ -
Productivity		
Benchmark MHPOR		
Unit MHPOR		
Variance	A	0
2014 Occupied Rooms	B	
Manhours Saved	C(A x B)	-
Payroll per hour	D	
PTEB per hour	E	
Total Payroll Cost Per Hour	F (E+E)	\$ -
Savings	C X F	\$ -