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**Opening of a Chain Hotel in a Mediterranean Island: Case Study of
Challenges and Strategies for the Future of a Seasonal Hotel**

Opening of a Chain Hotel in a Mediterranean Island: Case Study of Operational Challenges and
Strategies for the Future of a Seasonal Hotel

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ABSTRACT

This thesis presents a case study carried out to identify challenges in the hospitality sector and to develop critical thinking towards solution driven approaches in operations, strategy, and human resources domains. It was conducted following an on-site experience in a seasonal hotel on a Mediterranean island. The outcomes of this work can be used as a teaching tool to deliver hotel management concepts and to stimulate the development of innovative solutions. This work revealed that there are minimal efforts to implement innovation in the industry, so the proposed strategies can be useful to mitigate the challenges that hospitality faces.

KEYWORDS

Hospitality, Tourism, Service Management, Seasonality, Pre-opening, Opening, Closing, Challenges, Strategy, Innovation, Seasonal Hotel, Mediterranean Island, Chain Standards, Managerial Decisions, Hotel Management, Human Resources, Training, Talent Retention, Ancillary, Revenue Management, Technology

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INTRODUCTION

This thesis follows a case study structure aimed for academic purposes in areas of hospitality and service management, particularly regarding the following approaches: operations, strategy, and human resources. It presents valuable insights on key aspects of hotel management, addressing a multitude of challenges and issues that impact the general scope of the industry. Furthermore, it presents innovative and efficient solutions that can be used as a future reference in the sector.

The thesis is structured in two sections: the case study, that will be made available to students to analyze, followed by the teaching note, for the lecturers, where the suggested questions are discussed.

The case study intends to challenge students to identify, discuss and suggest solutions for the different areas of approach, using theoretical concepts of hospitality as well as forward-thinking and creative ideas within the scope of this property.

This work was conducted following an on-site experience in a seasonal hotel on a Mediterranean island, where empirical material was used to identify opportunities for its improvement. It presents redacted information due to confidentiality reasons.

CASE STUDY

OVERVIEW

Rachel Norris is a businesswoman with a 20-year experience in the hotel industry, harnessing experience from hotel management across multiple international brands, as well as consultancy within the scope of asset development. Having worked across various departments and regions of the globe, she is currently working for a top 10 international hotel chain as a member of the corporate team, responsible for the supervision of hotel openings within the brand's portfolio pipeline. This role includes the analysis, development, and optimization of a hotel's performance, operations, and strategic decision-making. She was allocated to a new project, the Sub-Rosa Hotel, which consists of a seasonal resort on a Mediterranean island that operates from March to October. Her presence was required throughout the season for one week at a time, each month. Her first contact with the hotel was at the mid-season Grand Opening, followed by 3 other weeks of intervention until its closing. Her managerial expertise was imperative for three fields of approach: Strategy, Operations and Human Resources, due to the challenging specificities of this new hotel.

REGIONAL OPPORTUNITIES IN TOURISM

Following her allocation at Sub-Rosa Hotel, Rachel proceeded to become acquainted with the island's macroeconomic landscape to get a better grasp on how to best advise the hotel's management team. She analyzed the tourism industry and its offers to guarantee optimal recommendations, designing the finest solutions and identifying opportunities that effectively fit the hotel.

She found that the island is typically known as a leisure destination, where one can enjoy nearly 8 months of good weather per year. Summers are long, hot, humid, with mostly clear skies, while winters are short, cold, humid, windy, and partly cloudy. The island experiences

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certain weather conditions, where some discrepancies have been registered in the last years due to climate change, potentially impacting its operational period in the future.

Furthermore, she discovered that, in the island, the sector is composed of seasonal hotels and local businesses at a considerable distance from the main city where most of the population resides. The island's resident population annually fluctuates between 250,000 and 4 times more during the high season. 30% of the employed population work in the tourism sector, many migrating from the mainland to this region due to the higher-than-average national wage that the industry offers. Usually, around 12 million tourists arrive on the island every year from mainly European countries. The average expenditure per tourist is 1,100 euros, whilst the total annual expenditure represents 3,100 million euros injected into the economy.

Considering the offer available in the island, Rachel identified specific points of attraction for many visitors such as its natural landscapes, culture and historic monuments, distinctive gastronomy, entertainment offered, including sport and leisure activities linked to characteristics of the island, especially the nearby beaches. Offers during the high season range from water sports such as sailing, scuba diving, surfing, kite surfing, paddle and windsurf to yachting and boat tours, festivals, wine tours, gastronomic experiences, hiking and trekking, biking, rock climbing, among many others. In addition, going to museums and enjoying the night life can be experienced all year-round. During the winter season golf, bird shooting, cultural activities in the city, mountain tours, cycling, gastronomic experiences, wine festivals and shows are available. The economy of the island deeply depends on the travel and tourism industry in the summer, yet Rachel recognized niche market opportunities that could be explored in the low season, even though, during the winter, most of the small businesses close for 4 to 5 months in several areas around the island.

SUB-ROSA HOTEL

After the property was introduced in the chain's pipeline, Rachel was provided with a set of files conceptualized by the brand's corporate development team, with information concerning the Sub-Rosa's business blueprint.

HISTORY OF THE PROPERTY

The hotel was built on a property from the 70's that served as an accommodation facility comprising a main building and an outside area with panoramic views to the sea. It operated as an independent hotel, managed by its owners. They took on the project of running a successful business, being one of the leaders of the hospitality industry on the island for many years after that. The property kept on expanding through the years, having been bought and reformed multiple times to fit the changes of the market segments.

Over the course of its last 16 years, the hotel changed management 8 times, alternating between management contracts, operating leases, and franchise agreements. Each management team rebranded the hotel, hired different staff, adjusted the target segments, choosing different operating strategies and business models.

Saturn investment fund acquired the property, naming it Sub-Rosa. Next, they selected an asset management company specialized in hotel industry real estate to seek an international brand option with the right expertise to explore the hotel. Subsequently, the proprietors signed a management contract with a top 10 international hotel brand, upgrading its classification from a 4-star to 5-star. Now, a 20-million-euro capital investment will be injected in the hotel to renovate it and to improve its overall facilities, as well as increase its quality to fit the brand image and classification standards.

THE DESIGN AND CONCEPT

Sub-Rosa Hotel presents a Mediterranean architecture and style characterized by textured white walls, large arched windows, red tiled roofs, big terraces, and walk-ways paved with matte terracotta ceramic tiles that provide a rustic feel. There is a large extension of gardens dispersed all around with tall pine and palm trees, colorful flowers and bushes that grow in the region, and are aligned with the Mediterranean ambiance. These gardens are furnished with amphora shaped vases, water fountains and neutral romantic lighting.



*Figure 1 - Design and Concept of Sub-Rosa hotel
(Photo by Online sources)*

According to the design concept of the new chain, the interiors are to be renovated, namely the rooms and public spaces. One will be able to find ample curvy spaces decorated with wood and marble floors, sophisticated furniture with a blend of modern and contemporary touch and propped by a vintage charm. Guests will be able to experience a relaxing, elegant, and luxurious atmosphere in a full-service 5-star Mediterranean resort that offers a variety of services. The brand aims to create a luxury hotel with a spectacular setting, updating the upscale segment in their hotel portfolio.

AMENITIES AND SERVICES OFFERED

The property extends for 66,000 m². It is located on top of a hill near the island's coastline accompanied by large gardens. It has a total of 250 rooms distributed by 4 buildings, with different room typologies, mostly with sea view balconies. Sub-Rosa Hotel is set to employ around 215 people, many of which were already working at the property. It offers a variety of food and beverage outlets, conference rooms, event venues and other facilities



Figure 2 - Illustration of Sub-Rosa's facilities (Photo by Online sources)

Sunny Savor

Sunny Savor is a pool restaurant/bar serving up to 240 people daily. It covers an extensive grass sunbed area with great views, where guests can swim and bathe in the sun whilst being served healthy food options, comforting burgers, gourmet pizza, and a list of popular cocktails. Added to the experience, a selection of fresh juices, refreshing gelatos and beers will be offered. Staff uniforms should be a half polo shirt, unisex style with khaki pants, light and comfortable attire.



Figure 3 - Sunny Savor's Design and Concept (Photo by Online sources)

Flare

Flare is a signature restaurant with a fine dining concept with a large terrace and the ability to host 170 people per night. A Mediterranean menu inspired by local food will be available, offering subtle dinners with a sharing concept, under the stars, and accompanied by live music to provide a relaxing, cool and calm environment. Bartenders and waiters will be dressed in a resort-like chic look with white linen shirt, accompanied by personal accessories, and light grey pants. The music should be nostalgic and sophisticated to provide a relaxing mood.



Figure 4 - Flare's Design and Concept (Photo by Online sources)

Garden

In this restaurant, meals will range from a continental breakfast to lunch and a dining experience. This concept is based on a friendly, warm, and harmonious environment, where mostly families and groups can enjoy buffets and *a la carte* experiences with Mediterranean specialties and themed meals. The area can seat up to 360 people and the room is overlooking the panoramic views to the seashore. The design exhibits soft blue, green and yellow tones, invoking vibrant, light, and fresh feelings for the guest.

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Figure 5 - Garden's Design and Concept (Photo by Online sources)

Cloud

The hotel owns a day pool club, featuring a restaurant and lounge, that presents an outdoor terrace for premium dining and lunch experiences, and with the bright Mediterranean escape ambiance. As the main building is built in a traditional manner, guests will be presented with a contemporary interior space, with an earthy, chic, and sophisticated feel. This area caters to adults, serving an all-day long destination cocktail menu with an *Instagramable* atmosphere. Providing a sharing concept, the food menu showcases an assortment of sophisticated wraps, salads, and platters with a local and seafood twist. Staff should have a white linen shirt and pants with accessories giving it a flowy trendy ambiance.



Figure 6 - Cloud's Design and Concept (Photo by Online sources)

Mini Market

The hotel also provides a mini market in the Lobby's area, like a "Grab and Go" concept, where the customer can choose items according to their needs and preferences. Products will be charged to the room as extra consumables or paid directly at the reception. The mini market will offer goods such as a variety of alcoholic and non-alcoholic beverages, as well as a small array of local snacks such as chips, cookies, chocolates, fleur de sal, and fruit smoothies.



Figure 7 - Mini Market's Design and Concept (Photo by Online sources)

In addition to the hotel outlets, there are in total 8 conference rooms, with a total of 1200 m². The main one can host up to 360 people; the second largest, which can be separated in 2, can seat up to 190; and 5 other rooms with a ranging capacity from 12 to 60 people. Hotel facilities include the gym, a SPA, as well as 4 tennis courts and a paddle court. Among the tennis courts, only 2 have been maintained leaving the remaining ones to rest in bad conditions. The property has in total one indoor and two outdoor pools available from 8 am. to 7 pm. Other services provided on-site will be a full-service SPA explored by an external company.

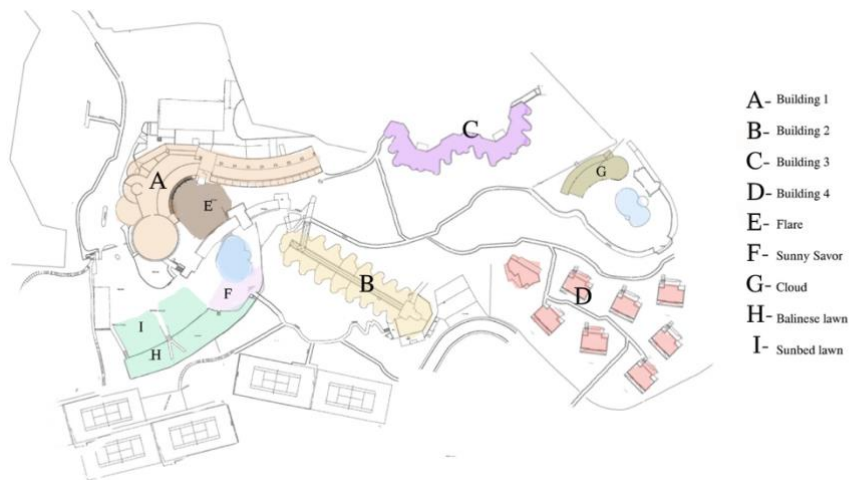


Figure 8 - Sub-Rosa's map (image created by the author)

SEGMENTATION AND TARGETING

The hotel proposes to target MICE (meetings, incentives, conventions & events) and leisure segments, specifically focusing on families during the summer. As for when the tourism volume is lower in the island, the hotel will concentrate on the MICE segment, particularly in corporate meetings and events. Furthermore, the resort aims to attract guests from Anglo-Saxon countries with medium-high incomes. The brand's loyalty program members will also be an important cluster of people to leave a good impression on as they often tend to travel during the year and they are aware of the brand standards and perks.

COMPANY PROSPECTS

Sub-Rosa Hotel plans is to achieve the break-even point by the end of the 12th year of activity. To establishing competitive advantage in the island, it is intended that the hotel maximizes its efficiency and creates long-term strategies that fit the imminent markets. In the first five years, Sub-Rosa Hotel expects to operate with high occupancy levels, putting emphasis on creating a solid reputation to build a loyal customer base and have a strong social media presence that can attract new guests. To build a long-term sustainable advantage, the use of data driven management will be a key practice in the decision-making process.

The Gross Operating Profit will ideally range between 30% and 34%. There is also the possibility that, further on, the hotel operates during the entire year, taking advantage of the seasonal nature of the destination characterized by low competitive rivalry.

HISTORICAL BACKGROUND (REVIEWS)

After reading the brand's documents, Rachel decided to check the prior hotel's reviews to build a background regarding the overall image and quality of the service of this asset. She found the classification rate very balanced in terms of consistency over the years. In multiple

OTAs (Online Travel Agencies) the overall rating is above 4.5 out of 5. Within the feedbacks encountered in the platforms, the main points are in reference to a good price-quality relation, nice location, closeness to restaurants and nearby cities, extraordinary views, a good and varied breakfast offer, attentive staff, welcoming to all ages, delicious food, spacious and comfortable rooms, and accessible facilities.

Rachel also identified good reviews left on the previous property's social media, which indicated that they were building a long-lasting relationship with their customers who often returned.

OWNERS VS CHAIN INTERESTS

Opposed to a regular opening time of nine to twelve months the hotel's pre-opening process was an unusual one, lasting three months in total. This decision derived from the pressure to start compensating the owners' investment, pushing all renovations and preparations to be finished before the agreed inaugural date.

The brand attempted to renegotiate the opening date as they feared that the fundamental changes, that required new materials and supplies approved by the brand, might take longer to implement. While the owners pressured to maintain the initial budget, the brand understood that the resources available on site were not sufficient to meet the service requirements expected by the customer base. By the time Sub-Rosa Hotel opened for the season, several of the materials for the restaurant had not arrived, including the tables for the terrace, forcing the team to buy wooden ones at a local shop; a few of the rooms had furniture inefficiencies; materials that hadn't arrived yet were replaced with those used in previous years under different management brands; teams were understaffed, which the hotel solved by hiring personnel through employment agencies; among other situations. These matters caused repercussions throughout the season.

RACHEL'S FIELDS OF ANALYSIS

In the week of the Grand Opening, Rachel was welcomed by the General Manager (GM) who introduced her to the Sub-Rosa's facilities and its team members. After unpacking her belongings, she initiated her quest to immerse herself into the hotel's operations, strategy, and human resource policies as to better grasp its general context.

OPERATIONS

Assessing customer needs helps to increase operational efficiency and better recognize critical points of service. Therefore, along the season, Rachel was required to analyze the operational efficiency, service quality, and customer's satisfaction in order to advise the Heads of Department (HODs) and GM on how to enhance guest experience.

Initially, in the planning phase, the GM explained to Rachel that both the chain's Development and Brand Management teams planned the design and concept of the hotel exclusively through floor plans, market studies and photos of the property. Sub-Rosa's infrastructure was considered old, not aligning with current market needs and impacting the hotel's operations due to its topographical foundation and architectural layout. Working with old historic structures can bring challenges regarding plumbing, air conditioning, mechanical, and electrical groundwork, making it such that the existing systems may no longer meet the requirements. This condition could potentially impact budget allocation of the Sub-Rosa Hotel.

Rachel spoke with HODs to recognize operational constraints caused by infrastructural issues. Multiple concerns regarding the layout, materials and equipment were communicated, as well as the limitation in storage capacity. Firstly, the central kitchen had columns spread throughout the area, constraining circulation of the F&B (Food & Beverage) and Kitchen teams. The Flare's service door that connects the kitchen to the dining area had no window for visibility and communication, nor did it swing, opening solely in one direction. Additionally, the pool's

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kitchen was small, without a ventilation system, which hindered the service flow and food quality. Secondly, the Maintenance Director mentioned to Rachel that in Sub-Rosa's second day of operations, a water leak arose after his working hours, leaving the property without water for a two-hour period, which created a queue of complaining guests in the lobby. Until the problem was fixed, the Front Office (FO) team gave out complimentary vouchers for the restaurant outlets in order to mitigate the discontent. As Rachel became acquainted with the hotel's premises, she noticed that for personnel to get from the staff's quarters to their respective areas of work, they had to circulate through guests' common areas, such as the conference hub, main entrance, and the outdoor pool, which disturbed people at times.

Rachel understood that there were multiple benefits in operating under a worldwide hotel chain, never-the-less the power structure was revealing to cause operational constraints specifically at Sub-Rosa. As the brand allocates similar resources and manages the portfolio according to their standards, guests usually recognize practices in the service and products offered.

Each hotel usually follows the same organizational values, line of communication, performance metrics, revenue management, technology systems, such as the Property Management System (PMS), among others. Additionally, Rachel was aware of the centralization of certain administrative roles that managed multiple properties in the same region in order to cut chain's administrative costs. These roles directed departments such as Human Resources, Commercial and Sales, Marketing, Revenue Management, Procurement, and Finance. Considering that these department directors are located off-site, the teams on the field experienced delays, restraints on communication and information exchange, and the remote work often reflected in long response times for decision-making purposes. This organizational structure also limited the on-site team members' promptness, critical thinking, and creativity.

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As an example of the difficulties observed, the revenue management department was not provided with a clear vision of the pricing strategy and procurement had to place supply orders within one month in advance for it to arrive on time to meet operational needs. Sub-Rosa's suppliers were chosen from the brand's pre-approved list, mostly coming from the mainland and other countries to the island, provoking delays and, consequently, affecting customer experience. For instance, by the time of the Grand Opening, there were spiritual drinks and wines on the menu that had not yet arrived, due to constraints in the island's seaport supply chain.

Rachel witnessed several managers and team members on the field feeling work rigidity, informality and inflexible attitudes coming from superiors, which resulted in team's demotivation and frustration at the hotel. They also felt that their feedback was not welcomed nor that they had autonomy in making operational decisions.

After months of operation, the hotel was soon to host a renowned international event that involved important people and attracted high media exposure from all over the world. This event included a cocktail hour, followed by a gala dinner. The GM asked for Rachel's intervention to help guide the arrangements that needed to be carried out. Knowing that the hotel's strategic direction was to target the MICE segment, Rachel was surprised to find that there was not an event's team. Kitchen and F&B departments had to take over the banqueting operations, using the same material and equipment of the restaurant outlets. Whilst preparing for the event, the F&B Manager became aware that the team was not enough to carry out the operational needs due to the dimension of this occasion. As a result, they contacted an employment agency in order to outsource personnel, relying on their attendance, punctuality, and expertise.

On the day of the event, Rachel decided to oversee the first contact between team members and these VIP guests, as to comprehend if the standard procedures under the brand

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guidelines were being followed across all hotel staff. She recognized some inconsistencies within the workforce, for instance, whilst the FO team could recognize these guests and treat them with the extra care that is required for their status, others, such as waiters and their supervisors, whose job implicates direct contact with customers, did not have any information regarding these arrivals. Simultaneously, Rachel noticed further disparities in the service provided by external members, who were only briefed shortly before the event began, and did not have experience on gala service protocols and standards. The service flow did not go as planned, due to communication constraints between the in-house and outsourced teams.

Whilst this event was occurring, the hotel was nearly full, accommodating a range of guests from its participants to other VIP guests, brand loyal members and other customers who came exclusively on vacation. During this time, one couple with the half-board meal plan included in the Sub-Rosa's daily rate, intended to have dinner at Flare. They called reception to make a booking, although they were informed that the restaurant was reserved for the exclusive use of the event. After the receptionist explained that all restaurant outlets would be closed on that specific day, suggesting another nearby option, the couple was not satisfied and asked to speak to the manager. Rachel was nearby and took over the interaction informing them that, for that night, the Flare menu would be served at the Garden restaurant instead. Similar situations occurred that night where other guests were redirected to restaurants outside the hotel due to lack of communication to the staff regarding the change of Flare's service to another venue. This caused a massive revenue loss, thus Rachel, surprised by the incident, decided to speak with the F&B Manager, who confirmed that this information had been disclosed to the rest of the HODs.

Every morning since Rachel's arrival, she has been going to the morning briefing where the GM and all HODs are present to discuss the daily important matters of the hotel. One morning, they were discussing whether the guests should be informed that the road that accesses

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the property was going to be blocked due to a sporting event happening in the municipality. Their considerations were that this matter was not impactful enough to email every guest already in-house and soon to arrive. This decision later led to queues of people at the reception complaining and asking for alternative roads and transportation options. Later that day, Rachel decided to talk with the room attendants to understand how communication within their department was conducted. The employees demonstrated their dissatisfaction on how and what their supervisors communicated to them claiming that, due to the hotel's grounds being extensive, they had to use their personal cellphone device to communicate between each other. They further indicated that there wasn't an effective channel or system to have a proper information exchange between other departments. This led Rachel to consider potential security risks regarding a probable compromise of confidential information of the hotel.

After leaving the hotel on her first stay, Rachel was skimming through the online reviews already placed on a commonly used OTA. A VIP member stated the following:

"I was advised by a friend to come to this hotel that opened under the brand tend to choose. He spoke wonders of it. As I arrived in the lobby, I immediately felt an amazing atmosphere which got me into a vacation mood. However, it quickly changed when I entered my room. I instantly felt claustrophobic, which I found strange comparing to other resorts where I had recently stayed at. The TV is disproportional regarding the room size and obstructs movement, just like the bed and other furniture do. I later found this was due to universal measurements that the brand sets. I found infrastructures modern and contemporary, the view was amazing, the gardens were beautiful, but the SPA looked outdated. Also, the room size was small, and amenities were made of bad quality. Besides, there was no Muslim food options in any of the hotel's restaurants, which I think is outrageous considering how international the brand is. Being charged for a transfer to the airport and paying 7 euros for ice in room-service really bothered me and I also felt that food and drinks were overpriced considering the product

and service quality that was delivered. One summer day, a lovely lady in the reception explained to me that, according to brand standards, the air conditioning in the room must be set between 22°C and 27°C. However, it was 40°C that day and I was struggling with the weather because, coming from Ireland, I am not used to these temperatures. I was really dissatisfied with this situation, so the receptionist gave me a complimentary voucher to enjoy at the bar. Yet, I found the general staff service weak and unworthy of a 5-star hotel. They seemed stressed and with a heavy workload. I understand it is a brand-new hotel, but for the same price I can find a better offer in the island. As a long-time loyal member, I never felt so disappointed with the brand. I would not come back”.

VIPs and top-tier loyalty members of the brand were handled with extra care, by allocating them to the best rooms in the property, offering complimentary drinks and a surprise box of chocolates in the room upon their arrival. However, multiple negative online reviews were left as customers suffered delayed responses from staff to the problems they encountered during their stay. Faced with this reoccurring feedback, Rachel quickly identified that there was an unfilled position for a person who would be responsible for ensuring the best possible guest experience. Furthermore, despite the hotel being part of a large chain with loyal members travelling multiple times a year, there was no profile nor information about these customers. No insights on general preferences such as rooms, food and other specificities were retained. Only the FO department could attach pertinent information regarding special requests from the guests, before arrival or during their stay, to the booking system. This action is called “creating a trace” which then helps the department to better know how to treat guests and fulfill their wishes. However, after check-out or when the request is resolved, these traces on the clients' profiles are erased from the platform. As a result, the slightest amount of information acquired is not accessible to the rest of the departments nor for future reference. This led to multiple instances of failed expectations on guests' end.

STRATEGY

Effective strategic management continuously prepares, monitors, and tests an organization's activities, increasing operational effectiveness, market share, and profitability, in contrast to static strategic plans. There is currently an array of new ways for an organization to make profit from readily available data, sometimes hidden in plain sight within a company. Therefore, during the season Rachel kept coming back to the property for the continuous examinations of the multiple areas that were pertinent to the Sub-Rosa hotel's overall performance. To revise the strategy for the future years, it was required of Rachel to observe and analyze aspects such as the hotel's online reputation, revenue optimization opportunities and potential product development.

As a first step in the customer journey, before Rachel arrived at the property, she took the opportunity, as an outsider, to understand how a potential guest would perceive the image of the hotel based on a first online contact. The first discovery was that the location indicated in multiple OTAs had the previous hotel's name, as well as the past offer from the former management. The minimal online presence encountered was on *Instagram*, with a page for the hotel and one for Flare restaurant. They displayed few references to the service and all the content was derived from a stock photo's source, without properly showcasing the property. Rachel continuously followed the hotel's social media along the season, verifying that the accounts were not active in the first two months of operations, leading Rachel to go to the Sales and Marketing team in an attempt to understand the motive behind it. She learned that marketing was being produced through an expensive outsourced agency, from the mainland, that only visited the property once at its inauguration. Rachel later confirmed that minimum effort was made for content creation, with very weak communication and fully in the native language of the country, countering the effect it should have on the proposed target demographic of the hotel. Rachel also found many negative online reviews pertaining to the restaurants, indicating

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delayed responses, switched orders, and badly prepared drinks. This raised concerns regarding the lack of conflict resolution during guests' stay.

She observed that, at first contact with guests that were not part of the brand's loyalty program, FO would propose the possibility to enroll by presenting all the benefits associated with it. Most guests were not comfortable disclosing their personal information, which led the team to incentive them by offering complimentary internet access during their stay. This strategy was proven to be successful, allowing the brand to expand its customer base and advertise other offers. Despite the potential to collect information as well as having already an array of long-established loyal members, data regarding their needs and preferences is not effectively recorded.

Furthermore, Rachel investigated the online reviews available to that point. After analyzing a multiplicity of feedbacks, she found a review that embodied the general sources of discontent: "I've been staying with this brand for years now and this hotel simply wasn't ready to open. Staff didn't seem to understand how to do simple things like checking-in. We tried the fitness room and there was a workman there on a Sunday morning drilling holes on the concrete walls. There is one pool for the hotel, and this is a family pool with games, inflatables and full to the brim - forget any option to swim as getting past all the people and kids is impossible. The second outside pool shown in the online website has nothing to do with the hotel, apparently it is managed by another company, where the hotel guests must incur a minimum spending charge per person per day. In my opinion this was a short-sighted venture, and this second pool should have been kept as a quieter area for adults only. Having to pay to go to the beach club that is marketed as part of the hotel's facilities is hugely disappointing. Sub-Rosa Hotel needs to remove the Cloud pictures as part of their amenities, because we felt deceived. Amenities are of terrible quality and food waiting times are excessive. Also, the room service offer feels like

it's only there to fulfil a requirement because it's quite limited and poorly presented. I can't remember when I last felt this dissatisfied with a hotel stay anywhere”.

At this moment was when Rachel found that the premium beach Cloud, was not being managed by the hotel. The company exploring it is part of a lifestyle brand that branched into the island, as they were already known for their success in multiple locations around the Mediterranean. The brand implemented a consumable entrance fee of 50€ per person, selling Balinese beds at a premium. They offer seating for 200 guests, an outside lounge harnessing 75 sunbeds and 12 Balinese beds, surrounded by white and crème style scheme, giving a laid-back and luxurious lifestyle feel, beautiful views and good entertainment. Furthermore, the Cloud brand has signed the contract to exploit the outlet with special conditions, having a 4-month grace period without paying rent.

Mid-season, Rachel came back to the hotel to continue to follow on its performance and product quality. The hotel policy is to have the flat screen TV running before the guest arrives, presenting the room service QR-code and a warm welcome with the guest's name displayed on the screen. She took the opportunity to analyze and explore the in-room services offered, finding the menu to be a smaller version of the pool restaurant's one, with a short 3-item list of cocktails. In order to experience the service, she ordered food which was delivered in a brown plastic bag with the receipt stapled on it. Additionally, she tried to understand what other information regarding other outlets or services could be displayed on the TV, finding that solely information regarding the room service was available.

Whilst experiencing the room as a guest, she attempted to get some work done. She required an extra screen for a more optimized time, so she tried to connect her computer to the enormous TV in the room, unsuccessfully though. Rachel was used to working from hotel rooms as she is often on the road overseeing multiple projects and, usually, there is always the

possibility to connect the devices through a cable or even contactless, unlike what she was experiencing. She was quite surprised to find these conditions.

In order to further gather information and find strategies to achieve better financial results, Rachel proceeded to analyze the restaurants' accounting records. She realized there was a lack of key performance indicators and margins for food and beverages were not calculated in any of the outlets. Moreover, the operation system did not allow for reliable information to be extracted such as how many items were sold, average spending per guest, etc.

Throughout Rachel's stay along the season, she kept being introduced to multiple colleagues referred to as "task force" members. These are fellow colleagues working for different hotels within the chain, who punctually go to the hotel to help with tasks, providing guidance and insights from years of experience working for the brand. This internal exchange is seen as a positive one, considering that it facilitates the transfer of knowledge and can bring a fresh perspective on certain issues concerning the hotel. Rachel realized within each interaction with these members that they had several pertinent issues and solutions to point out about the hotel. Never-the-less, none of the recommendations were implemented, recorded, nor remembered by supervisors and the management team.

During Rachel's last week she investigated other potential missed opportunities in the hotel. Considering that the concierge is a vital point of contact for the customer, Rachel learned more about the role and its performance during the season. On one of the days, she decided to meet with Phillip, who's responsible for the Sub-Rosa's concierge service operating from a glass-enclosed office space in the hotel's main central gathering area. Philip explained how he made sure to have information on the best restaurants, services, and experiences in the island, providing the guests with the best fit for their needs, as well as taking care of any other special requests that could potentially arise. Rachel learned that he was also in charge of a sizeable golf shop located in the same rotunda, with immense sun exposure and visibility from the main

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walkway, in addition to an adjacent unutilized commercial area. She proceeded to understand what the main sales were and verified that, from the 40 types of golf items in the shop, only 3 to 4 were purchased repeatedly along the season. She also recognized that other highly requested products ranging from sunscreen, other beach items and souvenirs were unavailable.

Furthermore, Rachel became aware that multiple requests for golf services, bike rentals, and tours were made by clients. The hotel did offer all these services although provided by outside companies, from which only the golf enterprise paid commissions, about 5%, to the hotel on services booked. For bike rentals, the clients must walk around 2km to pick them up, consequently having to bike up the hill to come back to the hotel. The resort facilitates this rental service, by referring the customer to the shop and by providing a specific space for the guests' rented bikes to be stored in the property during their visit.

After these findings, Rachel understood that not all efforts towards the best return on investment were being made, creating the urge for her to walk along the property and identify other gaps that could be occurring. She verified that the property had various unused areas with incredible views from where the most amazing sunsets could be seen. Building C's rooftops had approximately 2200 m² surrounded by glass railings in order to not obstruct the 240° views. This area had been renovated with faux grass but was made inaccessible to guests during the whole season. Another area that was not being used other than to host 4 Balinese beds, was an ample lawn area near the pool bar with sea and mountain views.

Throughout the season, multiple problems and lost revenue opportunities were found, giving Rachel a diverse set of ideas on how to culminate these issues and how to implement strategies for the future. All these elements were imperative for Rachel to give valuable feedback that would advance the property.

HUMAN RESOURCES

People are one of the most valuable assets in an organization and Rachel knew their importance in a business such as hospitality. This led her to allocate some of her time throughout the season to talk to staff in order to understand their motivations, perceptions and work conditions.

During her first stay at Sub-Rosa Hotel, Rachel was partially allocated to Flare in order to help them organize amongst themselves and handle any rising problems in the outlet. She quickly realized that most of the workers were recruited last minute, having little experience and providing an inconsistent service across the team. Waiters did not know the menu's specificities, nor had they tried any of the items offered. F&B training consisted mainly of mandatory online courses on the brand standards, not having time for proper practical training sessions. The team was understaffed and unable to culminate many customer complaints, resulting in the need to give free of charge meals that led to losses up to 1000 euros per day during, the first two weeks of activity.

After her time with the F&B outlet, Rachel was requested by the FO department on her next stay in order to assist them with the high occupancy levels being experienced in the hotel. She arrived at an avalanche of people checking-in and an overwhelmed untrained staff struggling with the reservation system. According to brand standards, each year FO employees must complete a 30-hour online training on the property system, although, due to lack of time, most workers had not finished the training by the time the hotel opened.

During this time, Rachel took the liberty to meet the team. She talked to Peter, the only summer intern at the hotel, coming from a different European country that does not speak nor understand the local language. Every day he listens to a short briefing on the most relevant subjects at hand although he does not understand what is being said. Despite being able to collect guest tips, the hotel does not give Peter monetary compensation. On the other hand, it

Group Part

provides him with breakfast, lunch, and dinner, as well as free accommodation in the staff apartments beside the hotel property. These consist of 10 poorly maintained two-people residences, despite only half being operational because the remaining do not meet the minimum legal safety requirements to allocate anyone; and two big plots of land used as an improvised storage area. Employing around 50 foreign workers per year that come solely for the season, the hotel urges them to find private accommodation, spending on average 55% of their salary on a monthly rent in the nearest big city, 30 km away, where prices are lower, supply is greater and there are more accessibilities. To reach the hotel it takes 25 minutes by car or 1h30 by bus, having to walk the last 20 minutes up the hill from the nearest town, where the bus stops.

Curious about other employee working conditions, Rachel met with Johana, an employee from the housekeeping department who has worked in the property for over seven years, speaking solely the local language. The department encompasses a total of 32 workers, with only 14 of them cleaning the 250 rooms. Each day Johana is responsible, on average, for cleaning 14-17 rooms by herself during an 8-hour shift, with a 30-minute lunch break. A regular room may take up to 40 minutes to clean in case of a check-out and 20 minutes if it is a standard cleaning of a guest room. Due to her previous experience working in the hotel, she has not changed her work method as she considers it to have worked well over the past years. Moreover, she often ignores a few of the new brand standard procedures that she was briefed about in the beginning of the season, as they delay her working rhythm and have no significant impact on the hotel operations. Johana felt that the daily workload was heavy, which is why she addressed her manager to suggest a different working plan for the department. The Housekeeping Manager, like other HODs in the hotel, simply shut down her ideas, replying that no changes could be made at that time. Johana further commented with Rachel “I do not like how we communicate between each other. I feel like wherever I am, when my phone rings, I must check what is happening back at the hotel. Also, it is very hard to work as a housemaid in this property.

Group Part

We lose a lot of time going from one place to another, not to mention that, at times, we must carry cleaning materials up and down the stairs throughout the property. We also must lift the beds off the ground to clean the floor and these are a lot heavier than the ones we had last year. Every day, I finish the shift with back pain”.

During Rachel’s stay, she also noticed that, with a 94% occupancy rate, breakfast only allocated 6 waiters for over 450 guests. One family waited 30 minutes for a spoon because there was not enough material to restock everything in time. Moreover, there were queues to get food at the buffet, which was creating a chaotic environment at 10 in the morning. Most waiters were not accepting special food requests because they were too busy cleaning and setting tables, nor were they serving any drinks at the table, unlike what brand standards dictate.

During her third intervention, upon arrival, the HODs were overwhelmed as they realized they had no information on employee’s daily working hours, which made it hard for management to account for extra time and days-off. The time that employees start and finish their shifts was not registered by the system installed at the staff’s entrance door, which was supposed to digitally record this information through ID fingerprints. To counteract the failure in the system, the HODs asked each of their employees the number of hours they had worked that month.

During this stay, the GM decided to hold a team forum, in the local language, to award an employee of the month, gathering the majority of the hotel’s workforce in the largest conference room. Employees were excited at the prospect that they could win a reward for their performance. The excitement quickly faded as the GM announced the monetary prize would be awarded to the worker with the most online review mentions.

By the end of the season, Rachel checked up on the F&B department once more discovering that, in two days' time, all members had to attend work earlier to have the mandatory training required before the hotel opened. She also noticed that teams across restaurant outlets

disagreed with the corporate tip policy, which consists of equally splitting 50% of all tips between F&B and Kitchen, and further divide them across the 3 restaurants, even though every outlet requires different effort levels, service quality and experience. Furthermore, Flare's service received the most tips, roughly 120 euros per day, Sunny Savor received an average of 50 euros, whilst Garden received no tips. Monthly, every service member collected around 80 euros total. F&B members were especially angry that they had to share tips with the kitchen when FO would only share amongst themselves. Additionally, the workers from Flare would often decline tips, as they felt that they wouldn't be amass a significant part of it.

Noticing a few employees with negative perceptions of the season, Rachel conducted a survey to gather whether team members were planning on coming back the following year, finding that only residents of the island were inclined to return.

These matters were critical for Rachel to gather an idea on the quality of work the hotel was providing to its members. After understanding the overall conditions, she considered possible solutions that would increase workplace motivation and encourage staff to return.

A TIME TO IMPROVE

As the hotel closed for the season, Rachel returned home. She knew she had roughly four months to implement core changes that could improve the activity and raise company profits before the property re-opened. She needed to disclose a report to the brand's managerial board about the season she had experienced, as well as suggest strategic and operational changes that contribute to, not only a fast compensation of the owners' investment, but also to build a sustainable enterprise in the island that represents and advocates for a brand of such value.

The off season was the perfect time to transform the hotel into a reliable source of revenue in the future, and to find the perfect strategies to successfully re-open in the forthcoming years. After much deliberation, Rachel contemplated what changes were wise to implement effective immediately and which would be the product of a well-planned medium to long-term strategy.

TEACHING NOTE

Target Audience and Learning Objectives

This case study intends to be used for academic purposes in vocational studies, undergraduate, BSc and MSc courses on Tourism and Hospitality Management. The objective is for students to develop critical thinking regarding strategic decision-making and innovation in the hospitality industry.

The case study illustrates the challenges of a hotel located in a seasonal island, shedding light on the creation of strategies for its re-opening in the next years. It addresses the setting of a three-month-period pre-opening and the constraints caused on three areas of approach: Operations, Strategy and Human Resources.

Teaching Plan

The professor should assign the case and questions prior to the lecture so that students can get familiar with the story and attempt to answer the questions before having an active discussion on the topics considered. The case should be conducted in three different sessions, each consuming a class period of 70 minutes. The areas of approach pertain to different matters within hospitality management and human resources, so the lecturer only needs to disclose the general hotel information and required topic for the subject in question. One class period should then address the hotel's general information, one area of Rachel's approach and subsequently the questions associated to that part. Lecturers can also use the case study to propose other relevant questions concerning topics related to hospitality.

Regarding the size of the class, smaller groups may provide an environment to tackle more complex and in-depth issues, as well as solutions, while a bigger class may focus on the delivery of the theoretical concepts. After an open class discussion, finish by summarizing the most relevant topics addressed in each session.

Assignment Questions

1st case session – Operations

1. Explain some of the advantages and disadvantages of having a centralized decision-making brand power structure in congruence with management contracts and identify some strategies to mitigate its effect in frontline operations. (30 minutes)
2. Which managerial decisions and practices should Rachel implement to enhance service quality, increasing guest's satisfaction and loyalty? (40 minutes)

2nd case session – Strategy

1. Based on the information given, what opportunities for development do you identify and what strategies would you implement in order to increase revenue? (40 minutes)
2. What technological implementations could you make in the hotel in order to improve customer experience, online reputation and managerial decision making? (30 minutes)

3rd case session – Human Resources

1. Regarding training, what was done wrong during the first year of activity at the Sub-Rosa Hotel? Explain the importance of training, suggesting changes that could be implemented and how they can impact the activity in the forthcoming years? (30 minutes)
2. Which measures could be put in practice to acquire and retain talent within the context of the Sub-Rosa hotel? Answer addressing turnover implications. (40 minutes)

Case Analysis

Opening of a Chain Hotel in a Mediterranean Island: Case Study of Operational Challenges and Strategies for the Future of a Seasonal Hotel

1. Explain some of the advantages and disadvantages of having a centralized decision-making brand power structure in congruence with management contracts and identify some strategies to mitigate its effect in frontline operations.

Step #1: The best way to introduce this topic is by showing an organizational chart of a big hospitality chain to obtain a visual comprehension of power structures distributed in global regions as a centralized decision-making system:

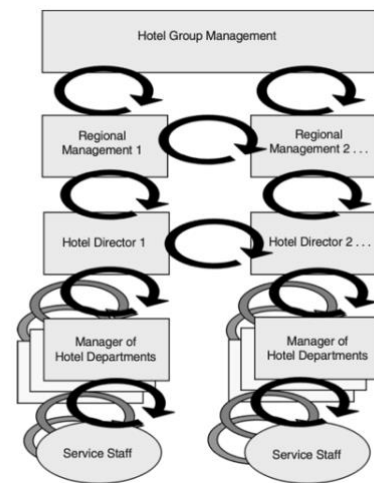


Figure 9 -Knowledge Transfer in Maritim Hotels (Bouncken, 2002, p. 50)

A hospitality organizational chain with centralized decision power usually divides its power into groups of executive managers in different regions, e.g. EMEA (Europe, Middle East, Africa), Asia and Pacific, and the Americas. According to Dwyer *et al.* (1998), a centralized decision-making system is an organizational process where decision-making is concentrated in the top executive board, who communicates the decisions to the lower-level managers. Yen and Teng (2012) mentioned that hospitality organizations present a centralized decision-making power due to the need of having routines and formal systems to coordinate tasks and secure efficient performance of organizational objectives.

Step #2: It is pertinent to define a corporate strategy and identify Rachel as a corporate member of a big hospitality chain:

Rachel is a corporate consultancy member in control of the EMEA’s hotels, which means she is also responsible for providing feedback and implementing strategies in Sub-Rosa hotel to make it a profitable business with a competitive advantage. Hence, a corporate strategy aims to follow its brand’s vision and manages its portfolio with a specific allocation of its resources into the firm’s businesses, approaching different strategic decision-making.

Step #3: After having recognized the different hierarchy levels in the organizational structure and Rachel’s role in the management and performance of the Sub-Rosa hotel, it should be clarified what management contracts are:

Gannon *et al.* (2009) stated that a management contract is a “(...) long-term agreement, of up to ten years or even longer, whereby the legal owners of the property and real estate enter into a contract with the hotel firm to run and operate the hotel on a day-to-day basis, usually under the latter’s internationally recognized brand name”. Therefore, a management contract with internally recognized brands that hold a centralized power structure may impact the performance of the hotel. Tavitiyaman *et al.* (2011) add that many studies concluded that there is a significant relationship between decentralized structures and enhanced performance.

Step #4: At this point, the students should be able to present an answer to the question in number 1. This answer may contemplate the following topics:

	Option 1	Option 2
Advantages	<ul style="list-style-type: none"> • Reduce costs • Offers Consistency 	<ul style="list-style-type: none"> • More control • Brand image and reputation
Disadvantages	<ul style="list-style-type: none"> • Bureaucratic leadership • Controlled by distance • Ego-trip ownership 	<ul style="list-style-type: none"> • Delays in work • Lack of employee loyalty

Note: Students may present other topics, as long as they are relevant and representative of Rachel’s analysis.

Figure 10 - Advantages and Disadvantages of Centralized Decision-Making System
(Table by author)

Possible advantages:

- A centralized organization adheres to the standardization of rules and processes which **helps reduce office and administrative costs**, increases margins, and achieves better financial results. Human Resources, Finance, Commercial and Sales, and Marketing Heads of Department of Sub-Rosa hotel answer to one individual corporate member at higher levels in the hierarchy, who must control hotels of the region. Those decisions help diminish administrative costs.

- A centralized organization offers **consistency** of procedures at all hotels around the world. As there are clear lines of communication, the senior executive conveys the organization's vision to employees and guides them toward its achievement. It is easier for the brand to **control its image and reputation** by adopting brand standards inside this asset-light model.

Possible disadvantages:

- Centralized management resembles an authoritarian form of leadership where employees are only expected to deliver results according to what the top executives assign them. Employees are unable to contribute to the decision-making process of the organization, and they are merely implementers of decisions made at a higher level. This phenomenon can be called **Bureaucratic leadership**. As a matter of fact, Sub-Rosa hotel felt repercussions in the service provided, as some decisions were made at a higher level, which is never present in the field of operations, meaning that they can be taking deceived decisions.

- The organization's executives usually are under tremendous pressure to formulate decisions for the organization, and they lack power over the implementation process, especially when it is **controlled from a distance**. Departments, such as Marketing and Events,

lacked control over their activity because they were waiting weeks for superior decisions. Furthermore, the fact that some positions that are crucial for the hotel's financial performance were extinguished from the site and located in the headquarters as a centralized team responsible for managing multiple hotels in the region, makes it harder for Sub-Rosa hotel to control the activity. Examples of non-present departments are Revenue Management and Procurement.

- Centralization results in **delays in work** as important guidelines are sent to and from the head office. Employees rely on the information communicated to them from the top, and there is a loss in man-hours due to delays in response. This means that the employees will be less productive if they need to wait long periods to get guidance on their next projects. This topic can be exemplified by Sub-Rosa's suppliers. They were chosen from a brand's procurement list of approvals in the region, usually coming from the mainland and other countries to the island, which induced delays in the operations and consequently affected the customer's experience. For example, the F&B Manager could not sell spiritual drinks and wines presented on the menu on the day of the Grand Opening due to its retention at the port. There were other cheaper options on the island, but it was not authorized by superiors.

- Employees normally become loyal to an organization when they are allowed to have the personal initiative in the work they do. They can introduce their creativity and suggest ways of performing certain tasks. However, in a centralized organization employees perform tasks conceptualized by top executives without providing feedback or innovative ideas, which leads to a **lack of employee loyalty**. This limits their promptness, critical thinking, and creativity due to the rigidity of the work. Sub-Rosa hotel's managers missed listening to employees' feedback and providing their input into operational decisions.

- Another important topic is **ego-trip ownership**, which implies owners having direct and excessive interference in the hotel brand's operations of some units. The budget allocation could be a subject related to these conflicts. Centralized power structures usually

allocate each hotel's budget according to the brand's resources and strategic goals, which may have caused a conflict of interest between the property owners and Sub-Rosa's brand. The values, principles, background, and strategic objectives can affect this decision, thus pre-opening budget for new hotels, such as Sub-Rosa, is usually reduced, as well as contract clauses that may not be flexible to changes.

- A centralized power structure can also create a **disconnect between the priorities** of the business and the priorities of the operational teams. Business leaders can become frustrated when their “burning questions” are not being addressed at the speed of business. At Sub-Rosa hotel, managers of F&B and kitchen were stressed about the amount of work coming from Events. They needed an Events/Banqueting Team, but GM's instruction was to control the budget. Thus, brand resources may not fully understand the business, as they are not embedded in or dedicated to a function, so it may take longer to understand lower management needs.

Possible strategies to mitigate the effect at the operational site:

Strategies to deal with constraints of centralized power structures:

- Create **internal channels to boost intra and interdepartmental communication** (e.g. an app oriented for internal messaging between departments differentiated by urgency and importance of the matter, leaving notes, tasks, requests, schedules, events, and so).
 - Promote the **culture of care** increasing employees' satisfaction and developing the feeling of belonging in structured manner with pleasant and welcoming facilities, attractive benefits, team building programs and recognition activities, among others. The purpose is for the Heads of Department to create a healthy and safe environment with a sense of well-being, asking for their feedback and implementing innovative ideas, instead of forcing social interaction in the daily work.
 - Provide more **decision-making power at lower hierarchy levels** through the promotion of delegated decisions that may improve the service quality and speed and team's empowerment, as long as brand guidelines are followed.
 - Stimulate the **follow-up** on the managerial decisions made, through monitorization and adaptation to changes.
 - Invest in **employees' acquisition of certain abilities**, such as knowledge, coordination, experience, and skills, as brand standards constitute a strategic capability in terms of sustainable competitive advantage by providing consistency in service management.
 - Finance the **implementation of technology systems** integrated into the service design, aiming to develop service efficiency and customer experience.
-

Note: Students may present other topics, as long as they are relevant and representative of Rachel's analysis.

Figure 11 - Strategies to deal with constraints of centralized power structures (Table by author)

Example of Internal Communication Channels:

<https://www.youtube.com/watch?v=gJ90Y364b4&t=2s>

Example of promoting a “Culture of Care”:

<https://www.youtube.com/watch?v=rlNdbqkglvg&feature=youtu.be>

Step#5: Suggestions for Future Research- Lectures may also explore some factors that may affect centralized power structures in the future of the hospitality industry:

- Digital Transformation
- Changing Guest Expectations
- Market Volatility (market changes), among others

Step#6: Key takeaways from this question:

Infrastructural issues were considered a limitation for Sub-Rosa’s activity, as well as the fact that its brand presents a centralized decision-making system that affected all season’s operations, especially in the pre-opening period.

Consequently, Sub-Rosa hotel should be able to work within a centralized structure, involving human capital, strategic resources, and service excellence to be adaptable to changes and problems that may arise in forthcoming years. The operational employees’ frontline should be valued, trained, and challenged to create, participate, give feedback, and implement practices that may increase guest satisfaction and service efficiency.

However, it is known that decentralized structures provide better general performance, which means hotels may have to restructure their organization due to external changes that may occur in the future. Some hotels may adopt new job positions and technological solutions to help minimize this effect on the operational site.

2. Which managerial decisions and practices should Rachel implement to enhance service quality, increasing guest’s satisfaction and loyalty?

Step #1: The best way to introduce this topic is to explain the relevance of this question by summarizing the relevant takeaways of guests’ reviews regarding their increased demand for value:

During the season, Sub-Rosa’s guests felt a weak service quality for a luxury 5-star hotel. Multiple reviews seen by Rachel mentioned the relevance of the topic value for money, as example: “(...) I understand it is a brand-new hotel, but with the same price I can find a better offer in the island. As a long-time loyal member, I never felt so disappointed with the brand. I would not come back”. The concept of value considers the guests’ perception of quality relative to price paid. Therefore, hoteliers are challenged to find ways to increase the quality of products and services without raising prices. Nowadays, most guests “shop around” before making their purchase decisions, as the internet is a faster way to book hotels. This resulted in better-informed customers and a more competitive environment for hoteliers, such that the differentiation of services and products is more relevant for a sustainable competitive advantage.

Step #2: It is pertinent to demonstrate the ServQual Gaps Model and its relevance on guests’ satisfaction:

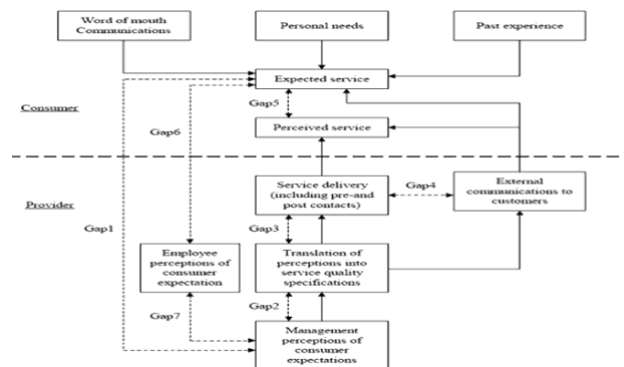


Figure 12 - Service Quality Gap Model (Atmaja and Utami, 2018, p. 21129)

The ServQual Model was created to measure and evaluate the existent gaps in the service quality of a service type of business. Atmaja and Utami (2018) stated that there are five dimensions affecting the gap in service quality: “(1) reliability, which is the company's ability to carry out the promised services accurately and reliably, (2) responsiveness, which shows the willingness to help customers and provide services quickly and responsively, (3) assurance shows the extent of employee knowledge and politeness as well as the ability to create images or perceptions good for the company, by growing trust and confidence in the minds of consumers towards the company, (4) empathy as a condition for caring and giving personal attention to customers, and (5) tangible evidence of physical facilities, equipment, personnel and communication media”.

Thus, the seven gaps mentioned by Atmaja and Utami (2018) are: Gap 1, the one between consumer expectations and management perceptions, which indicates management struggle to understand the customer's needs and expectations; Gap 2, the one between management perception and quality specification services, which demonstrates that managers can identify the customer's needs and expectations, but they cannot perform accordantly; Gap 3, the one between service specifications and service delivery, which mentions the lack of employees' training and motivation to meet the standards of service delivery; Gap 4, the one between service delivery and external communication, which designates the influence of advertising companies and other external communication businesses in customer's expectations, debilitating the internal delivery of service quality; Gap 5, the one between expected services and perceptions of services delivered, which establishes the difficulty of accessing customer's perceptions of service delivery due to their expectations resulting from three factors: word of mouth communications, personal needs and past experiences; Gap 6, the one between consumer expectations and employee perceptions, which is a result of differences in understanding customer expectations by the frontline service providers; and finally Gap 7,

the one between employee perceptions and management perceptions, which portrays the differences in understanding customer expectations between managers and service providers.

Step #3: After having recognized the gaps in service quality relevant to study how to enhance Sub-Rosa’s performance, students must be presented with multiple frameworks. These schematics, such as Maslow’s Pyramid, The Hospitality Model, and Herzberg’s Two-Factor theory, may help clear on what delights customers, what is or is not provided in the hotel and how can managers effectively provide service quality:

The Hospitality Model conceptualized by Reuland *et al.* (1985) is a framework useful for hoteliers to understand customer needs and objectives to successfully provide the hotel’s product, environment, and behavior.

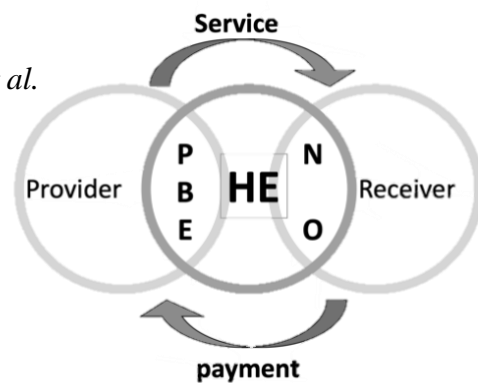


Figure 13 - The Hospitality Model (Reuland, Choudry, and Fagel, 1985, p. 142)

To access the guest’s needs and objectives, it is relevant to divide Sub-Rosa’s demand into target

segments: families, business, groups, and couples. Afterward, the needs and objectives of each target segment can be identified by Rachel with the help of Maslow’s Pyramid:

- Needs: physiological needs (all target segments), safety needs (all target segments), belongingness and love needs (Families, Couples, and some Groups), esteem needs (Business and Groups, especially VIP guests), and self-actualization needs (Groups);



Figure 14 - Maslow's hierarchy of human needs in the hospitality industry (Scanga, 2022)

- Objectives: Relaxation and Leisure (Families, Couples, and some Groups),

Entertainment (Mainly Families), Enhancing social relationships, and team-building activities (Mainly Groups), and Business Success (Business/Corporate and Groups).

It should be concluded that physiological needs are fulfilled with Sub-Rosa's tangible offer and the remaining needs with intangible suggestions. Thus, it is important to illustrate each dimension of the provider side (product, environment, and behavior) with examples of the receiver's feedback with the review seen by Rachel. She concluded the following:

1. It is a fact that WOM external communication and personal preferences of staying in brand hotels affected the decision-making of the guest: "I was advised by a friend to come to this hotel, which opened this year under a new brand that I had heard wonders of".

2. The **environment** is felt by guests as a charming, relaxing, and contemporary place to be: "(...) As I arrived in the lobby, I immediately felt an amazing atmosphere which got me into a vacation mood".

3. The **product** is described by guests with the following characteristics: "(...) I instantly felt claustrophobic, which I found strange comparing to other resorts where I had recently stayed at. The TV is disproportional regarding the room size and obstructs movement, just like the bed and other furniture do. I later found this was due to universal measurements that the brand sets. I found infrastructures modern and contemporary, the view was amazing, the gardens were beautiful, but the SPA looked outdated. room size was small, and amenities were made of bad quality. Besides, there was no Muslim food options in any of the hotel's restaurants, which I think is outrageous considering how international the brand is".

4. The **behavior** is designated in guests' reviews as the bad service quality offered: "(...) One summer day, a lovely lady in the reception explained me that according to brand standards the air conditioning in the room must be between 22°C and 27°C and I was struggling with the 40°C weather. (...) Thus, I was really dissatisfied with the situation and the adorable receptionist provided me a complimentary voucher. However, I found the general staff service

very weak, unworthy of a 5-star hotel and they seem stressed, demotivated and work loaded. I understand it is a brand-new hotel, but with the same price I can find a better offer in the island. As a long-time loyal member, I never felt so disappointed with the brand. I would not come back”.

After understanding customers’ needs and expectations and characterizing Sub-Rosa’s offer, Herzberg’s framework regarding the dissatisfiers and satisfiers could be presented. It is relevant to elucidate students about specific factors that are causing guests’ satisfaction and the ones that are generating dissatisfaction.

The following **dissatisfiers** are usually expected in a 5-star hotel: on-time delivery of room-service, clean rooms, a safe environment, and a functioning service, among others. In Sub-Rosa’s case, there were infrastructural and layout issues affecting guests’ satisfaction and staff operations respectively. A simple explanatory example of a good functioning service is expecting silence in the surroundings of meeting rooms. Without previous efficient construction planning from the Design and Development team, some meeting rooms were built near busy staff areas and business meetings were eventually affected by the surrounding noise, therefore it is representative of non-basic service delivery. Furthermore, brand standards end up being dissatisfiers, as guests were expecting to find the same procedures and service quality in different hotels from the same brand, as well as communication between the hotel personnel and guests or intra and interdepartmental communication. Rachel was constantly observing situations where the lack of communication was affecting guests’ satisfaction level, as they were expecting to be provided with an efficient service regarding the basics of hospitality.

On the other hand, **satisfiers** are considered factors that increase customers’ satisfaction without their expectations. Some examples may be presented: managers recognizing them as special clients (e.g., VIP amenities, welcome letters, wow moments, traces with their personal

preferences), which was being done only in the Front-Office department, lacking the needed coherence along the guest's journey; managers creating meaningful experiences, where personalization takes place with surprising elements and empathy; among others. At Sub-Rosa hotel, guests felt that their experience was not exceptional, and the basics of hospitality were not even delivered. It was difficult to find these factors present at all outlets, as only Front-Office tried to deliver tailoring services according to guests' personal preferences. Besides this, it is relevant to make students understand that Rachel identified all these practices as not enough for the 'extra mile factor', thus Sub-Rosa hotel needs to develop service experiences and solutions to enhance the guest's experience.

According to Hertog *et al.* (2010), the creation of new service experiences and solutions is the ultimate goal of service innovation of the 6-D model. The service innovation is characterized by the authors as "(...) a new service experience or service solution that consists of one or several of the following dimensions: new service concept, new customer interaction, new value system/business partners, new revenue model, new organizational or technological service delivery system". This question may just approach the operational side.

Some videos for teaching purpose: Example of definition of "hospitality with soul": https://www.youtube.com/watch?v=h9x2_WgwhY4; Example of Guest Experience Manager: https://www.youtube.com/watch?v=5X_z7B5E6aM; Example of creating Wow moments: https://www.youtube.com/watch?v=7e_S1LH0s9k; Example of good practices regarding mapping the hotel's guest journey: <https://www.youtube.com/watch?v=9VsWjFuSHHk>

Step #4: At this point, the students should be able to present an answer to the question in number 2. This answer may contemplate the implementation of the following practices:

General managerial decisions to increase service quality and guests' satisfaction level and loyalty:

Managerial decisions

- Create a new position to put into practice service innovations: Guest Experience Manager
- Adopt a app for mid-course service recovery: voicemail-based system app for guests providing feedback and needs during their stay (goes directly to General Manager's mobile phone)
- Generate a bigger WOW Moments' budget
- Develop a knowledge strategy for the hotel (Bouncken, R. 2008)
- Foster specialised trainings: how to provide luxury services, customer orientation, professional behavior and appearance, ethic conduct, brand vision and mission, how to socially interact with guests, among others.
- Use a single internal communication channel (e.g. Beekeeper app) and promote a culture of care with employees
- Adapt brand standards to customization and provide authentic and empathic experiences
- Request daily meetings with each team to follow-up on the development of decisions
- Implement technology systems in service design
- Sell Family packages with innovative experiences in high season
- Sell Groups and Business packages with innovative experiences in low season
- Send guests weekly Marketing suggestions by email
- Create a moment at check-out for guests to write reviews in hotel's tablet, offering discounts for next stays

Note: Students may present other topics, as long as they are relevant and representative of Rachel's analysis.

Figure 15 - General Managerial decisions of practices for service quality, guest's satisfaction, and loyalty (Table by author)

Sub-Rosa hotel should hire the new position with the following skills and competencies:

WE ARE HIRING

Guest Experience Manager

Person responsible for enhancing guest's experience at every step of guest's cycle. Should be creative, sociable and experienced in guest relationship management in the hospitality and service industry.

PROFESSIONAL SKILLS

- Resilient and solution oriented: ██████████
- Leadership: ██████████
- Verbal and written communication skills: ██████████
- Persuasion, discretion and diplomacy: ██████████
- True desire to satisfy clients: ██████████

REQUIREMENTS

- At least two years of experience in service management or guest relationship management in a luxury business.
- Familiarity with location, neighborhood, local businesses and suppliers.
- Working knowledge of CRM, POS and communication systems.

TASKS DESCRIPTION

- Prepare guest arrival by coordinating the CRM system with Front Office, F&B, Kitchen and Housekeeping Department
- Discover guest's needs and expectations and comparing the service quality offered with the service quality perceived through questionnaires, social interaction and daily reviews checking
- Prepare VIP arrivals and provide relevant information to team members of the hotel
- Act as an ambassador of the hotel, ensuring guests feel welcomed and valued
- Input and access guest data in the PMS, making reservations and controlling check-ins and check-outs and collecting preferences and guest history according to their permission
- Check guest's requests and feedback at the service management platform in their stay and managing complaints
- Be familiar with chain loyalty program benefits
- Work in congruence with Concierge services
- Provide outstanding, meaningful, authentic experiences, through the development of positive feelings
- Identify improvement activities
- Controlling competitiveness in service quality by benchmarking practices

SPEAKING LANGUAGES

- English (Mandatory)
- Spanish
- Italian
- German
- Portuguese
- French, others

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Figure 16 - Guest Experience Manager's requirements (Photo by author)

Lastly, Rachel may suggest the following practices and service innovation for each

target segment:

Practices implementation to enhance MICE's experiences:

Product	<ul style="list-style-type: none"> Loyalty programs' benefits (e.g. 10% discount for yearly meetings reservations) Innovative experiences (e.g. team building activities in the gardens, molecular cocktails, sunset photocall, interactive keyboard, informal and formal meeting spaces with relaxation areas, among others) Tech implementation (e.g. holograms, biometrics, hybrid events, robots, augmented reality with video mapping of hotel facilities, mobile brand apps with activities, tablets in conference rooms, new audiovisual equipments, among others)
Environment	<ul style="list-style-type: none"> Customized smells in the room and music, remote control of intensity temperature and lighting, comfort and clean facilities, no noise near work spaces, high quality materials and personalised amenities, well positioned event's signage, among others.
Behavior	<ul style="list-style-type: none"> Professional, sociable, efficient, neat and clean, nice and empathic staff, able to recognize guest's names, wants and needs and able to use proper language skills and sales techniques (upselling and crossselling)

Note: Students may present other topics, as long as they are relevant and representative of Rachel's analysis.

Practices implementation to enhance Leisure's experience:

Product	<ul style="list-style-type: none"> Loyalty programs' benefits (e.g. Guest's initials on bed pillows next stay) Innovative experiences: multisensory experiences, Qr-code discover activities, among others Familiar experiences: daily themed meals with animation, various dietary options, familiar big suites or connecting rooms, family amenities, pet-friendly policies, baby essentials supplies, play colourful facilities, among others Full-day brand packages in the island (e.g. romantic picnicks, snorkling, catamaran tour with local food and wine, horse riding, sunset activities, turndown service with roses and chocolates in the bath, among others) Facilities to change cloths and leave luggage, while waiting for late flights before the check-out, aiming to make guests spend on hotel's outlets Brand Merchandising (e.g. sunscreen for adults and games or cloths for kids with the name of the brand)
Environment	<ul style="list-style-type: none"> Customized smells in the room; feeling of comfort, relaxation and sense of belonging; fluffy textures with rugs and soft lights; noise-absorbing elements; natural features; among others
Behavior	<ul style="list-style-type: none"> Relevance on staff courtsey, efficiency, empathy and social interaction, on speaking guest's language, on smiling, on going the "extra mile" and caring for guest's needs

Note: Students may present other topics, as long as they are relevant and representative of Rachel's analysis.

Figure 17 - Practices implementation for each of Sub-Rosa's target segment (Table by author)

Step#5: Suggestions for Future Research:

Understand:

- how managers may incorporate employees in service innovation;
- how managers may integrate practices of a H2H (Human to Human) culture;
- how managers can deliver better service quality when past experiences, WOM communication, and personal needs are affecting guests' expectations;
- how it is possible to codify and personalize guest's individual needs and expectations;
- which practices the hotel may use to explore guests' information without violating their privacy.

Step#6: Key takeaways from this question:

Firstly, it is imperative to understand what delight guests, which is their needs and expectations. After recognizing them, hoteliers should implement products and services' innovations to provide outstanding experiences that fulfill the guests' needs and exceed their expectations. According to Lacle (2013), the following framework helps Rachel to understand the role that management, employees, and customer play in the management of service quality:

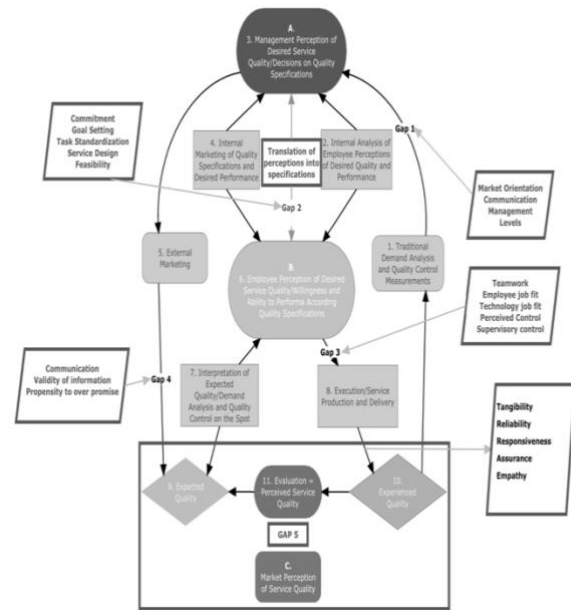


Figure 18 - Service Quality Management Conceptual Framework (Lacle, 2013, p. 35)

Afterward, Sub-Rosa hotel should be able to sustain service innovation implementations to increase guest's satisfaction levels and to gain their loyalty. According to Hertog *et al.* (2010), new service experiences and solutions are dependent on Marketing, Human Resources, IT, Finance, Sales, and Procurement performance to be successful in the long run. Defining the six dynamic capabilities for managing service innovation allows one to adapt to a changing environment and stay competitive in the marketplace, thus authors present this framework to help hoteliers to sustain the implementation of service innovations.

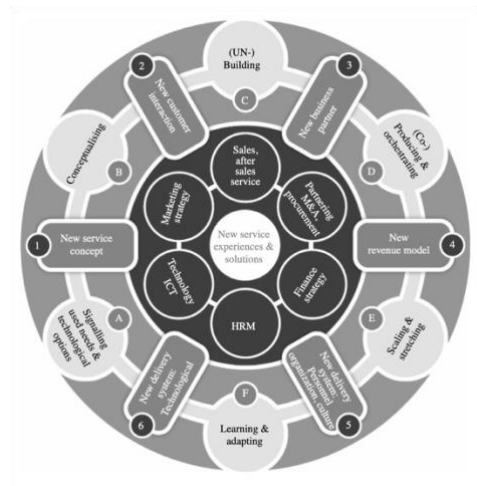


Figure 19 - Six-Dimensional Model of service innovation and the (dynamic) capabilities for realizing new service experiences and solutions (Hertog, Van Der Aa, and Jong, 2010, p. 493)

CONCLUSION

This thesis addressed the general context of a seasonal hotel on a Mediterranean island, as well as real issues felt at three different areas of approach, namely operations, strategy, and human resources. It includes case questions that aim to challenge students regarding the addressed topics, and a teaching note which can be applied to hotels worldwide.

The concepts described in this work sought to illustrate: (i) a multitude of challenges commonly experienced by the industry, (ii) highlight the contribution of innovative concepts for the future of the area of hotel management, and (iii) show the usefulness of using a case study as a teaching tool to discuss hospitality solutions.

This work demonstrated that the industry is still under a traditional mindset which impacts its ability to culminate present day challenges. This shows that there is a need to consider innovation as an instrument for progress.

Limitations were found throughout the work, such as time constraints, lack of official guidelines pertaining to the development of an academic case study, selection among several possible illustrative topics representative of challenges in the sector, and absence of qualitative data collected through surveys, to better understand guests' needs and expectations. Despite these constraints, it should be noted that the activity carried out has been enriching and rewarding. It also provided valuable opportunities for professional improvement through the understanding of substantial elements of hotel management, and the development of critical thinking.

For further work it is suggested the study of applying methodologies used in parallel industries, understand its implications for hospitality, and spearheading the paradigm shift of the hospitality sector. Other research possibilities should shed light on innovation and data driven strategies that dismantle the rigidity of the traditional molds in which hospitality is set upon.

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