

Course Book

# ROOMS DIVISION MANAGEMENT

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# INTRODUCTION

# LEARNING OBJECTIVES

The rooms division is one of the most important divisions of a hotel, as it coordinates operations in the departments that are most visible to guests: reservations, the front desk, the concierge, guest services, and housekeeping. Your introduction to rooms division management begins with a look into the division's basic organization, structure, responsibilities, and challenges. You will learn how to ensure guest satisfaction throughout the various stages of the guest's stay, including reservation, arrival, stay, departure, and post-stay. You will acquire knowledge and skills related to managing room reservations, becoming familiar with reservation systems, how to manage room availability, how to handle cancellations and modifications, and how to optimize room revenue. You will learn about front office operations, including the registration process, guest check-in and check-out procedures, managing guest accounts, handling guest requests and complaints, and ensuring smooth communication within the department. You will become familiar with the housekeeping department's responsibilities to maintain cleanliness and hygiene standards, coordinate with the front office, organize laundry services, and maintain inventory and supplies. By the end of the course, you will be familiar with the technology and systems needed for rooms division management, including property management systems, central reservation systems, and other relevant software applications. [MM1] You will learn what leadership skills are necessary to oversee the rooms division. The coursebook also teaches strategies for improving guest satisfaction and loyalty. Finally, you will learn to maximize room revenue and profitability by using pricing strategies, inventory management techniques, and the industry's key performance indicators. [MM1] Deleted because this info is in the next two paragraphs.

# UNIT 1

## STRUCTURAL FEATURES OF THE HOTEL INDUSTRY

### STUDY GOALS

On completion of this unit, you will be able to ...



- describe the origin and the evolution of the hotel industry
- understand different hotel classifications and their parameters
- evaluate the importance of hotel market segmentation
- target the market segments for a specific establishment

# 1. STRUCTURAL FEATURES OF THE HOTEL INDUSTRY

## Case study

Andrew Smith is the owner of the **Nobu Hotel**, a 4-star property with 85 rooms located in the center of Berlin. It has breakfast service, 24-hour reception, and personalized service. All the rooms were refurbished four years ago.

Andrew has been managing this hotel for the last 25 years, and now he feels like it's time to make big changes because he wants to have more time for himself and his family. To create more time for himself, he's thinking he needs to outsource some of the hotel's departments and improve the hotel's technology. New technologies are available that can automate processes so that his team is more productive, and guests are more satisfied.

Andrew is not sure how to go about making these changes. After all his years in the hotel industry, he does not want to lose his independence, but he is conscious that he will need to compromise to accomplish his priorities. He consults a trustworthy hotel consultant who can help him achieve his goals.


After a few conversations, the consultant recommends making the hotel part of a pre-existing franchise. Andrew decides to start negotiations with **Express by Holiday Inn**.

## 1.1 Hotel History and Variations

There was a time when properties were owned by single owners and managed by the same group of people—most of the time, these were families. Now, the situation has changed, and hotels are often owned by corporations. The groups that dominate the hotel industry today have familiar names like Marriott, Hilton, and Intercontinental. Their business models have changed drastically in the last twenty years. Through leaps in tech, franchising, real estate investment, mergers, and acquisitions, these groups have grown into international giants.

### The Origins of Today's Hotel Industry

To understand this recent evolution, we need to start by mentioning the most relevant pioneers in the modern hotel industry (Bardi, 2007, pp. 2–4).

 **William Waldorf Astor (1848–1919)** and **John Jacob Astor IV (1864–1912)** were cousins and scions of one of the wealthiest and most influential families in the United States during the nineteenth and early-twentieth centuries. In 1893, they opened a successful hotel named the Waldorf Hotel, after the family's estate in New York. It later merged with the

adjacent Astoria Hotel in 1897 to form the Waldorf Astoria Hotel, a luxury hotel still in existence in New York City. John Jacob Astor was one of the famous passengers to board the Titanic on its maiden voyage, and perish in the infamous maritime disaster.

**Ellsworth M. Statler (1863–1928)** built his first hotels in Buffalo, New York, for the 1901 Pan-American Exposition. He then opened more hotels in different locations of the United States in a chain that became known as Statler Hotels. In 1954, Statler sold the chain to **Conrad Hilton (1887–1979)**, who had become a relevant hotelier when he purchased several properties after World War I. By 1946, Hilton had formed the Hilton Hotels Corporation, and two years later, the Hilton International Company. Hilton Hotels pioneered several industry innovations, including providing air conditioning, television, and room service. His luxury accommodations provided high standards of service.

Meanwhile in Europe, **Cesar Ritz (1850–1918)** started as an up-and-coming hotelier at the Grand National Hotel in Lucerne, Switzerland. He had great management qualities and became one of the most respected hoteliers in Europe.

In the early 1950s, **Kemmons Wilson (1913–2003)** started the Holiday Inn chain. Wilson also introduced the in-house Holidex centralized reservation system, which allowed guests to call in and book a Holiday Inn reservation anywhere in the country.

In 1957, **John Willard Marriott Sr. (1900–1985) and J.W. Marriott Jr. (b. 1932)** founded their hotel empire with the Twin Bridges Motor Hotel in Virginia. The company expanded its operations over the following decades, acquiring other hotel chains and developing new brands. Marriott Sr. was known for his entrepreneurial spirit and commitment to customer service (Bardi, 2007, pp. 2–4). The advent of the internet in the late twentieth century revolutionized the accommodation industry through

**online travel agencies (OTAs)**. Online booking platforms such as Expedia (1996) and Booking.com (1996) provided travelers with easy access to a wide range of accommodation options.



Then in 2008, a new form of OTA, **Airbnb**, disrupted the traditional hotel industry by allowing individuals to rent out their spare rooms or entire homes to travelers. This sharing economy model created new opportunities for both hosts and guests.

### Relevant Technological Advances

Between 1849 and the early 2000s, the hotel industry improved its customer experience considerably thanks to new technologies. The most significant were central heating, electric lighting, in-room telephones and radios, and air conditioning. Next, advances in computing facilitated the creation of centralized reservation systems (such as that introduced by Holiday Inn), message lights on telephones, and later, property management system software, point-of-sale systems, keyless locks, and wireless internet (Bardi, 2007, p. 7).



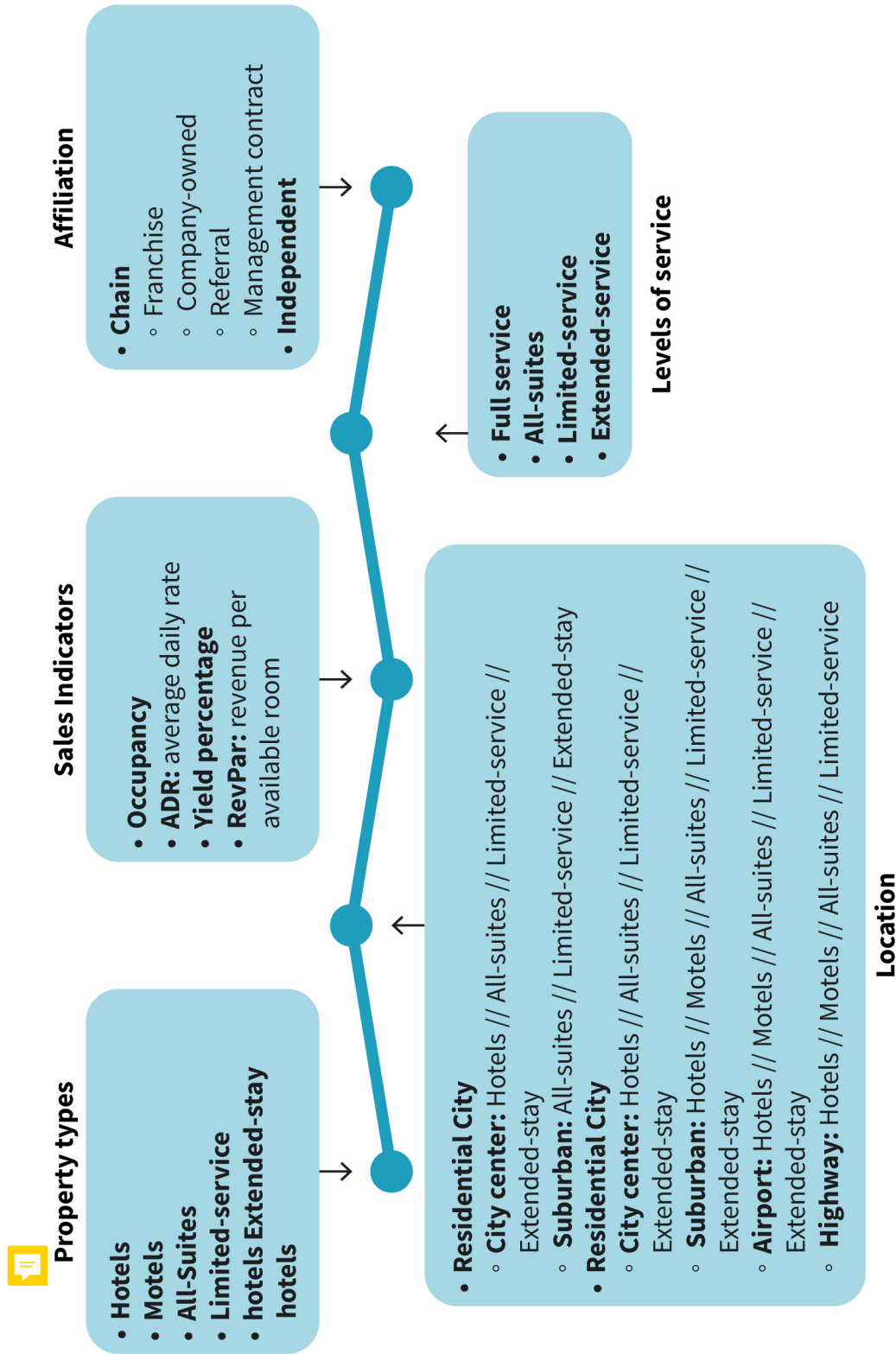
Over the past few decades, operations and guest experience have transformed even more thanks to further technological advances. Among the most relevant are

1. **Online bookings:** The internet and OTAs have made it easier for travelers to find and reserve accommodations online.
2. **Mobile check-in and keyless room entry:** Many hotels offer online check-in and keyless room entry. These features allow guests to bypass the front desk and use their mobile devices to access their room.
3. **In-room technology:** Smart TVs, wireless charging pads, and voice-activated assistants are luxury conveniences that improve the guest experience during their stay.
4. **Customer relationship management software:** Customer relationship management software allows hotels to tailor their services to the guest, providing a bespoke tourist experience based on customer need.
5. **Revenue management software:** Revenue management software allows hotels to collect the highest revenue possible per available room based on demand and market trends.
6. **Energy management systems:** Energy management systems help hotels reduce energy consumption and lower costs by automating heating, cooling, and lighting.
7. **Data analytics:** Data analytics provides information about guests' behaviors and helps hotel managers determine pricing and marketing strategies.

## Hotel Classifications

When we talk about hotels, we probably think of one specific type based on our experiences. However, as shown below, hotels can be classified in many ways based on their characteristics.

Figure 1: Criteria for Classifying Hotels



Source: Espinar (2023), based on Bardi (2007, pp. 11-24).



## Property Locations and Types

Properties are classified into residential establishments and commercial establishments, depending on their location and types of stays. **Residential establishments** provide long-term accommodation and are usually located in the city center and suburban areas where shopping, entertainment, and public transportation are available. **Commercial** properties provide short-term accommodations for traveling guests.

Lodging properties belong to five common types. **Hotels** provide accommodation through guest rooms or suites, with a range of amenities and services such as restaurants, room service, fitness centers, meeting rooms, and concierge assistance. They offer between 20 and 2,000 rooms, available for short- or long-term stays, and they range from budget-friendly options to luxury, five-star establishments. Hotels might be in the city center, in a suburban area, or near an airport. **Motels**, short for “motor hotels,” are commonly found along highways and roadsides. They are convenient for travelers looking for a quick stop-over and easy access to their vehicles. Motels are typically smaller than hotels, having 10 to 50 rooms, and have fewer offerings (for instance, they rely on vending machines to supply some services). **Limited-service hotels** offer reservations and minimal public dining and meeting facilities in city, suburban, and airport areas. These types of hotels have around 100 to 200 rooms for short or long stays. **Extended-service hotels** are around the same size and offer long-term accommodation for guests as an alternative to renting a traditional apartment. Amenities include a kitchen, living room, microwave, refrigerator, coffee maker, iron, business center, gym, and pool. They are in suburban areas and city centers. Located in suburban areas, city centers, or airport areas, **all-suite properties** offer between 50 and 100 suites, featuring a living room, separate bedroom, and kitchenette. These properties also offer a wide range of services.

Outside these common property types, there are many others. These differ across the world, but to give an idea of their diversity, the following table lists just a few examples of the diverse accommodations [available in North America and Europe](#). Each country and region may offer unique and distinct lodging options that reflect the local culture, history, and landscape.

**Table 1: Accommodation Types in North America and Europe**

ACCOMMODATION	NORTH AMERICA	EUROPE
Resorts	✓	
Vacation Rentals	✓	✓
Bed and Breakfasts (B&Bs)	✓	✓
Hostels	✓	✓
Campgrounds and RV Parks	✓	
Glamping	✓	✓
Ranches and Dude Ranches	✓	

ACCOMMODATION	NORTH AMERICA	EUROPE
Agriturismo		✓
Cabins and Cottages	✓	
Boutique Hotels		✓
Extended-Stay Accommodations	✓	
Guest Houses and Pensions		✓
Châteaux and Castles		✓
Riads		✓
Gîtes		✓
Mountain Huts and Refuges		✓
Motels	✓	

Source: Wander Your Way (2014); Rahim (n.d); Rosie (2022); & Sommet Education (n.d.).



**Resorts** in North America are typically located in picturesque destinations and offer a wide array of amenities and activities. They often feature pools, spas, golf courses, water sports, and organized entertainment.

**Vacation rentals** have become increasingly popular, especially with platforms like Airbnb and Vrbo in both North America and Europe. Travelers can rent entire homes, apartments, or cabins, providing a more private and home-like experience.

**Bed and breakfasts** (also called B&Bs) are small, often family-run accommodations that offer personalized service and a homey atmosphere. They usually provide breakfast as part of the stay. They are found in both urban and rural settings.

**Hostels** cater to budget-conscious travelers, especially backpackers and young adventurers. They offer dormitory-style accommodations with shared bathrooms and communal areas.

**Campgrounds and RV parks** provide spaces for tents and recreational vehicles (RVs), with access to amenities like bathrooms, showers, and picnic areas. North America's vast landscapes make camping a popular option.

**Glamping**, a contraction for "glamorous camping," combines the experience of camping with luxury amenities and accommodations. Guests might stay in yurts, safari tents, or treehouses.

**Ranch accommodations** are prevalent in Western regions in North America, providing guests with a chance to experience ranch life and activities such as horseback riding and cattle herding.

In rural areas of Italy and some other European countries, **agriturismos** offer accommodation on working farms, allowing visitors to experience rural life and local agricultural practices.

**Cabins and cottages** are popular in rural and wilderness areas. They offer a secluded and rustic experience, surrounded by nature and outdoor activities.

**Boutique hotels** are smaller, stylish, and often located in unique settings. They emphasize personalized service and distinctive design elements.

**Extended-stay hotels** and furnished apartments cater to travelers staying for long periods. They typically offer kitchenettes or full kitchens, in addition to normal hotel services.

**Guesthouses and pensions** are smaller lodging options, often family-run, providing a cozy and personal atmosphere for guests.

In certain regions of Europe, you can find the unique opportunity to stay in historic **châteaux or castles**. These offer a glimpse into the continent's rich history and architectural heritage.

In Morocco and some other parts of Southern Europe, **riads** are traditional townhouses or palaces with interior courtyards, offering an authentic cultural experience.

Found in rural parts of France, *gîtes* are self-catering accommodations, usually converted from farmhouses, cottages, or other traditional buildings.

In mountainous regions like the Alps, Pyrenees, and other ranges in Europe, hikers and climbers can find **mountain huts and refuges** offering basic lodging and meals (Turner, 2021).



Besides the differences in types of accommodation between both continents, there are other differences based on room features. Compared to North American hotels, European hotels have smaller rooms and elevators. In addition, the bathrooms often have a bidet and glass doors on the shower instead of curtains. In North American hotels, guest can find an alarm clock next to the bed, which is not the case in European hotels (Booth, 2018). Establishments in these two continents also use different numbering systems for floors: in Europe, the lobby level is zero, while in North America the lobby is level one.

### **Sales Indicators**

When classifying hotels, **sales indicators** are analyzed to estimate the profitability of the establishment. The results can be especially informative for hotel managers and to investors, and important for the classification of individual hotels. The most important key performance indicators are **occupancy percentage**, which is the number of the rooms sold divided by the number of rooms available; the **average daily rate (ADR)**, which is the total room revenue divided by the number of rooms sold; the **yield percentage**, which measures the effort made by a hotel manager to achieve maximum occupancy at the highest

room rate possible; and the **revenue per available room (RevPAR)**, which assesses how successful management has been in realizing a hotel's business potential over a given period (see Unit 6 for the corresponding formulae for the above-mentioned KPIs).

### Levels of Service

When we talk about the lodging industry, we also differentiate establishments by the levels of service they provide. **Full service** is typical of hotel chains such as Marriott Hotels and Resorts, Renaissance Hotels, and Holiday Inn. These establishments have on-site restaurants, bars, and lounges, room service, fitness centers, swimming pools, spas, and meeting and event spaces. **Limited-service** establishments are designed to provide a comfortable and convenient stay for guests at an affordable price point. Limited service is typical of hotel chains like the Hampton Inns and Holiday Inn Express, which provide basic room accommodation and guest amenities, including minimal public areas. **Extended-stay service** is designed for guests who plan to stay for typically a week or longer. Such establishments provide guests with the comforts of home while they are away from home, offering more space, privacy, and flexibility than traditional hotel rooms. Extended-stay service is the model for Hilton's Homewood Suites and InterContinental's Staybridge Suites, which provide equipped kitchenettes, spacious bedrooms and living areas, light breakfasts, and evening meals.

### Affiliation

Independent hotels may wish to reap the advantages of affiliating with bigger-brand chains while maintaining independent ownership. This kind of relationship is referred to as affiliation. Within the hotel industry, there are a number of different models based around affiliation. An **independent property** is a privately owned guesthouse or hotel that optimizes the customer experience by offering something unique that guests cannot find in a chain establishment, a highly personalized experience with intangible assets like old world charm. By contrast, a **franchise corporation** gives support to the owner (or franchisee) through reservation systems, marketing actions, operations management, and management development. The franchisee pays fees for those services. The benefits of operating as a franchisee include access to an established brand and business model, as well as support and training from the franchisor. Franchisees also benefit from the collective buying power of the franchise corporation, which can result in lower costs for supplies and equipment.

### Referral

**refers** to when a hotel operates as an independent business in association with a certain chain. The owner seeks assistance with management, marketing, and reservation services, affiliating with an outside company or organization that specializes in providing these services. The referral can occur when the owner is looking to outsource specific aspects of hotel operations. The fees are based on services required. A **management contract property** is a type of hotel where the owner contracts a professional hotel management company to operate and manage the hotel property on their behalf.

## The Star Rating System

Rating systems are used to categorize hotels based on their quality, services, and amenities. A rating system provides a standardized framework for assessing and comparing hotels within a region or country.

The exact criteria can vary by rating system and by region, but common factors include room size and amenities, as well as the level of service offered by the staff, including concierge services, room service, housekeeping, 24-hour front desk assistance, and food and beverage services. These factors are typically assessed and assigned a rating by industry organizations, government bodies, or independent agencies that specialize in hotel quality assessment.

In Europe, the most common system for rating hotels is the star rating system. It considers quality, services, and amenities. The criteria for the star rating system vary from country to country, but the table below reproduces a general overview of the star classifications commonly used.

**Table 2: Hotel Classifications Based on Star Rating System**

<b>STAR RATING</b>	<b>AMENITIES and SERVICES</b>
<b>1-STAR</b>	Budget hotels that offer basic accommodations with limited services. These hotels usually have small rooms, shared bathrooms, and minimal amenities.
<b>2-STAR</b>	Economy hotels that provide modest accommodations and services. They typically have private bathrooms, limited on-site facilities, and perhaps basic amenities such as Wi-Fi and a restaurant.
<b>3-STAR</b>	Mid-range hotels that offer comfortable accommodation and a range of services. These hotels have well-appointed rooms with private bathrooms, on-site dining, room service, and amenities such as a fitness center and business facilities.
<b>4-STAR</b>	Upscale hotels that provide a high level of comfort, luxury, and services. These hotels have spacious rooms with elegant furnishings, multiple on-site restaurants, 24-hour room service, a fitness center, a swimming pool, and other amenities such as a spa or concierge services.
<b>5-STAR</b>	Luxury hotels that offer the highest level of comfort, service, and amenities. These hotels provide spacious and stylish rooms, fine dining restaurants, extensive leisure facilities such as swimming pools, spas, and fitness centers. They often have a range of personalized services like butler service, valet parking, and concierge assistance.

Source: Revfine (n.d.).

The origins of the star rating system for hotels can be traced back to 1926, when a German hotel and restaurant association called the **Deutscher Hotel- und Gaststättenverband (DHV)** developed a standardized system to evaluate and categorize hotels. The DHV implemented a voluntary classification system that assigned stars to hotels based on their quality and services. The criteria considered room size, amenities, service quality, and cleanliness (Revfine, n.d.). The star rating system gained popularity and was adopted by other European countries. Over time, each country developed its own criteria and guidelines, resulting in variations in the rating systems across regions.

Some countries have additional classifications beyond the five-star rating, such as six-star or boutique hotels. These ratings represent an even higher level of luxury and exclusivity.

When choosing a hotel, it is always a good idea to research the specific hotel rating system used and read reviews from previous guests to get a better understanding of the quality and services offered by a particular establishment.

## 1.2 Target Markets and Rooms Division Management

Market segmentation is one of the most important elements in hotel management. It groups hotel guests by different profiles and identifies their needs. This allows the hotel management to engage current guests, target new audiences, recognize trends, and increase the hotel's revenue by satisfying guests' needs.

Rooms division management should be shaped by target markets. For instance, we can create **marketing strategies** for families (emphasizing child-friendly amenities, a children's play area, a babysitting area, etc.) or for business travelers (by describing the business center, meeting facilities, etc.). We can **design rooms and amenities** for leisure travelers (by providing spacious rooms with comfortable furnishings, for example) or for business travelers (furnishing each room with high-speed internet access and a work desk). Next, the **staff needs to be trained** to be aware of the needs of the target market they are serving. For example, families will inquire about children's activities, and business travelers about business requests.

The **revenue management department** is involved in **strategies to increase the establishment's total revenue** based on the target market. Their actions might include increasing rates during the week for business travelers and offering discounts during the off-season for leisure travelers.

Often hotels cannot identify the exact target market of individual guests until they arrive at the hotel. At that point, there are a few questions that the front office can ask to identify the target segment. Example questions include the following, as suggested by Parvisi (n.d.):

- Why are you traveling?

- How did you find and book with us?
- What influenced your decision to book with us?
- What was most enjoyable for you during your stay?
- Would you recommend our hotel to others?

### Example Hotel Market Segmentations

Parvisi (n.d.) shows an example of market segmentation focused on the guest's purpose. She divided guests into 10 groups: backpackers, retirees, families, solo travelers, free independent travelers, couples, vacationers, adventurers, medical tourists, and business travelers.

An equally valid type of segmentation could combine customers' motivation with the rate category in which they belong. The following, for example, are typical categorizations (Parvisi, n.d.):

#### Best available rate (BAR)

The lowest rate that a guest can book on a specific day. Normally this rate is published in the hotel's online channels.

**Complimentary stays** describes services or products given free of charge

- **Transient:** a guest who stays for a short period, usually one night or a few nights, and travels alone. They look for the **best available rates (BAR)**.
- **Corporate:** employees of companies or corporations that have negotiated discounted rates.
- **Group:** normally a minimum of nine people who have traveled together. Hotels can often give groups reduced rates and have specific departments just to deal with this segment in order to optimize the hotel's RevPAR.
- **Wholesale:** guests who have reserved through booking agents and tour operators who can usually make bookings in bulk at discounted or negotiated rates.
- **Other:** may consist of guests who received **complimentary stays**, walk-in guests, and overbooking segments.

Below are the most general groupings options for market segmentation in the hotel industry (Oakly, 2023):

- **Geographic segmentation** groups guests by home country or city, which serves as a proxy to estimate their origins and economic status.
- **Demographic segmentation** divides a market into smaller groups based on factors such as age, gender, income, education level, occupation, and marital status.
- **Psychographic segmentation** groups guests based on perceived psychological characteristics such as personality, values, and beliefs.
- **Behavior segmentation** groups customers by similar needs and preferences.

At any type of accommodation, guests can be categorized according to their intended activities, behaviors, and budget range. Based on this division, the hotel can tailor their marketing efforts and product offerings accordingly.

## A Step-by-Step Guide to Hotel Market Segmentation



### DIGRESSION

Oaky (2023) published a seven-step guide to hotel market segmentation.

1. **Identify your guests** by collecting the relevant data:
    - 1.
      1. Length of stay: the average number of nights guests stay
      2. Week peak days: what days of the week occupancy is highest
      3. Total revenue per room
      4. Total revenue per client
      5. Booking lead time: the average time that guests book in advance of their stay
      6. Cancellation rates
      7. No-show rate
      8. Number of guests per room
      9. Types of rooms booked
      10. Extra services, upgrades, and packages sold
      11. Purpose of the trip
      12. Booking channel
1. **Segment guests into general groups.** For example, direct bookings versus OTA bookings, leisure guests versus business guests, couples versus families with kids versus solo travelers.
2. **Do deeper market research.** For more accurate segmentation, you might gather more information about your guests through the following actions:
  1. Survey your guests with specific questions: *What did you enjoy most about your stay? What would you improve? What was the purpose of your stay?*
  2. Empower your guests to write online reviews.
  3. Regularly read your establishment's online reviews, especially on Tripadvisor and other relevant OTAs. It is also important to keep an eye on guest reviews of your competitors.
  4. Analyze the guests that visit your website through Google Analytics. This tool provides insights into website traffic and user behaviors through real-time tracking (of the number of active users at any given time), audience analysis (based on demographic, geography, and behavioral characteristics), acquisition analysis (how users find an arrive at the website), and conversion tracking (of specific actions).
  5. Track your guest interactions using CRM and sales software tools. These can provide valuable insights into guest behavior and preferences, which can help hospitality businesses improve guest experiences and grow revenue.



6. Establish a presence on social media. The most relevant platforms in the tourism industry are Instagram, Facebook, Twitter, and TikTok. These platforms allow you to reach a large and diverse audience, engage with customers and prospects, and build brand awareness.
  3. **Use automated software to send messages tailored to your segmentation groups pre-arrival, during the stay, or post-stay.** The goal is to have higher conversion rates and increase guest satisfaction.
  4. **Use appropriate marketing strategy directed at your target audience.**
  5. **Optimize your rates through the different segments.**
- Analyze and refine your segmentation setup from time to time:** Occasional reevaluation ensures the accuracy of your segments.



#### SUMMARY

To understand today's hotel industry, it is important to understand its origins as well as the main technological improvements that were introduced during its development. These help us understand the different ways to classify and rate hotels.

Target markets have a significant influence on rooms division management. Managers must develop specific strategies to increase guest satisfaction, maximizing the hotel revenue. Only after they have accurately defined the hotel's market segments can they understand who the most profitable guests are and then apply an appropriate revenue management strategy.

# UNIT 2

## ORGANIZATION OF HOTEL OPERATIONS WITHIN THE ROOMS DIVISION

### STUDY GOALS

On completion of this unit, you will be able to ...

- name all departments of the rooms division management structure
- describe the main functions of each department
- outline the responsibilities and challenges of the executives and department head
- identify the procedures in which rooms division management is involved

## 2. ORGANIZATION OF HOTEL OPERATIONS WITHIN THE ROOMS DIVISION

### Case study

Peter Arthur has been named the new rooms division manager of the Hilton Hotel in Stockholm. It is a large hotel with 354 rooms. He has arrived at this new position with a lot of energy. There are a lot of changes he wants to make, but before starting on any of them, he first needs to perform a deep analysis of the hotel's current situation.

He organizes his first weeks as follows:

1. Interview leadership at the front desk, reservations, and housekeeping departments.
2. Study how the team and processes for each department are currently organized.
3. Review the **KPIs** of each department to understand its history and how it has evolved to its current situation.

#### **KPI (key performance indicator)**

A measure to evaluate the success of an organization., providing a focus for strategies and operational improvement.

Source: Staff (n.d.)

Peter will probably need at least a month to gain a detailed understanding of the department. Then he will be ready to start implementing changes in the organization. Changes are always hard, especially when certain processes have been in place and followed for a long time. Peter will need to justify each change he wants to implement, convincing each department head, who will then become the ambassador of these changes within their teams.

### 2.1 Basics of the Rooms Division: Organization and Processes

The rooms division is the division of hotel operations that oversees all aspects of the guest experience related to accommodation. The following are the five departments under the rooms division. Each has an influence on the guest experience:

1. The **reservations department** oversees all individual reservation requests for accommodation. During the pre-stay period, the reservations department interacts with guests through email, phone, and the different channels of distribution, making sure they are available to respond to any questions guests may have.
2. The **housekeeping department** cleans and maintains the rooms and public areas. It is divided into a housekeeping sub-department and a laundry sub-department.
3. The **front desk department** is the first point of contact a guest has upon arrival. The front desk agents are the image of the hotel. Their main functions are guest service, check-in, checkout, finance, and room assignment.

The front desk department has two additional sub-departments:

1. The **concierge area** provides personalized service to guests and facilitates any needs during their stay, such as recommendations, restaurant reservations, transportation reservations, tour reservations, and luggage assistance. Modern hotels sometimes have apps that serve as digital hotel concierge systems.
2. **Guest relations** assists the final guest with any issues or complaints regarding their reservation or stay. Like the concierge area, the guest relations desk is normally a separate area in the lobby of larger hotels. A guest can be moved away from the front desk to the guest relations desk, where the guest relations officer has time to listen carefully and provide a solution to the complaint.

The chart below depicts the general organizational structure of the rooms division. Depending on the size of the hotel, some of the departments will not exist as separate physical locations. For example, a budget hotel will not have concierge and guest services areas, as both will be merged with the front desk.

**Table 3: General Structure of the Rooms Division**

ROOM DIVISION AREA		
FRONT OFFICE	RESERVATIONS	HOUSEKEEPING
<ul style="list-style-type: none"> <li>• Front desk</li> <li>• Concierge</li> <li>• Guest relations</li> </ul>		<ul style="list-style-type: none"> <li>• Laundry</li> </ul>

Source: Benhadda et al.(2017, p. 132).

## Main Processes

Each department within the rooms division follows processes for managing their operations, budgets, physical and human resources, guest relations, and staff training.

The processes within the **reservations department** ensure that the available rooms are booked efficiently. This involves handling guest bookings and coordinating with guests, the hotel staff, and the hotel's software systems.

**Table 4: Reservations Processes**

RESERVATION MANAGEMENT PROCESS		
<b>Setting room rates</b>	<b>Managing room inventory...</b> ...to ensure that the rooms are not overbooked	<b>Analyzing the booking process...</b> ...to make sure it is effective
<b>Reception and confirmation of reservation</b> The reservation agent checks availability, confirms the booking, assigns the rooms, and updates the booking system.	<b>Coordinating with other departments,...</b> ...such as housekeeping and maintenance departments	<b>Managing guest inquiries</b>



<b>Billing and payment processing</b>	<b>Maintaining records and reports,...</b> ...such as updating of the reservations and transactions as well as visibility of occupancy, rates, revenue, and other metrics
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Source: Pearson (n.d.)

Within **front desk operations**, processes are in place to increase customer satisfaction. These processes relate to interactions with guests and administrative tasks such as check-in, checkout, processing payments, and handling guest requests and complaints.

**Table 5: Front Desk Processes**

FRONT DESK OPERATIONS PROCESS		
<b>Check-in</b>	<b>Room assignments</b>	<b>Complaints resolution</b>
<b>Check-out</b>	<b>Guest requests</b>	<b>Payment processing</b>
<b>Guest complaints</b>	<b>Information and assistance...</b> ...regarding city attractions, restaurants, shops, and transportation options	<b>Security and safety...</b> ...ensuring that only authorized individuals have access to the hotel and its facilities. They may also assist with emergency situations.

Source: Pearson (n.d.)

The processes within **housekeeping** relate to managing the housekeeping staff and ensuring that guest rooms are cleaned and maintained to a high standard. This range of tasks and processes is aimed at providing physical comfort for guests.

**Table 6: Housekeeping Processes**

HOUSEKEEPING OPERATIONS PROCESS	
<b>Cleaning and maintenance...</b> ...of guest rooms and public areas	<b>Managing of lost and found items</b>
<b>Linen and laundry management</b>	<b>Training and development</b>
<b>Room inspections</b>	<b>Communication and collaboration...</b> ...primarily with front desk and maintenance

Source: Pearson (n.d.)

**Guest services**, a part of the front desk department, has processes aimed at meeting guest needs related to concierge services, complaint resolution, room service, and the loyalty program.

**Table 7: Guest Services Processes**

GUEST SERVICES PROCESS			
<b>Concierge services</b>	Room service: <ul style="list-style-type: none"> <li>• Cleaning</li> <li>• Laundry</li> <li>• Maintenance</li> </ul>	<b>Complaint resolution</b>	<b>Managing loyalty program</b>

Source: Pearson (n.d.)

The processes related to **revenue management** include setting room rates, managing occupancy levels, managing distribution channels, and developing pricing strategies to increase revenue (Revfine, n.d.). Revenue management is a process crucial for eligible hotels to maximize profits via data-driven adjustments to their pricing, availability, and distribution strategies. These hotels use available tools to monitor fluctuations in demand, and to react accordingly.

**Table 8: Revenue Management Processes**

REVENUE MANAGEMENT PROCESS		
<b>Room rate setting</b>	<b>Inventory management...</b> ...particularly walk-ins	<b>Discount and promotion management</b>
<b>Managing upselling and cross-selling techniques:</b> Upselling means encouraging customers to spend more money by purchasing an upgraded product, e.g., a suite in a hotel. Cross-selling is selling a related product (e.g., bus tour, local attraction) to an existing customer.	<b>Forecasting and reporting...</b> ...occupancy levels, revenue per available room (RevPar), and other metrics to assist the revenue management team in forecasting future demand and optimizing pricing strategies.	

Source: Pearson (n.d.).

**Staff training and development** processes are designed to enhance employee skills, knowledge, and performance. Efficient staff training and development processes contribute to employee engagement, job satisfaction, and improved service delivery.

**Table 9: Staff Training and Development Processes**

STAFF TRAINING AND DEVELOPMENT PROCESSES		
Developing training programs	Providing ongoing coaching and feedback	Identifying opportunities for career advancement

Source: Pearson (n.d.).

## 2.2 Management Requirements Within the Rooms Division

### Rooms Division Manager

The rooms division manager supervises the front desk, guest services, and housekeeping departments. They report to the general manager and play a role in ensuring excellent guest service.

A rooms division manager should have **strong leadership skills**, the ability to motivate a team, a focus on providing a positive guest experience, and **operational knowledge** of the division's processes and how to optimize them. **Financial management** skills are important for forecasting revenue and expenses, creating a departmental budget, and making decisions informed based on data. The rooms division manager must also be able to multitask and determine priorities through strong **organizational skills**. They should be able to **recruit, hire, train, and manage** the teams within the rooms division. **Communication skills** are thus crucial for interactions with employees, guests, and senior management.

The rooms division manager's responsibilities are spread across reservations, front desk operations, housekeeping, staff management, and financial management. The rooms division manager ensures that all individual and group bookings are managed efficiently, the optimal number of rooms is allocated, and guests' preferences are met. They also check that the front desk is being run efficiently. They supervise the housekeeping staff to ensure that the rooms and public spaces are clean and well-maintained. They also recruit, hire, and train new employees. They work with the sales and marketing team to increase revenue and occupancy rates through pricing strategies.

**Table 10: Challenges for the Rooms Division Manager**

Challenges for the Rooms Division Manager		
Recruiting and retaining the right staff	Increasing guest expectations	Maintaining security
Occupancy vs ADR	Maintenance of the property	Staying up to date in technology

Source: Rutherford and O'Fallon (p. 173).

### Managers Reporting to the Rooms Division Manager

It is vital that the rooms division manager be surrounded by a strong and stable team of department heads at the front desk and in reservations and housekeeping.

The **front desk manager** manages the day-to-day operations of the front desk or reception area. Their **main functions** relate to guest services. They ensure that all procedures are efficient so that guest expectations can be met and complaints can be managed in a professional way. Additionally, they manage staff, select and oversee the technology systems, and train their team to use them.

The front desk manager furthermore monitors the budget for the front desk department. They oversee customer service to make sure that all requests and concerns are answered professionally to ensure a positive experience. The manager also coordinates with the other departments on how to increase guest satisfaction (Chibili et al., 2017, p. 132).

**Table 11: Challenges for the Front Desk Manager**

Challenges for the Front Desk Manager	
Managing guest expectations	Staying up to date in technology
Managing difficult situations	Time management
Hiring, training, and managing staff	Ongoing training and support

Source: Bardi, 2007 (pp. 59–60).

The **reservations manager** oversees the day-to-day processes of the reservations area. Key **responsibilities** include **managing reservations, cancellations, and changes**; ensuring guest satisfaction throughout the reservation process; and maximizing revenue through pricing strategies and inventory management. The reservations manager is responsible for developing and implementing marketing strategies to attract customers and increase revenue. These tasks involve collaborating with the marketing department to develop promotional materials and campaigns, as well as developing relationships with travel agents and other partners to increase bookings. The reservations manager also recruits and manages the members of the reservations team (Chibili et al., 2017, p. 132).

**Table 12: Challenges for the Reservations Manager**

Inventory management	Overbooking management	Customer service
Revenue management	Staying up to date with technology	

Source: Bardi (2007).

The executive housekeeper manages the cleanliness and maintenance of the facilities. Responsibilities include **managing the housekeeping staff**, developing and implementing cleaning schedules, ensuring that cleaning supplies are stocked and available, and monitoring the cleanliness of rooms and common areas. The executive housekeeper implements quality control procedures to verify that housekeeping services meet or exceed organizational standards. The executive housekeeper also manages the department's budget (Bardi, 2007, pp. 415–417). Depending on the size of the hotel, this role may also oversee maintenance, or there may be a separate maintenance manager.



**Table 13: Challenges for the Executive Housekeeper**

Staff management	Staff management Guest experience
Inventory management	Health & safety protocols
Quality control	Time management

Source: Bardi (2007).

## 2.3 Rooms Division Management Structures

Rooms division management structures can vary depending on the size of the hotel. In large hotels with more than 300 rooms, the rooms division manager is a member of an executive committee, which serves to help the hotel's general manager with decision-making. This committee is formed by the heads of each department, who convey to the general manager an overview of their operations. The executive committee usually meets once per week. Its main topics for discussion are guest and employee satisfaction, revenue forecasts and profitability, sales and marketing plans, training plans, major expenses, renovations, relations with the hotel's owner or owning group, energy conservation and recycling, and legislation that affects hotel management (Pearson, n.d., Ch. 3).

**Table 14: Department Heads Reporting to the General Manager**

Department heads reporting to General Manager		
Financial Director	Rooms Division Manager	Sales and Marketing Director
F&B Director	Engineering & Maintenance Manager	

Source: Pearson (n.d., Ch. 3.)

At the next level down, some of the common structures for rooms division management include:

- **hierarchical:** the rooms division manager oversees all operations related to guest rooms and guest services. Underneath the rooms division manager, there may be several department managers, such as the front office manager, executive housekeeper, and maintenance manager, who oversee each respective area of operations.
- **matrix:** the rooms division manager works closely with other department managers, such as the food and beverage manager and the sales and marketing manager, to coordinate operations across the hotel. This structure is often used in larger hotels where there are multiple revenue streams.
- **flat:** the rooms division manager has direct oversight over all operations related to guest rooms and guest services, with minimal levels of management in between. This structure is used in smaller hotels where there are fewer operations to manage.

Various factors should be considered when determining which structure to use. The main ones are:

- **number of rooms:** Larger hotels require more team members to take care of them, and thus more departments and department heads.
- **hotel services:** More tasks are involved in managing a full-service hotel than a budget hotel that offers only accommodation.
- **management structure:** Some hotel chains have managers that perform the same role across several hotels, or perform several roles at one hotel, instead of having individual positions at each hotel.

The following diagrams chart different ways of organizing the staff within the rooms division. Each scenario depends on the hotel's size and resources.

**Table 15: Hotel Staffing Structure**

HOTEL MANAGER			
<b>Executive Assistant</b>		<b>Central Services:</b> <ul style="list-style-type: none"> <li>• Revenue Management</li> <li>• Booking Office</li> <li>• Hotel Accounting</li> </ul>	
<b>Director of Rooms Division Management</b>	<b>Director of Food &amp; Beverage</b>		
<ul style="list-style-type: none"> <li>• Front Office Manager</li> <li>• Guest Relations Supervisor</li> <li>• Executive Housekeeper</li> </ul>	<ul style="list-style-type: none"> <li>• Executive Chef</li> <li>• Assistant Food &amp; Beverage Manager</li> </ul>	Security Manager	Technical Manager

Source: Benhadda, et al. (2017, p. 121).

The above staffing chart includes central services, who provide auxiliary support of the various departments such as revenue management, reservations, and accounting, in contrast to an independent hotel with the same number of rooms.

**Table 16: Rooms Division Staffing Structure at a Large, Full-Service Hotel**

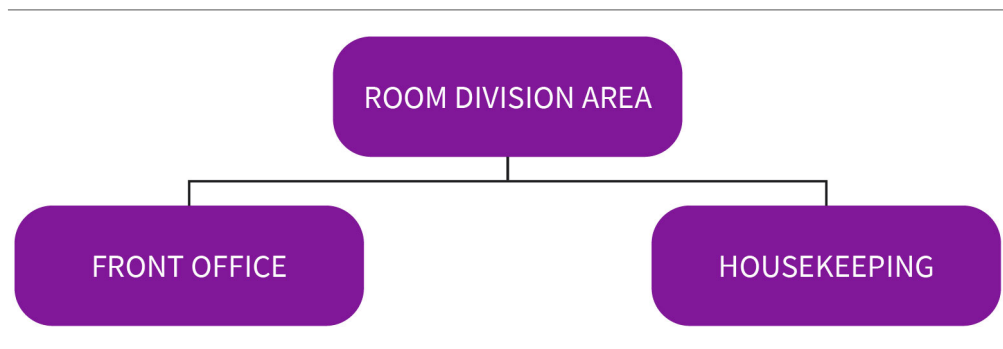
ROOMS DIVISION MANAGER						
Executive Housekeeper		Front Office Manager				
Assistant Executive Housekeeper		Assistant Front Office Manager				
Floor Supervisor	Laundry Manager	Front Office Supervisor	Bell Captain	Head Cashier	Chief Concierge	Reservations Supervisor

Room Attendants	Laundry Worker	Desk Clerks	Bell Persons	Cashiers	Concierge Staff	Reservations Clerks
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Source: Benhadda et al. (2017, p. 132).

The above chart describes a hotel with 300 rooms. The front office, concierge, and reservations departments are under the front office manager, who reports to the rooms division manager.

**Figure 2: Rooms Division Structure at a Budget Hotel**



Source: Espinar (2023).

The above chart describes a budget hotel with limited service. In this case, the front office department absorbs all the tasks of reservations, the concierge, and guest relations. In these hotels, one person often must perform multiple roles.

 **SUMMARY**

Rooms division management requires a high level of coordination among its various subdivisions, as well as a strong focus on guest satisfaction and operational efficiency. By implementing processes and procedures, a hotel can ensure that its rooms division operations run smoothly, and guests receive the highest level of service possible. By prioritizing guest satisfaction in addition to revenue optimization, hotels can create a positive reputation and loyal customer base.

Rooms division managers face a range of challenges, and their success depends on their ability to adapt to changing conditions and manage their teams well.

# UNIT 3

## THE GUEST CYCLE AND THE FRONT OFFICE

### STUDY GOALS

On completion of this unit, you will be able to ...

- describe the complete guest cycle from reservation to checkout
- understand the role of the front office in the guest cycle
- name the principal technologies that facilitate operations in the guest cycle
- perform a needs analysis for selecting hotel software
- identify critical points for communications between the front desk and guests

## 3. THE GUEST CYCLE AND THE FRONT OFFICE

### Case study

Peter Arthur, the rooms division manager, has started to review the processes in his hotel's front desk department. He wants to examine the entire guest cycle. This cycle refers to the five stages a guest goes through during their stay. Peter will try to live the whole experience as a guest so that he can see if the hotel's services are well-organized from the guest's perspective.

#### Mystery guest

A fake customer who evaluates the quality of a business's services. The goal of planting a mystery guest is to improve service and see what procedures need changing.

To see how things go during each step, the best way to do that is as a **mystery guest**. To maintain anonymity in this case, however, the mystery guest is Peter's wife, Bella, who also works in the hotel industry. Bella's plan entails sending an email to the hotel with a reservation request and then following the whole experience from beginning to end.

Bella starts with the **pre-arrival** experience, facilitated by the reservations department. During this first contact, she evaluates the department's timeliness in responding to a guest's inquiry, the tone and quality of their communication, their follow-up efforts to close the reservation, and the detail of the policies and information they provide. Most importantly, she observes whether the reservations agent is sales-oriented.

After this first evaluation, the second phase begins: she arrives at the hotel and is welcomed by the front desk staff. For the **arrival** stage, a checklist is prepared, including all the aspects to be analyzed. Bella will be in charge of taking notes on each aspect. Things to assess include: time spent on check-in; whether the hotel has working technology for efficient guest processing (for example, an online check-in system and smooth follow-up in person, or an ID scan system at reception); whether the guest is greeted with a smile during the first minute; and what information they are given about the hotel's amenities and services. In addition, Peter is interested in knowing how the front desk staff handle additional questions regarding local attractions and restaurant suggestions.

During the **accommodation** stage, when the guest occupies the hotel room, they may request additional services or amenities, such as room service or housekeeping. For this stage, Bella again uses Peter's checklist to gain a clear picture of the service the hotel provides. The checklist covers important aspects of guest expectations, such as maintenance and cleanliness of the room, the experience of ordering room service, and wake-up service. Peter wants to be sure that everything that a guest might need is readily available to them.

The next stage to analyze is the **departure**, which is when the guest checks out of the hotel. At this point, the mystery guest settles any outstanding charges and returns her room key. Peter is eager to measure the time guests wait to receive their final bill.

To close the guest cycle, Peter analyzes **post-departure**. This stage includes any follow-up emails that the guest receives after leaving the hotel, such as a thank-you note or a request for feedback about the stay.

Having now experienced, via his secret mystery guest, the complete cycle from initial booking inquiry to final satisfaction review, Peter has enough information to analyze, make conclusions and recommendations, which are ultimately implemented with the appropriate improvements.

## 3.1 Front Desk: Arrival/ Registration, and Departure

The front desk is normally the first and last point of contact for guests at the hotel. This means that the front desk staff plays a crucial role in ensuring that interactions are efficient, welcoming, and professional. **Arrival, registration, and departure** are the main three stages that the guest will go through at the front desk.

### Arrival

On arrival at the hotel, the guest is greeted by the front desk staff. At this moment, the guest and front desk team establish a relationship. If the team receives the guest with sympathy, eye contact, and a warm smile, their rapport will be different than if these acts are missing. If the hotel is large, the guest might interact with as many people as the doorman, the bell desk, guest services, and the front desk. It is important to remember that the front desk staff conveys the first image that the guest receives from the hotel.

Most hotels have regular check-in times, often starting between 12 p.m. and 4 p.m. daily. If guests want an **early check-in**, a front desk employee needs to see whether the room can be assigned to the guest based on whether it is clean. Guests often request early check-in in advance to ensure that there is availability for this service (Augustine, n.d.-a).

#### Early check-in

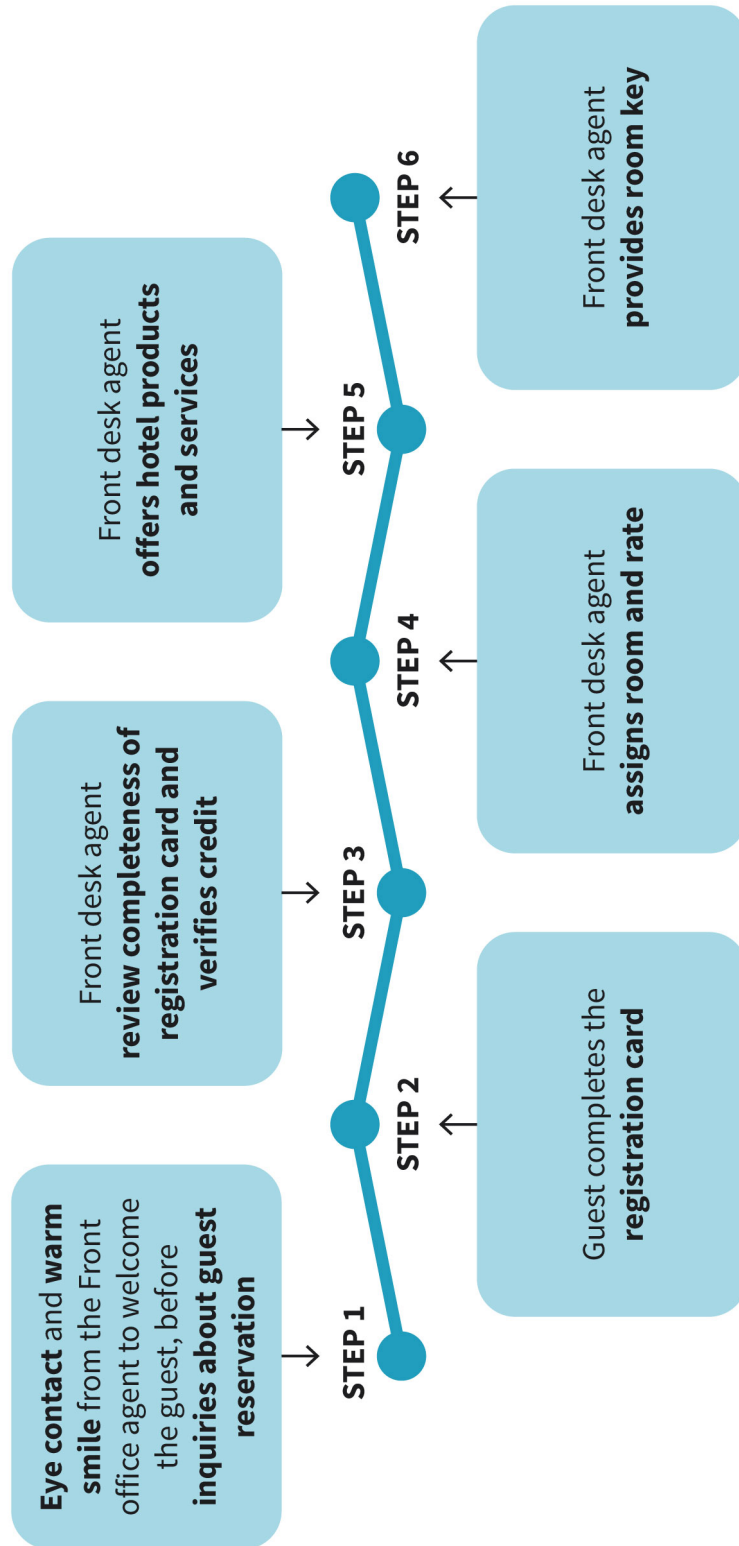
A special service that allows guests to check in earlier than the standard check-in time. In some hotels, it is free of charge. Other hotels may charge a fee, depending on their revenue strategy.

### Registration

After a warm welcome, the front desk staff begins the registration process. Registration **captures the guest data** that the hotel employees use to provide services, including transferring messages and informing the staff of special needs, such as cribs or extra beds, wake-up calls, or rooms on lower floors.

To guarantee that the guest will pay for the stay and any extra expenses they incur, some hotels request credit card authorization, while others ask for a cash deposit. The information gathered during registration can also be used to check the guest's credit background and process charges. Each front desk defines its own procedures for **accepting credit** from guests. Standard procedures include validating a registration form completed either by the customer, and verifying the cardholder's identification. The credit card must furthermore be checked for its validity and available credit balance.

Figure 3: Arrival and Registration



Source: Espinar (2023), based on Bardi (2007), p. 184.

Guest registration must be quick and thorough. If the guest has a reservation, the front desk agent searches for it in the system by last name. If the guest is a walk-in, the desk agent checks availability for the dates requested and provides information about the rates and conditions before completing the registration card.

Filling in the registration card is one of the first steps during the registration procedure. The purpose of the registration card is to satisfy legal requirements and to confirm the guest's personal details. In some countries, this document is known as the "police document". These countries require that guests' personal information be sent to the police daily. The information collected will vary depending on the country and region, but it may include first and last name, address, nationality, ID or passport number, and date of birth. As an added benefit, this information may help hotels to trace guests who did not pay their bills, damaged hotel property, or simply forgot something in their room.

Completing the registration card is important for both sides. While the hotel takes this opportunity to gather the required information about the guest, the guest has this moment to see all the policies and conditions of their booking. The registration card works as a contract or agreement for both parties. Some of its most common clauses are the dates of the booking, the room rate and payment confirmation with credit card details to be kept on file for incidental or extra charges, the cancellation policy specifying the possible penalties in the case of an early departure, the statement about the room condition that confirms that the room is clean and in a good state and that if the room becomes damaged the guest will be held liable, and the hotel liability clause, stating that the hotel is not responsible for loss or damage. Guests sign the registration card to indicate that they have read, understood, and accepted the contractual statements.

After the card is signed, the front desk clerk reviews it, making sure that the handwriting is legible and that all the required information is filled out.

Before assigning a room, the front desk agent offers the guest information regarding the hotel's facilities, hours for food and beverage services, checkout time, and perhaps local attractions that the guest did not contract in the original booking.

To complete the process, the guest is given directions to their room and a room key, if applicable. The front desk may also offer luggage assistance. Once the guest checks into the room, the occupancy stage of the guest cycle begins.

As technology has developed in tandem with guests' need for speed of service, self-check-in and checkout are becoming more common in the hotel industry. Many hotels now implement **online check-in**, which changes the registration process. In this case, the guest submits the information required on the registration card prior to arrival. Some online check-in systems even scan the guest's ID or passport and send the information directly to the property management system. Some systems require guests to take a selfie, which is then checked against the scanned ID/passport document to facilitate online check-in before arrival. The goal of online check-in is to speed up the check-in process and, in some cases, even allow the guest to go directly to their room without contact with the reception desk. In these cases, the online check-in platform provides the guest with a mobile key or keycode for the door.



## Departure

The departure interaction at the front desk occurs to resolve any outstanding payments, to help guests with final needs, and to ask for the guest's feedback on the stay. Normally the front desk agent can ask the guest for feedback while preparing the bill. Feedback can be provided either verbally to the front desk staff or through a written survey.

The checkout process includes **paying the bill**. This may be done with cash, credit card, or another accepted form of payment. This step can be skipped if the guest paid in advance or set up a billing arrangement. The front desk agent inquires about additional charges incurred since check-in (for example, mini-bar or breakfast service). Once completing the inventory of expenses, the agent presents the guest folio to the guest. For sustainability, many hotels send the guest folio digitally instead of printing it. The agent also verifies the method of payment before processing the account payment.

The guest returns any room key or access cards. This is the moment to ask if the guest needs luggage assistance, a taxi, or additional service. Once everything has been done, the agent can wish the guest a pleasant continuation of their trip.

The front desk agent informs the housekeeping department that the room is ready to clean. In a process called the **room inspection**, the housekeeping staff checks for damage or items missing from the room and updates the property management system.

Through giving a warm welcome, supplying the necessary information, and being efficient during check-in and checkout, the front desk team play a crucial role in creating a positive guest experience.

## 3.2 Front Office Technologies

The systems and technologies in the front office ensure that the hotel operates effectively and that guests have a smooth experience during their pre-stay and stay. The system requirements will depend on the specific needs and goals of the organization, size, and physical location of the system (Bardi, 2007, p. 106).

A reliable computer **network** is essential to ensure that reservations and other information can be accessed by staff and guests in a timely manner. This may involve a local area network, internet connectivity, and wireless network. **Security** measures should be in place to protect guest information and prevent unauthorized access. These measures may include encryption, user authentication, and access controls.

**Hardware** requirements will depend on the software being used. Most computer hardware available today is compatible with standard hotel software, but some software may require additional hardware such as card readers or touchscreens. Other factors to consider include adequate processor speed, disk drive space, and internet access and speed, as well as the need for monitors, keypads, keyboards, printers, and other computer supplies.

The most common **software** for rooms division management is a **property management system (PMS)**, an application used to manage all aspects of a hotel's operations, including room reservations, guest check-in and checkout, room assignments, and billing. A PMS is essential for managing the hotel's daily operations. (Bardi, 2007, p. 109).

The rooms division manager and the front desk manager also use a few other pieces of software. An important one is **reputation management** software, which provides a comprehensive view of the hotel's online reputation, including guest feedback and sentiment, social media engagement, and online ratings and reviews. This software also includes tools for managing guest feedback and responding to reviews in real-time. In the hotel industry, the most common reputation management software applications are ReviewPro, Revinate, GuestRevu, Medallia, and TrustYou.

Hotels use a **central reservation system (CRS)**, also known as a **channel manager**, to manage and distribute room inventory, rates, and reservation data across multiple channels, including their own website, online travel agencies, and other third-party platforms. Some of the main CRS companies are SiteMinder, AvaiBook, and RateGain.

**Table 17: Central Reservation System Features**

<p><b>Streamlined inventory management...</b> ...providing a centralized platform for managing room inventory and rates across multiple channels</p>	<p><b>Increased distribution...</b> ...of room inventory and rate via multiple channels such as OTAs, travel agencies, and other online platforms</p>	<p><b>Enhanced reporting...</b> ...with a greater level of detail as well as analytics on booking trends, channel performance, and revenue management</p>	<p><b>Improved efficiency...</b> ...with the automatization of manual processes</p>	<p><b>Improved guest experience...</b> ...via a centralized platform for managing reservations</p>
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Source: Lacalle (2021).

A **point-of-sale (POS) system** is a technology hotels use to manage and process guest transactions, including food and beverage purchases, retail sales, and other incidental charges. The system typically consists of hardware such as touchscreen terminals and card readers, plus software that integrates with other hotel systems, such as the PMS. Well-known POS companies include EUCASOFT, Vectron, and gastronovi.

**Table 18: Point-of-Sale System Features**

<p><b>Streamlined transactions...</b> ...allow guests to pay for their purchases in a quick manner</p>	<p><b>Increased accuracy...</b> ...reduces errors associated with manual transactions.</p>	<p><b>Enhanced reporting...</b> ...automates manual processes.</p>	<p><b>Improved efficiency...</b> ...provides detailed reporting on sales trends, inventory levels, and other key metrics.</p>	<p><b>Improved guest experience...</b> ...provides a quick and convenient payment process.</p>
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Source: Alice POS (n.d.).

An **electronic door locking system** replaces traditional key-and-lock systems and instead provides access to hotel rooms through an electronic system that uses smart cards, key fobs, or mobile devices. Companies providing and maintaining electronic door locking systems include Akiles, SALTO Systems, and Assa Abloy.

**Table 19: Electronic Door Locking System Features**

<p><b>Enhanced security</b></p>	<p><b>Improved convenience...</b> ...gives access to the rooms quickly and easily without the need for keys or cards.</p>	<p><b>Increased flexibility...</b> ...as hotels can easily change access codes or deactivate lost cards.</p>	<p><b>Better monitoring...</b> ...allowing hotels to monitor who enters and exits rooms, thereby improving security.</p>	<p><b>Enhanced guest experience...</b> ...providing a modern and convenient solution for room access.</p>
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Source: Magnum (2021).

An **online check-in system** allows guests to check into their room prior to their arrival, usually through a mobile app or website. This technology can streamline the check-in process. If integrated with a mobile electronic door locking system, it can even allow guests to skip the front desk check-in altogether and go straight to their room upon arrival. Companies that facilitate online check-in include Duve, Operto Guest Technologies, and CheKin.

**Table 20: Online Check-In System Features**

<p><b>Convenience...</b> ...as guests can check into their room from anywhere</p>	<p><b>Time-saving...</b> ...as guests can skip the front desk and go straight to their room upon arrival</p>	<p><b>Contactless...</b> ...with an online check-in system that reduces contact between guests and staff</p>	<p><b>Improved guest experience...</b> ...due to a streamlined check-in process</p>	<p><b>Upselling opportunities...</b> ...created by an online check-in system that offers guests upgrades or additional services</p>
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Source: P3 Hotels (2021).

A **call accounting system** tracks and manages the telephone charges guests incur during their stay. The system keeps a record of all phone calls made from hotel phones, including local, long-distance, and international calls. The system then generates reports that can be used to bill guests accurately and monitor phone usage. TEL Electronics, Ennovatech Solutions, and SmartTEL by Prologic provide call accounting systems.

**Table 21: Call Accounting System Features**

<p><b>Accurate billing...</b> ...allows hotels to track phone usage and accurately bill guests for the phone calls they make.</p>	<p><b>Cost control...</b> ...allows hotels to identify any excessive or fraudulent use and take action accordingly.</p>	<p><b>Enhanced reporting...</b> ...provides detailed reporting on phone usage.</p>	<p><b>Integration with PMS...</b> ...helps centralize processes.</p>	<p><b>Improved guest experience...</b> ...by accurately billing guests for phone usage</p>
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Source: Bhatnagar (2018).

A **revenue management system (RMS)** helps a hotel create pricing and inventory management strategies. The system uses data analytics and forecasting algorithms to set prices for rooms and services based on demand and other factors. Companies that provide revenue management systems include IDEaS, BEONx, and Duetto.

**Table 22: Revenue Management System Features**

<p><b>Real-time pricing...</b> ...allows hotels to set prices dynamically based on demand and other factors.</p>	<p><b>Automated inventory management...</b> ...allows hotels to optimize their room availability and pricing strategies in real time.</p>	<p><b>Improved forecasting...</b> ...uses data analytics and forecasting algorithms to provide accurate predictions of future demand.</p>	<p><b>Integration with other systems...</b> ...including PMS, CRS, and others</p>	<p><b>Enhanced reporting...</b> ...provides detailed reporting on revenue performance and other key metrics.</p>
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Source: Sarmah (2022).

**Task organization tools** help individuals and teams manage their projects more efficiently. These tools offer features to support task management, team collaboration, time tracking, project templates, and reporting tools. Common task organization systems in the hotel industry include Breezeway, Operto Teams, and Chartok.

**Table 23: Task Organization Tool Features**

<p><b>Improved productivity...</b> ...helps hotels manage their daily tasks and operations efficiently.</p>	<p><b>Task assignment and tracking...</b> ...can help delegate tasks to specific staff members.</p>	<p><b>Collaboration and communication...</b> ...allow staff to collaborate and communicate in real time.</p>	<p><b>Priority setting...</b> ...can help staff prioritize tasks and allocate time and resources effectively.</p>	<p><b>Performance monitoring...</b> ...can track task completion rates, providing insight into staff performance and identifying areas for improvement.</p>
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Source: Mentis (2017).

No matter which rooms division management systems are chosen, they may need to be set up to **integrate** with other systems in the hotel so that managers can have a complete vision of the business. And certainly, staff members need to be **trained** on how to use them. Proper training ensures that all staff adopt the technologies and that operations run smoothly.

### Needs Analysis

The system requirements for rooms division management will depend on the size and complexity of the organization, as well as its specific needs and goals. It is important to choose a system that is scalable, reliable, and user-friendly.

To identify the software systems the rooms division will use, a team of front-line staff must first perform a needs analysis. This team can identify the hotel's requirements and budget, which will help determine what software is appropriate to purchase.

Next, the team researches the hotel software options available, taking note of features, pricing, user reviews, and customer support availability. From here they can make a preliminary selection.

Once several options are identified that match the hotel's needs, team members should watch demonstrations of the products or start using trial versions. It is important to learn what is involved in implementing the systems. It is also crucial to evaluate ease of use, scalability, and compatibility with the hotel's existing systems. It might be helpful to contact other hotels using the software under consideration, to learn what their experience has been.

Based on research, analysis, and conversations with vendors and customers, the team will be equipped to choose the software that best meets the hotel's needs and budget.

**Table 24: Need Analysis Process**

STEP 1	Team selection
STEP 2	Analyzing the flow of guests through the hotel
STEP 3	Analyzing the flow of information from other departments
STEP 4	Analyzing the administrative paperwork from other departments
STEP 5	Review the information in steps 2, 3, and 4 and evaluate the needs that have been identified
STEP 6	Combine needs to determine the desired applications

Source: Wisdomjobs.com (n.d.).

## 3.3 Guest–Front Office Interactions: A Multicultural Perspective

Hotels are often multicultural settings, where interactions between the guest and front office require cultural sensitivity and awareness. Staff should be aware of the cultural differences that may affect guest behavior and preferences.

Front office staff should be able to communicate in the **languages** frequently spoken by their guests or should have access to translation services. Speaking the guest's language can help to establish trust and facilitate communication. Another aspect of sensitive communication is using appropriate language and avoiding stereotypes or assumptions. Active listening is another essential skill for front office staff when interacting with guests from different cultural backgrounds. Staff should listen carefully to guests' requests and concerns and clarify any misunderstandings.

**Cultural norms and expectations** are also relevant. For example, some cultures may prefer direct communication, while others may prefer indirect communication. Guests from some cultures may prefer a more formal interaction, while others may prefer a more casual approach. This may include adjusting the tone of voice or using certain gestures. **Non-verbal communication**, such as body language and facial expressions, can vary across cultures. For example, eye contact may be seen as a sign of respect in some cultures, while in others, it may be viewed as rude or aggressive. Front office staff should be aware of these differences and adapt their non-verbal communication accordingly.

Other cultural norms pertain to religious or dietary preferences. Some cultures have **specific dietary restrictions**, such as halal, kosher, or vegetarian. Front office staff should be able to provide information on local restaurants that serve these diets. Staff should also be aware of the various **celebrations, holidays, and festivals** so they can provide information on local events and activities.

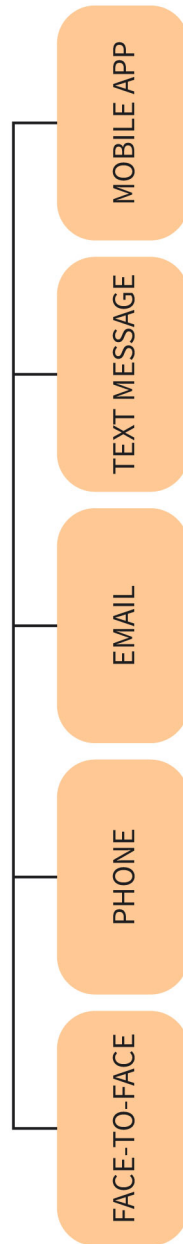
It is important to have a front office team with a **sensibility for diversity**. They should be trained to appreciate and respect diversity in culture, religion, or lifestyle. This can help to create a welcoming and inclusive environment for all guests, regardless of background. By taking a multicultural perspective, front office staff can lead to positive guest experiences and increased customer loyalty (Tutorials Point, n.d.).

### Means of Communication

Depending on the hotel, there are several means by which hotel guests can communicate with the front office staff.

Figure 4: Communication Channels for Guests and the Front Office

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Source: Author.

**Face-to-face** is the most common way guests communicate with the front office staff. This channel provides an opportunity for the staff to address any questions or concerns directly and to establish personal rapport.

Guests can also communicate with the front office staff through the hotel's **phone** system. Guests can call the front desk to request services, and the staff can provide assistance over the phone. This method is especially useful for guests who prefer not to approach the front desk in person.

Some hotels offer **email** communication as a way for guests to contact the front office. This method is convenient for guests who prefer to communicate in writing and can be useful for requests that require more detail or documentation.

Some hotels offer **text messaging** between guests and the front office. This method can be useful for quick questions and requests that do not require a phone call or face-to-face interaction.

Some hotels have developed **mobile apps** that allow guests to communicate with the front office staff. This channel can be useful for requesting services, making reservations, or asking questions about the hotel's amenities.



#### **SUMMARY**

Effective management of the guest cycle means providing a positive guest experience. Of the five stages in the guest cycle (pre-arrival, arrival, accommodation, departure, and post-departure), the front office plays a critical role in the core three. Efficient and seamless handling of these stages will ensure a positive guest experience and can impact the overall reputation of the hotel.

Key components in facilitating these stages is technology and staff. Front desk technology systems are designed to automate the processes of managing reservations, check-ins, checkouts, and other guest-related activities. The appropriate tools will improve both operational efficiency and guest reviews.

The staff can perform a needs analysis to determine the right software for the hotel. Once they identify the business's requirements, determine a budget, and evaluate the various available options, they can trial the systems before making a final selection.

With automated systems in place to facilitate daily operations, the front office staff can keep their primary focus on the customer. Interactions between the guest and front office are essential to building customer loyalty. The staff should be friendly, attentive, and responsive to guest needs, and should work to resolve any issues quickly and professionally. Good communication skills, cultural sensitivity, and a positive attitude are important for creating a welcoming and comfortable atmosphere for guests.



# UNIT 4

## STRUCTURE, FUNCTIONS, AND SUCCESS FACTORS OF PROPERTY MANAGEMENT SYSTEMS

### STUDY GOALS

On completion of this unit, you will be able to ...

- define what a property management system is and why a hotel would need it
- identify the essential points in selecting a property management system
- understand the menus and sections that property management systems should have
- define the critical points in use and data maintenance for hotel software

## 4. STRUCTURE, FUNCTIONS, AND SUCCESS FACTORS OF PROPERTY MANAGEMENT SYSTEMS

### Case study

After analyzing the property management system (PMS) his hotel uses, Peter Arthur decides to select a new one. One of his main complaints with the current system is a lack of support from the provider, which means that when there are incidents, they don't get resolved quickly. Another problem is that the reports the PMS generates are poor in information, so decisions made based on its data are not as informed as they should be. Finally, the front office team confirm that the check-in process, including registration, takes too much time, meaning that guests wait too long. From Peter's point of view, these three problem areas are things that the PMS was meant to resolve, not create.

Peter selects a team who can identify the hotel's main administrative needs, aside from improving these three areas. They can then match those needs to the functionalities of the various PMS on the market, weigh their options, and decide on a new one.

The process will take longer than one might expect. After the selection team makes their choice, the hotel committee will need to approve the selection. Changing a PMS is a significant undertaking, requiring careful planning, preparation, and execution. The data must be migrated from the old PMS to the new one. The new PMS will also need to be integrated with the hotel's other systems, and the configuration will have to be defined and parametrized so the desired data is available at each moment. Team training is next—no small task in itself. But by being attentive in each step and successfully implementing a new PMS, the hotel can benefit from improved efficiency, increased revenue, and enhanced guest satisfaction.

### 4.1 Overview of Property Management System Software Solutions

A PMS is software that organizes all the functions to assist hotel guests (Bardi, 2007, p. 112). A PMS is required to **coordinate all critical operations** of the hotel on one platform and provide real-time information from the different departments. The main goal is to improve the efficiency of the front office staff.

There are two basic types of PMS. The first is a local PMS, which has heavy technical requirements such as a workstation, data server, terminal servers, an operating system, network cards, and removable back-up systems. The second is a cloud-based PMS, which

requires only computers and internet connection (Tutorialspoint, n.d.). This second option is the most modern and the one that many hotels use. Some popular cloud-based systems are Cloudbeds, Mews, protel, OPERA, and Fidelio.

In choosing a PMS, there are important criteria to keep in mind, such as the hotel's size and location. Chains have different needs than individual hotels, and hotels in city centers have different needs than hotels in suburban areas due to their disparate physical locations and client base. The number of employees and departments who will work with the PMS is a factor in the complexity and the options needed. A user-friendly design and web-based interface are nowadays almost standard. The PMS should be guest-oriented and scalable to allow growth. The near-future growth of the PMS provider is also something to consider, to predict possible technological advances in the following months.

The hotel must have both the technical resources and the budget and time for training that the PMS will require. The provider normally supplies an estimated number of hours for staff training, which provides an idea of the software's complexity. The PMS must also include integration with other systems, such as point-of-sale systems, accounting systems, and channel management systems, so that the hotel staff can find all the information in one place. Last but not less important, the PMS provider should offer extensive customer support. Especially in the first months when the PMS is implemented, access to support is critical for each department using the software (Bardi, 2007, pp. 100–115).

### Common Features of Property Management Systems

Property management systems can vary in terms of complexity and menu options (Oracle, n.d.). The following structure is based on OPERA PMS, which shares many similarities with other PMS software. OPERA PMS is a modular system, which means that each module can be customized and configured to meet the needs of a specific hotel.

The **front office** is the main interface for the front desk staff. It includes functions such as guest check-in and checkout, room assignments, room changes, folio management, and room status updates.

**Table 25: Basic Functions of a Front Office in a Property Management System**

<p><b>Guest Check-in and Check-out</b></p> <ul style="list-style-type: none"> <li>• Check-in</li> <li>• Check-out</li> <li>• Verification of guest identity</li> <li>• Rooms assignment</li> <li>• Payment collecting</li> <li>• Rooms key management</li> </ul>	<p><b>Room Assignments and Changes</b></p> <p>Based on:</p> <ul style="list-style-type: none"> <li>• Guest preferences</li> <li>• Room availability</li> <li>• Room types</li> </ul>	<p><b>Folio management</b></p> <ul style="list-style-type: none"> <li>• Record of charges</li> <li>• Payments</li> <li>• Credits</li> </ul>
<p><b>Rooms Changes</b></p> <ul style="list-style-type: none"> <li>• Status per room</li> <li>• Availability</li> <li>• Occupancy</li> <li>• Cleanliness</li> </ul>	<p><b>Improves Guest Experience</b></p> <p>Information regarding guest profile:</p> <ul style="list-style-type: none"> <li>• Contact information</li> <li>• Preferences</li> <li>• History</li> </ul>	<p><b>Reporting and Analytics</b></p> <ul style="list-style-type: none"> <li>• Rates</li> <li>• Room revenue</li> <li>• Guest satisfaction</li> </ul>

Source: OPERA PMS (n.d.).

**The reservations** department manages room availability, rates, and inventory. It allows staff to create and modify reservations, check availability, track rates, and manage room allocations.

**Table 26: Basic Functions of a Reservations Property Management System**

<p><b>Room Inventory Management</b></p> <ul style="list-style-type: none"> <li>• Room types</li> <li>• Number of rooms</li> <li>• Availability</li> </ul>	<p><b>Rate Management</b></p> <ul style="list-style-type: none"> <li>• Base rates</li> <li>• Promotions</li> <li>• Discounts</li> <li>• Rates set up through room types, seasons and days of the week</li> </ul>	<p><b>Groups Reservations</b></p> <ul style="list-style-type: none"> <li>• Room blocks</li> <li>• Rates</li> <li>• Billing</li> <li>• Groups rooming list</li> <li>• Groups room assignation</li> </ul>
<p><b>Waitlist Management</b></p> <ul style="list-style-type: none"> <li>• Waitlist prioritization</li> <li>• Automation room assign</li> </ul>	<p><b>Channel Management</b></p> <ul style="list-style-type: none"> <li>• Reservations management</li> <li>• Rates management for each channel</li> <li>• Availability management for each channel</li> </ul>	<p><b>Booking Modifications</b></p> <ul style="list-style-type: none"> <li>• Modifications management</li> <li>• No-shows management</li> <li>• Cancellations management</li> <li>• Refunds</li> </ul>

Source: Espinar, based on OPERA PMS (n.d.).

**The housekeeping** department manages the cleaning and maintenance of guest rooms. It includes functions such as room status updates, cleaning schedules, and inventory management.

**The accounting** department manages financial transactions, including invoicing, payment processing, and accounts receivable and payable.

**Table 27: Basic Functions of an Accounting Property Management System**

<p><b>Accounts Receivable</b></p> <ul style="list-style-type: none"> <li>• Billing</li> <li>• Invoicing</li> <li>• Payments tracking</li> <li>• Outstanding balances report</li> </ul>	<p><b>Accounts Payable</b></p> <ul style="list-style-type: none"> <li>• Invoices</li> <li>• Payments</li> <li>• Vendor information</li> <li>• Expenses reports</li> <li>• Outstanding balances</li> </ul>	<p><b>General Ledger</b></p> <ul style="list-style-type: none"> <li>• Journal entries</li> <li>• Account reconciliations</li> <li>• Financial statement preparation</li> <li>• Income statements reports</li> <li>• Balance sheets reports</li> <li>• Cash flow statements reports</li> </ul>
<p><b>Budgeting and Forecasting</b></p> <ul style="list-style-type: none"> <li>• Budget creation</li> <li>• Budget tracking</li> <li>• Financial performance analysis</li> <li>• Forecasting future trends analysis</li> </ul>	<p><b>Integration with Other Systems</b></p> <ul style="list-style-type: none"> <li>• Front office</li> <li>• Reservations</li> <li>• Housekeeping</li> </ul>	<p><b>Security and Access Control</b></p> <ul style="list-style-type: none"> <li>• User permissions management</li> <li>• Password requirements</li> <li>• Audit trails</li> </ul>

Source: Author, based on OPERA PMS (n.d.).

The **sales and marketing** department manages promotional activities, including rate management, room inventory control, and customer relationships.

**Table 28: Basic Functions of a Sales and Marketing Property Management System**

<p><b>Customer Relationship Management</b></p> <ul style="list-style-type: none"> <li>• Guest profile</li> <li>• Booking history</li> <li>• Preferences</li> <li>• Loyalty program</li> <li>• Customer interaction tracking</li> </ul>	<p><b>Marketing Campaign Management</b></p> <ul style="list-style-type: none"> <li>• E-mail marketing</li> <li>• Direct mail</li> <li>• Social media</li> <li>• Advertising</li> <li>• Campaigns success</li> <li>• Strategies adjustment</li> </ul>	<p><b>Revenue Management</b></p> <ul style="list-style-type: none"> <li>• Pricing</li> <li>• Inventory management</li> <li>• Demand forecasting</li> <li>• Data analytics</li> </ul>
<p><b>Group and Event Management</b></p> <ul style="list-style-type: none"> <li>• Group contracts</li> <li>• Group room blocks</li> <li>• Group function space</li> <li>• Catering management</li> <li>• Audiovisuals and other services management</li> </ul>	<p><b>Integration with Other Systems</b></p> <ul style="list-style-type: none"> <li>• Front office</li> <li>• Reservations</li> <li>• Accounting</li> </ul>	<p><b>Reporting and Analytics</b></p> <ul style="list-style-type: none"> <li>• Dashboards</li> <li>• Data visualization</li> <li>• Forecasting</li> <li>• Performance tracking</li> </ul>

Source: Author, based on OPERA PMS.

The **reporting and analytics** department provides valuable insights into the hotel's overall performance. It can generate customizable, automated reports based on real-time data. It includes data on occupancy rates, revenue, and guest satisfaction.

**Table 29: Basic Functions of a Reporting and Analytics Property Management System**

<p><b>Customizable Reports</b></p> <ul style="list-style-type: none"> <li>• Front office reports</li> <li>• Reservations reports</li> <li>• Housekeeping reports</li> <li>• Accounting reports</li> <li>• Sales &amp; marketing reports</li> </ul>	<p><b>Data visualization</b></p> <ul style="list-style-type: none"> <li>• Graphs</li> <li>• Charts</li> <li>• Tables</li> </ul>	<p><b>Automated report generation</b></p> <ul style="list-style-type: none"> <li>• Daily reports generation</li> <li>• Weekly reports generation</li> <li>• Monthly reports generation</li> </ul>
<p><b>Real-time data</b></p>	<p><b>Ad-hoc reporting</b></p> <ul style="list-style-type: none"> <li>• For immediate needs</li> </ul>	<p><b>Integration with other systems</b></p>

Source: Author, based on OPERA PMS.

## 4.2 Success Factors in Use and Data Maintenance

When it comes to the use and data maintenance of a PMS, several factors are critical to making sure that the staff use the software and that the software remains useful in day-to-day operations.

First, a PMS can be a complex system, and it is important to ensure that all staff who use it are **adequately trained** on its features and functionalities. User training is essential to its adoption.

Next, accurate data and **ongoing data maintenance** are critical to the utility of a PMS. Information about guests, reservations, room availability, rates, and inventory must be reviewed and updated regularly. Regular review and cleaning can help assure users of accurate and complete guest records, leading to better reporting and decision-making.

The PMS itself must also be kept up-to-date and functioning correctly through **regular maintenance** covering software updates, hardware maintenance, integrations with other systems, and backups of critical data. These precautions can help prevent system downtime and data loss.

A PMS contains **sensitive information** such as guest identification and financial data. It is essential to secure the system and protect it against unauthorized access. A successful PMS software solution meets data security and privacy compliance requirements.

One goal in having a PMS is to enhance management's ability to make more informed decisions. This can be accomplished, and the overall performance of the hotel can be improved, by ensuring that staff members have **access to the PMS reports and analytics**.

In sum, adoption of the PMS by all team members depends on several factors. The software's features must align with organizational strategy and goals. Furthermore, the software interface must be user-friendly and efficient. The system should be flexible and include powerful customization options. Finally, the system should receive regular updates and maintenance.

#### SUMMARY

The most important modules for a PMS may vary depending on the specific needs of the hotel. The most important modules are those that enable efficient management of reservations, guest check-in and checkout, housekeeping, billing, and reporting, while also providing the ability to manage inventory, sales, and customer relationships.

The successful implementation of a PMS requires a thorough understanding of the organization's needs, careful selection of the software solution, and effective change management and user adoption strategies. The team must also keep up with regular user training, data security and privacy compliance, customization and integration, data maintenance and cleanliness, software updates and maintenance, and

performance metrics and reporting. By focusing on these success factors, hospitality businesses can ensure the ongoing utility of their PMS software solution.

# UNIT 5

## RESERVATIONS: BOOKING AND INVENTORY MANAGEMENT

### STUDY GOALS

On completion of this unit, you will be able to ...

- describe the reservation process
- understand the importance of the reservations department to sales
- evaluate the output of a reservations department using key performance indicators
- define the pricing strategies that hotels can use to increase bookings and revenue



## 5. RESERVATIONS: BOOKING AND INVENTORY MANAGEMENT

### Case study



After choosing a new property management system (PMS) for the hotel and making sure that all the teams are using it properly, Peter is ready to go deeper. He next examines the reservations department. He wants to get a clear picture of the whole reservation flow, including the processes for creating new bookings, modifying existing reservations, and canceling bookings. He examines both the booking and the inventory management processes.

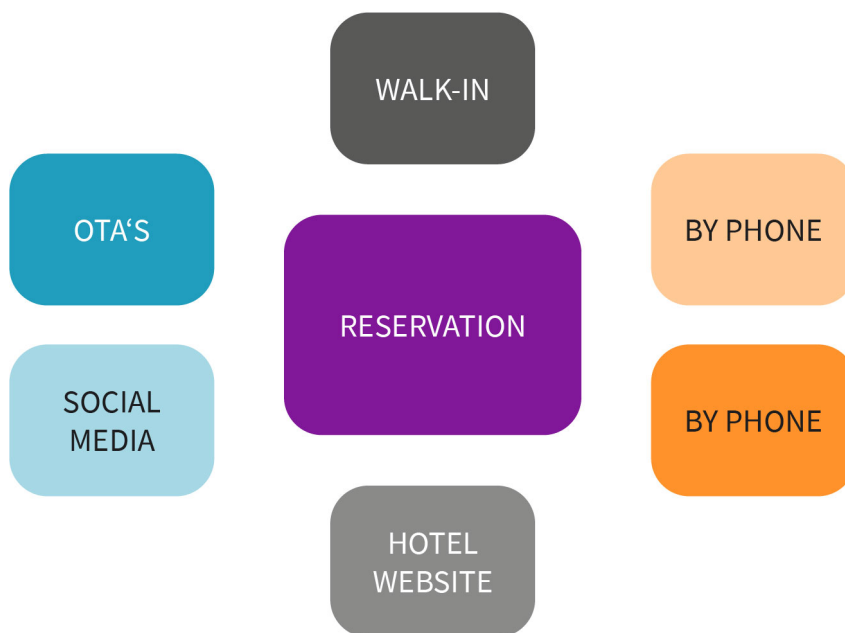
From experience, Peter has seen that a successful reservations department depends on a well-formed team who takes ongoing training and shares best practices. This environment nurtures agents with strong customer service skills. Their problem-solving abilities, friendly demeanor, and ability to communicate will help the department maximize its performance.

Peter will observe the department's processes for the next three days before making his own conclusions. He wants to see how the staff responds to each reservation depending on its source. What happens when a reservation comes directly from a customer versus when a reservation comes through an **indirect channel**? Most requests will come through intermediaries: online travel agencies and travel agents with whom the hotel has contracts.

**indirect channel**

A travel agency or tour operator, for instance.

Figure 5: Sources of booking requests



Source: Espinar (2023).

And how do the staff react when a potential guest comes directly to the reception versus through another point of contact? At the reception desk, the front office department must be prepared to respond to guest inquiries and offer appealing rates and conditions. If the reservation comes through the phone, are the reservation agents prepared to answer the various questions a guest might have?

Thankfully, Peter chose a PMS that makes it easy to track availability, pricing, and booking confirmations. Reservation agents can immediately see availability and the exact rate to communicate to the guest. Once a booking is closed, the PMS should automatically send the guest an email or SMS confirmation, with payment details and other important information.

Peter will check to see if the department has templates for giving unified responses to the reservation inquiries that come through each source: in person and by phone, email, and social media. The department also needs to have guides for optimizing the reservation process and the agents' time management. The hotel does not have a separate groups department, which means Peter will also be evaluating the process for taking group reservations. Here, templates are even more important, since group reservations represent 60% of the reservations department's revenue. Using both automation and thorough checklists for department protocol will improve efficiency, reduce errors, provide a consistent guest experience, and save costs.

Inventory management is another area Peter wants to examine. The reservation manager previously defined the types of rooms the hotel has, their features, and the amenities; she also set prices based on these categories as well as season, demand, and occupancy lev-

els. The hotel uses a centralized reservation system that helps manage inventory across multiple channels, providing real-time availability updates and reducing the risk of over-booking. By monitoring room availability and occupancy rates, Peter can identify past trends. The system also tracks cancellations and no-shows, which allows the department to identify patterns that can improve forecasting. The new PMS also includes a forecasting tool to predict future demand based on historical data and other variables such as events, seasonality, and trends in the local market. Forecasting based on these trends will be one of the most powerful factors shaping the department's next actions.

Finally, Peter wants to check the department's upselling and cross-selling strategy. When a guest makes a reservation, whether over the phone or in person, it can be a good opportunity to offer upgrades or additional services. Peter will analyze the conversion per agent to see if the process is standardized for the whole team and if the upselling and cross-selling strategy is working.

## 5.1 The Reservations Department from a Sales Perspective

The reservations department handles inquiries, manages room reservations, and provides information about the hotel and its services to potential guests. But it also does more: behind the scenes, it uses strategies to improve performance in terms of revenue, sales planning, and marketing. The reservations department plays a vital role in the generation of revenue and thus a hotel's sales perspective (Stone, 2020).

**Table 30: Functions of a Reservations Department**

RESERVATION DEPARTMENT	
For guest	For hotel
<ul style="list-style-type: none"> <li>• Make sure that the reservation is confirmed on arrival.</li> <li>• Quotation</li> <li>• Arrangement of other services and facilities</li> </ul>	<ul style="list-style-type: none"> <li>• Forecasting</li> <li>• Rates set up</li> <li>• Availability</li> <li>• Guest satisfaction</li> <li>• Planning Optimization</li> </ul>

Source: Espinar, based on Augustine (n.d.-b).

The reservations department is often the first point of contact for potential guests, and if its agents do their job well, they generate sales and earn guest loyalty, which will lead to repeat bookings and positive word-of-mouth referrals. Reservation agents should handle inquiries promptly, address concerns or special requests, and build and maintain positive relationships with guests.

Key to excellent customer service is staff training. As guests want to feel confident before making a reservation, staff should be instructed in how to answer any question a guest may have about the hotel, its facilities, and local attractions. Their training also includes

managing phone calls, emails, and online bookings from various channels such as the hotel's website, travel agencies, and online travel agencies. Overall, staff training ensures that personnel follow efficient booking procedures to maximize sales.

The reservations department is also responsible for managing guest information and preferences. The hotel's marketing department will later use this information to personalize the guest experience, for example through newsletters and targeted marketing efforts.

The reservations department should also be in permanent contact with the sales department. Through proper handling of customer requests, complaints, and feedback, the reservations department can help the sales team understand the customer's preferences, behavior, and needs. They can also relay to the sales team any leads they identify, such as potential group bookings and corporate bookings. Handling group bookings effectively can lead to significant revenue opportunities and long-term relationships with event organizers. When a hotel does not have a groups department, the reservations department is responsible for managing group bookings, including creating group reservations, managing room blocks, and tracking group billing. They coordinate with event planners or organizers to ensure all accommodation requirements are met.

The reservations department has the opportunity to upsell and cross-sell additional services or upgraded rooms to guests during the booking process. Upselling and cross-selling can significantly increase revenue, as well as provide guests a better experience at the hotel, improve customer retention, and consequently increase the hotel's profitability. Add-ons may include special packages or services such as spa treatments, dining options, or late checkout. Agents should be trained to implement this strategy in every deal (Carreirão, 2022) so that skilled reservation agents can identify guest needs and promote relevant offerings.

### Example Sales Conversation

In the article "Order Takers vs. Personalized Sales: How Effective Is Your Hotel Selling Over the Phone?," Patrick Landman (n.d.) describes a typical sales conversation in a reservations department.



#### DIGRESSION

The first step is to **welcome** the inquirer: "Good morning, Hotel ABC, Stephanie speaking. How can I help you?" It is important to answer the phone call within three rings.

The second step is where the **request** begins. The agent carefully listens to the guest's request. The agent then repeats the main information given by the guest to make sure everything is clear: arrival date, length of stay, departure date, the number of people, and number of rooms.

The agent then searches for availability meeting the guest's needs. If the hotel does not have availability, the agent suggests alternative dates. If the guest does not want to change dates, the agent adds the guest to the waiting list.

The agent will **ask questions** to understand more about the guest's needs based on the purpose for their travel. One goal is to learn whether this is the guest's first time booking this hotel. The agent asks, "Have you stayed with us before?" If the answer is no, the agent welcomes them and proceeds to the guest's purpose for travel: "Are you traveling for business?" If the answer is yes, the agent asks for the name of their company so they can send the lead to the sales team later; the sales team can then pursue a potential agreement with the company offering special group rates or other deals. Such an agreement may increase the chances that the company will make repeat bookings with that particular hotel.

Based on the guest's purpose for their travel, the agent explains the hotel's amenities. For business travel, these amenities might include location, business facilities, and room overview. For leisure, the hotel's amenities could again include location and room overview, as well as leisure facilities.

If the guest answers that they have stayed in the hotel before, the agent welcomes them back and asks for the guest's last name so they can find their history in the system.

Next, the agent gives information about the guest rooms: "I have a [room type] available at [XX] euro." If the rate presents a barrier, the agent highlights the hotel's limited availability and indicates that the offered rate is the best available and cannot be guaranteed in the following days. If the guest still has price barriers, before losing the sale, the agent suggests alternative dates with lower rates.

Once the guest accepts the offered rate, the agent asks the guest if they would like to confirm the reservation. If yes, the agent enters the data in all required fields. The agent reconfirms the details, including the spelling of the name and email address. At this moment, the guest is informed of arrival and departure times, early departure fees, and the hotel's cancellation policy. The agent also asks the guest to note down the confirmation number.

The agent closes the call with a phrase such as "Is there anything else I can assist you with?" After the call, the agent prompts the PMS to send the guest a written confirmation of their reservation.

Implementing and maintaining this type of procedure requires continuous and detailed training.

## Key Performance Indicators in the Reservations Department

The goal of the reservations team is to convert every inquiry into a booking (Carreirão, 2022). Their performance can be tracked and quantified through key performance indicators (KPIs).

The **sales conversion rate per agent** is one of the most important KPIs for the department. It refers to the percentage of inquiries or leads generated by an agent that result in confirmed bookings. This KPI measures the agent's productivity in converting potential guests into paying customers.

Conversion rate = (number of bookings / number of inquiries) · 100

For example, if an agent handles 50 inquiries in a month and converts 10 of them into bookings, the conversion rate is

$$(10/50) \times 100 = 20\%$$

The agent has achieved a sales conversion rate of 20% during that period.

Sales conversion rates can vary depending on the agent's sales skills, the quality of the leads, the attractiveness of the hotel's offerings, competitive pricing, and the efficacy of the booking process. Different hotels may have different target conversion rates based on their business goals and market conditions.

To increase this rate, the agent needs to sell not just the hotel, but also the destination, including the location and surroundings of the hotel. Other techniques include addressing the caller by name, asking questions about why **he** is traveling so the agent can better assist **him**, and recommending restaurants, public transportation options, and activities. If the hotel wants to increase their agents' rates, one approach is to incentivize agents with commissions and bonuses (Carreirão, 2022).

To improve the sales conversion rate per agent, it is advisable to track individual agent performance, provide sales training and support, analyze customer feedback, and continuously improve the booking process to enhance customer satisfaction and increase the likelihood of conversions.

New technologies such as chatbots, if used well, can also help hotels improve this KPI. In the article "Six Main Sales and Reservations KPIs in the Hotel Industry," Paula Carreirão (2022) estimates that combining a chatbot with the hotel's normal booking process can increase the hotel's online conversation rate by 15%.

Another KPI is **total service volume per agent**. This metric is the overall amount of work or service tasks handled by an individual agent within a given period. The total service volume per agent can vary depending on the metrics used in a hotel's operations. Generally, it involves tracking and quantifying the various service-related activities or tasks per-

formed by an agent, such as guest interactions, reservations, and bookings tasks. To calculate the total service volume per agent, count the number of completed tasks or service interactions within a timeframe such as a day, week, or month.

By monitoring the total service volume per agent, hotels can measure the team's productivity. They can also assess the workload distribution, identify potential bottlenecks or inefficiencies, allocate resources, and ensure that agents are able to handle their responsibilities while maintaining service quality and guest satisfaction.

A related KPI is **total volume of service per channel**. This number refers to the number of reservations or inquiries an individual agent handles within a given period. It represents the workload and productivity of each agent in terms of the number of tasks they are responsible for. (Carreirão, 2022).

**First response time (FRT) per agent** measures the average time it takes for an agent to respond to a new reservation inquiry or request. It measures the speed at which the agent acknowledges and initiates communication with the guest after receiving an inquiry. The FRT can be measured in various ways, depending on the communication channels used by the customer and the company. It is commonly tracked across live chat, email, or phone support. Customers appreciate timely and prompt responses to their inquiries, as this demonstrates that their concerns are important to the company. Faster FRT can lead to higher customer satisfaction and improved overall customer service quality. By prioritizing and optimizing FRT, companies can enhance customer satisfaction and build stronger customer relationships. The FRT can be improved through training (Carreirão, 2022) and by assuring that an adequate number of agents are available to respond to inquiries.

The **average response time per channel** is also vital to track the response time in different channels, to identify the hotel operational deficit. Virtual assistants can be a great resource to improve the first response time for the team. Chats enable real-time, instant communication between parties. This allows for quick responses and facilitates efficient conversations, particularly when immediate assistance or information is required. They also help to increase the chances of booking and returning (Carreirão, 2022).

Another KPI for sales and reservations teams is a **service-level agreement (SLA)**. In the context of a hotel reservations department, an SLA is a formal agreement or commitment between the reservations department and other stakeholders, such as guests, travel agents, or third-party booking platforms. The SLA outlines specific service standards, performance metrics, and expectations that the reservations department is committed to meeting. Service-level agreements establish clear expectations for maintaining service quality and managing customer relationships (Carreirão, 2022).

The **sales cycle** refers to the average time it takes for a potential guest to be converted into a confirmed reservation. It is measured in terms of the time from initial contact to final booking (Carreirão, 2022). The duration of the sales cycle will depend on the complexity of the reservation and guest requirements, the negotiation process, and the efficiency of the reservation system. The ultimate goal is to convert inquiries into confirmed reservations while providing excellent customer service (Carreirão, 2022).

The **operational efficiency rate** defines how skilled a team is at generating revenue while minimizing costs. It is calculated by dividing the number of services or operations completed by the number that generated revenue. Ideally, hotel sales and reservation teams should be focused on selling rooms and generating revenue 80% of the time (Carreirão, 2022).

Knowing the operational efficiency rate will help hotels optimize resources, streamline processes, and minimize inefficiencies to attain maximum productivity and revenue. Often these metrics inform efforts to implement efficient booking systems, organize staff schedules, leverage technology solutions, and adopt sustainable practices. The staff can regularly analyze operational data to identify areas for improvement. By continuously improving operational efficiency metrics, hotels can maintain a competitive edge in the industry.

Finally, **average ticket** is a metric for the average value or revenue generated per reservation. It represents the average amount of money spent by guests for each booking, including on various hotel services, facilities, and amenities during their visit. This number equates to the average revenue generated per guest or per stay. The average ticket value is calculated by dividing the total revenue generated by the number of guests or stays within a given period. It takes into account the room rate plus additional revenue from various sources such as food and beverage purchases, spa services, room service, laundry, parking fees, and any other chargeable services or amenities provided by the hotel (Carreirão, 2022).

## 5.2 Room Pricing Strategies

Hotels determine rates for their rooms by using room pricing strategies. In creating a strategy, the hotel must align prices with its business objectives, market conditions, and customer demands. A pricing strategy is aimed to maximize revenue, occupancy, and profitability while keeping the hotel competitive in the market. All departments of the hotel should be involved and understand the pricing strategies

Room rates should cover their operating costs and generate a profit. **Operating costs** include all expenses, including staff salaries and the costs of utilities, maintenance, and all operations.

The first step to creating a pricing strategy is to analyze the market to understand the target audience, demand, competition, and market trends. ~~As explained in Unit 1.2,~~ the target audience can be defined based on factors such as age, income, location, and reason for travel. The demand for hotel rooms in a particular market or destination can have a significant effect on pricing, as can **seasonal variations** in demand. For example, hotels in popular vacation destinations may charge higher rates during peak seasons, to capitalize on the increased demand when tourists flock to the area. Conversely, during low-demand periods, hotels may offer discounted rates to attract more guests. Special events, such as a large conference or sporting event in the area, may result in higher demand and allow hotels to increase prices temporarily (eZee Editorial Team, 2022). Some countries have regulations that restrict price increases. **Economic factors** such as inflation can also



impact a pricing strategy. Once this external data is analyzed, it can be used to define the hotel's value proposition: a summary of how this hotel is differentiated from the competition.

The last step is to formulate a pricing strategy. The following are some of the common room pricing strategies. While each strategy has a different area of focus, some may have overlap and a certain amount of combinability (for example, dynamic pricing may be used in an occupancy-based pricing strategy).

An **occupancy-based pricing strategy** allows hotels to optimize revenue by aligning room rates with the supply and demand dynamics of the market. By offering lower rates during periods of low occupancy, hotels can attract guests who might be price sensitive. Similarly, increasing rates during periods of high occupancy helps maximize revenue from guests willing to pay a premium for a limited number of available rooms.

This strategy requires continuous monitoring of occupancy levels, market conditions, and competitor rates, especially at those hotels with a similar target market, location, and booking window. Hotels must forecast demand and adjust their room rates accordingly, perhaps creating rate categories based on occupancy thresholds. They perform dynamic rate adjustments when occupancy fluctuates and adjust rates based on lead time before arrival date.

Revenue management systems are vital in an occupancy-based pricing strategy. These systems help hotels analyze data, monitor demand, and calculate optimal rates so that hotel management can make data-driven decisions to increase revenue and occupancy.

In **forecast-based pricing**, room rates are determined based on estimates of future demand and market conditions. This revenue management strategy involves analyzing historical data, market trends, and demand patterns to predict future demand and adjust pricing accordingly. The demand forecast is determined through revenue management techniques and algorithms that factor in market conditions, competition, and strategic periods such as holidays, events, and local festivals. In this strategy, hotels make dynamic adjustments when the pace of bookings increases.

**Market-competition-based pricing** strives to attract customers by setting prices based on the competitive environment in which the hotel operates. This model acknowledges the interaction among hotels within a market or destination, as they compete to attract guests and maximize their revenue.

Pricing directly influences a hotel's ability to position themselves in the market and attract customers. To have competitive pricing, management must be aware of the pricing of their competitors and the perceived value customers have of the service at those hotels and their own. Quality, reputation, unique offerings, and customer experience determine the prices charged. Within this strategy, hotels can use dynamic pricing to adjust their rates based on real-time demand and market conditions, as well as promotions and packages to attract customers and create a competitive advantage. They can also create a presence with online travel agencies such as Expedia, Booking.com, and Airbnb.

**Segment-based pricing** involves charging different prices to different customer segments, based on factors such as demographics, behavior, preferences, or purchasing power (eZee Editorial Team, 2022). This strategy recognizes that different customers have varying needs, expectations, and price sensitivities, allowing the hotel's management to tailor pricing to maximize revenue and profitability.

Creating a segment-based pricing strategy firstly requires market segmentation to identify and understand the different target customers. Next, management determines appropriate pricing variations for each segment. It is crucial to understand the price sensitivity or elasticity of demand for each segment. Management should create a value proposition that aligns the pricing strategy, seasonality, and demand patterns. To inform this proposition, they might perform a competitive analysis targeting the same segments, as well as a technology and data analysis.

**Dynamic pricing** involves adjusting room rates based on real-time market conditions, fluctuations in demand, and other relevant factors. In the hotel industry, key aspects of a dynamic pricing strategy include real-time demand monitoring, demand forecasting, price adjustments based on demand, yield management (which involves optimizing revenue through inventory and pricing management), personalized pricing based on individual customer segments or bookings channels, analysis to ensure that rates remain competitive, and technology to collect and analyze data, monitor market conditions, and automate pricing decisions.

**Length-of-stay-based pricing** involves setting different rates and incentives based on the duration of a guest's stay. This strategy aims to encourage longer stays by offering more favorable pricing for guests who stay for extended periods. Key aspects of length-of-stay-based pricing include tiered pricing structures where the room rate decreases as the length of stay increases, restrictions around minimum and maximum lengths of stays during high demand periods, package deals to encourage longer stays, seasonal and demand-based variations, assessments of the potential opportunity cost of accommodating shorter-stay guests at higher rates, and, finally, communications, marketing, and loyalty programs to integrate repeat guests.

**Guest-type-based pricing** is a type of segment-based pricing. It sets different pricing structures based on the type of guest, such as individual travelers, corporate clients, groups, or other specific customer segments. This strategy recognizes the varying needs, behaviors, and price sensitivity of different guest types and tailors pricing to optimize revenue and attract specific target markets.

Key aspects of a guest type-based pricing strategy include discounted corporate rates; discounted or negotiated rates for group bookings; government or military rates; packages, promotions, or seasonal rates for leisure travelers including families, couples, and individual tourists; loyalty programs; pricing for online travel agencies and online channels (accounting for the commission or fees associates with these channels); and variation based on season and demand (for example, discounts for leisure travelers during off-peak seasons).

A **cancellation policy-based pricing strategy** involves setting rates based on varying levels of restrictions for cancellations or changes to bookings. This strategy recognizes that guests have varying needs for flexibility and aims to provide different pricing options based on the level of cancellation flexibility offered. Possible options include “flexible” rates that allow guests to cancel or modify their reservations without incurring any fees or penalties; non-refundable rates, typically offered at a discounted price compared to flexible rates; partially refundable rates; special cancellation policies for group bookings; and stricter cancellation policies during seasons of high demand to ensure that the hotel can manage its inventory. For example, a hotel can offer a discount or lower rate for long stays with a no-refund policy in the case of cancellation. They could also use this policy during peak season (eZee Editorial Team, 2022).

An **upselling-based pricing strategy** involves offering additional products, services, or room upgrades to guests at a higher price point than their original booking. Goals are to provide additional comfort and value to guests during their stay, while increasing revenue. Upselling can include upgrades to a higher category room or a room with better views or additional amenities such as minibar packages, welcome baskets, or turndown services; room rates that include access to spa facilities, personalized concierge services, in-room dining, or premium wi-fi access; packages and bundles (for example, a room upgrade, breakfast, a spa treatment, and airport transfer); and rates that include ancillary services such as early check-in, late checkout, or luggage storage. Upselling offers can be personalized and recommended based on guest preferences and past behavior.

In **cross-selling-based pricing**, the hotel offers additional products or services that complement the guest’s original purchase. This strategy encourages guests to purchase related offerings during their stay, with the aims of improving their experience and increasing revenue. A cross-selling-based pricing strategy can involve spa and wellness services such as spa treatments, massages, facials, or wellness programs; dining and culinary experiences; recreational and leisure activities; room amenities; transportation and concierge services; souvenirs and merchandise; partner collaborations; and loyalty program benefits.

**Loyalty pricing** offers discounted rates, exclusive benefits, or special promotions to guests who are members of the hotel’s loyalty program. This strategy rewards and incentivizes repeat bookings and fosters long-term relationships with valued guests. Loyalty pricing strategies might include tiered loyalty levels with different membership levels (silver, gold, or platinum), exclusive member rates, points that members accumulate and redeem based on their stay or spending activity, package deals and promotion, personalized offers, pre-sale or early access to special promotions, and partnerships and cross-benefits with airlines, car rentals companies, or restaurants.

A **last-minute pricing strategy** adjusts rates and offers special discounts or promotions to attract bookings from guests seeking accommodation on short notice. This strategy aims to fill unsold rooms during periods of low demand. Characteristics of last-minute pricing include dynamic pricing, flash sales, limited-time offers, exclusive mobile deals, secret deals or member-only rates, bundled packages, targeted online advertising to reach potential last-minute bookers, and flexible cancellation policies.



## **SUMMARY**

A successful hotel reservations department must have efficient and effective processes. It must also equip employees with the necessary tools, technology, and training to handle reservations in a timely and professional manner.

The reservations department plays a crucial part in sales. By managing room inventory, providing excellent customer service, and identifying opportunities to upsell and cross-sell, the department can help maximize revenue.

The reservations department works closely with the hotel's sales and marketing teams to align strategies and promotional activities. It gathers valuable insights about customer preferences, booking patterns, and market trends, contributing to the development of targeted sales and marketing campaigns.

Room pricing is a critical factor in the profitability of any hotel. Pricing strategies can help hotels earn additional revenue, attract new customers, and build brand loyalty. Fruitful room pricing strategies are informed by a thorough understanding of market trends, guest behavior, and revenue management techniques.

# UNIT 6

## YIELD MANAGEMENT

### STUDY GOALS

On completion of this unit, you will be able to ...

- define yield management
- identify the main key performance indicators in yield management
- understand the applications of yield management in the rooms division

## 6. YIELD MANAGEMENT

### Case study

One of Peter's main responsibilities as rooms division manager is to improve the profitability of the departments under his watch; in particular, the front office and reservations departments. He can do this through yield management. In the classic definition, the goal of yield management is to increase net yield (or "revenue") by selling each guest the room that will satisfy their needs, at the right price and through the right channel of distribution (Donaghy et al., 1995).

Peter will analyze demand and occupancy patterns to determine optimal pricing and availability strategies. Especially as he starts to implement yield management techniques, he will meet regularly with the hotel's revenue manager. Each week, they will look over the hotel's historical data and market trends. They'll then decide what rates to apply in the front desk and the reservations departments for the next weeks or even months. Thankfully there are formulas they can use to quantify the hotel's performance and inform the prices they set.

### 6.1 The Conceptual Foundations of Yield Management

Yield management is a crucial dynamic pricing strategy used by hotels. Its strategic approach is to optimize revenue by dynamically adjusting prices and inventory to meet demand fluctuations. It involves analyzing market trends, customer behaviors, and historical data to make informed decisions on pricing, availability, and distribution.

Yield management is primarily applied in industries with perishable inventory, such as hotels, airlines, car rental companies, and cruise lines. **Perishable inventory** refers to products or services that have a limited shelf life or fixed capacity. In the hotel industry, the inventory is hotel rooms, and in the airline industry it is airline seats. In both fields, once the check-in time or departure date passes, unsold inventory is lost forever. But through sophisticated pricing algorithms and optimization techniques, businesses can set prices that fluctuate to match the demand of the moment and thus maximize their number of sales and the revenue gained in those sales.

Yield management techniques recognize that **demand is variable**. Customer demand for perishable inventory varies over time and is influenced by seasonality, day of the week, holidays, events, and market conditions.

Yield management also recognizes that customers have different levels of willingness to pay for a product or service based on factors such as urgency, budget, preferences, and competition. Such responsiveness of customer demand to changes in price is called **price**

**elasticity.** To determine prices appropriate to each customer, yield management relies on **customer segmentation** based on their characteristics, needs, and willingness to pay. By understanding their customer segments, businesses can develop pricing strategies tailored to each.

To reach these customer segments, a hotel's inventory is allocated across various **distribution channels**. These include direct bookings, online travel agencies (OTAs), and global distribution systems. Managing the allocation of inventory across these different channels and customer segments is called **inventory control**. This type of channel management aims to balance distribution costs, market reach, and the potential for capturing high-value customers (Lacalle, 2021, August 5).

Using awareness of these concepts, a hotel can sell the right product or service to the right customer at the right time and at the right price to maximize profitability. Yield management techniques focus on **dynamically adjusting prices and managing inventory** availability to ensure that the highest-value customers are captured while avoiding overbooking or excessive discounting (Lacalle, 2021).

### Formulas for Yield Management

In their yield management strategies, hotel managers and revenue professionals rely on a specific set of formulas and metrics. The following are a few of the most useful.

Occupancy percentage is computed daily and is used to measure the utilization of available rooms. It provides valuable insights into how efficiently a hotel is managing its capacity (Bardi, 2010).

$$\frac{\text{Rooms sold}}{\text{Total number of rooms}}$$

Average daily rate (ADR) represents the average revenue generated per available room over a specific period, usually calculated daily (Bardi, 2010).

$$\frac{\text{Total revenue from occupied rooms}}{\text{Number of occupied rooms}}$$

Occupancy percentage and ADR computations are essential to yield management because they challenge hoteliers to increase their occupancy and room rates.

Revenue per available room (RevPAR) takes into account both occupancy percentage and ADR. It helps hoteliers evaluate how well they are utilizing their available rooms to generate revenue (Bardi, 2010).

$$\text{ADR} \times \text{Occupancy (\%)}$$

A second method for calculating RevPAR is to divide the total room revenue by the number of rooms available in the period.

$$\frac{\text{Total room revenue}}{\text{Number of available rooms}}$$

**The yield management formula** compares the revenue obtained with the potential revenue that would result from the sale of all available rooms at their maximum price. The closer the hotel gets to 100%, the closer it will be to maximum yield (Bardi, 2010).

$$\frac{\text{Total room revenue}}{\text{Potential revenue}}$$

### Additional Figures for Managing Yield

To make a specific strategy for a hotel, managers need to take into account a few additional figures and numbers.

The number of rooms within a hotel that are assigned or pre-negotiated by a distribution channel is called **allocation**. **One example of how a hotel allocates its rooms is when it has an agreement with a tour operator to package and sell its rooms to the consumer. The hotel is obliged to pre-assign its rooms to these tour operators based on the contractual agreement.**

A key element for managing a hotel's income is the booking curve, also called **booking pace**. The booking pace measures the rate at which guests make reservations for a specific date. It is represented as a curve on a graph that charts rooms sold and the number of days in advance.

A related concept, the **booking window**, is the period between the date the guest makes a reservation and the date the guest arrives. This figure provides an idea of how much anticipation the hotel can expect from guests during different seasons. Having a clear picture of how anticipation varies between low seasons and high, or on specific days of the year, will help the hotel managers strategize about when it is important to sell additional rooms and how to price them based on demand.

Through these concepts, managers will be able to apply specific promotions and strategies to attract bookings made in advance, or **early bookings**. If a guest has booked at low rates or with special offers, the hotel might choose to instate a **maximum length of stay (MaxLOS)** to limit the guest's stay and free the room later for higher paying guests. A **minimum length of stay (MLOS)** may be useful to instate during peak periods when demand is high.

Yield management must also carefully manage **overbookings**, or the decision to sell more rooms than the hotel has. The goal of overbooking is to fill the hotel 100%, with the standard cancellations, no-shows, and non-guaranteed reservations that the establishment has. Based on the hotel's history in each of these categories, the revenue manager calculates how many overbookings is safe to make in order to optimize occupancy.



## 6.2 The Application of Yield Management

The application of yield management is widespread in various industries, including hospitality, airlines, car rental, cruise lines, and entertainment venues.

Yield management is extensively used in the hotel industry to maximize revenue from room inventory. **Hotels** employ various tactics such as dynamic pricing, length-of-stay restrictions, and overbooking to optimize occupancy rates and room rates. By analyzing historical data, booking patterns, and market conditions, hotels adjust prices and availability in real-time to capture the highest possible revenue from different customer segments.

**Airlines** apply yield management to optimize revenue from seat inventory. They employ sophisticated pricing models that consider factors such as booking time, day of the week, seasonality, and demand fluctuations. Airlines use techniques like fare classes, advance purchase requirements, and overbooking to maximize revenue while ensuring optimal seat utilization.

**Car rental** companies utilize yield management to optimize revenue from their fleet of rental vehicles. They consider factors like rental duration, pick-up and drop-off locations, and demand patterns to adjust pricing. By analyzing historical data and booking trends, car rental companies dynamically set prices to capture the most value from each rental transaction.

Yield management is applied by **cruise lines** to optimize revenue from cabin inventory. Cruise lines consider factors such as sailing date, cabin category, and itinerary popularity to adjust pricing. They employ tactics like early booking discounts, last-minute deals, and cabin upgrades to incentivize bookings and maximize revenue from their cruise ships.

Yield management is also used in the **entertainment industry**, particularly for ticket pricing and allocation. Venues for concerts, sports events, and theaters employ dynamic pricing strategies based on demand patterns, seat location, and event popularity. By adjusting ticket prices based on anticipated demand and market conditions, venues can optimize revenue while ensuring maximum attendance.

In addition to these industries, yield management concepts and techniques are also applied in other sectors with perishable inventory and demand variability, such as car parking facilities, golf courses, and even in the retail industry for limited-time promotions or clearance sales.

The successful application of yield management requires robust data analysis, accurate demand forecasting, pricing optimization, and inventory control. By implementing these strategies, a hotel can achieve higher revenue, improved profitability, and better resource utilization, ultimately leading to enhanced customer satisfaction.

### Example Situation

Last night, a hotel sold 240 rooms out of 300, with the following breakdown:

85 rooms at €98

65 rooms at €90

90 rooms at €75

To find the yield, or the revenue generated by these sales, we make the following calculations:

$$85 \times €98 = €8,330$$

$$65 \times €90 = €5,850$$

$$90 \times €75 = €6,750$$

$$\text{TOTAL} = €20,930$$

(Bardi, 2007, p. 175).



#### **SUMMARY**

Yield management is widely used in the travel industry to maximize revenue and profits. It is used by hotels, airlines, car rental companies, and other businesses that have limited inventory or capacity. Through a combination of accurate demand forecasting, dynamic pricing, segmentation, and inventory control, yield management enables businesses to make data-driven decisions and extract the maximum value from their limited resources.

# UNIT 7

## KEY PERFORMANCE INDICATORS

### STUDY GOALS

On completion of this unit, you will be able to ...

- define and apply the key performance indicators in rooms division management
- identify the benefits key performance indicators can offer in the hotel industry
- evaluate how a hotel's key performance indicators can be improved

## 7. KEY PERFORMANCE INDICATORS

### Case study

Peter has reviewed the processes in a few of the departments in the rooms division, but something is missing. He still needs to analyze and understand the hotel's global situation, as well as the more granular situation in each department. He can do this using KPIs, or key performance indicators.

The hotel's KPIs will help him make targeted decisions based on ratios and results. These metrics measure performance and provide a clear view of what is happening in the business.

To get an idea of the hotel's financial performance, Peter wants to analyze and then monitor the metrics related to sales, revenue, and occupancy. He will start with the **occupancy rate**, which provides insights into the hotel's popularity, demand, and revenue potential. The **average daily rate (ADR)**, or average revenue earned per occupied room, will help him track the performance of the reservations team. With the **average rate index**, he will complete his overview of the hotel's room rates. Here he will compare his hotel's ADR with the ADR of four similar hotels in his region. Each month, these five hotels exchange their last month's ADR and occupancy, as well as their forecasts for the next two months. This helps management at each hotel understand their context and the trends in the local market.

Peter also collects monthly KPIs from all departments in his hotel. The operations department shares its **cost per occupied room** and **gross operating profit per available room**. The revenue manager shares the **net revenue per available room** and **revenue per occupied room**, which will help Peter understand how much profit the hotel is making from the actual guests staying at the property.

Peter also collects the **net revenue per available room**, which calculates the revenue from each room minus distribution costs, and the **total revenue per available room**, which takes into account the money generated from all services: food and beverage services, meeting rooms, and other extra services in addition to the room sales.

Finally, Peter remembers to examine the **online reviews rate**, which provides insights into the quality of the service the hotel is providing to the final guest. This metric also indicates where the guest experience can be improved.

Once he has analyzed the KPIs, Peter will be able to make his own conclusions based on hard numbers (Berot, 2023). These will help him determine his next goals.

## 7.1 Benefits of Key Performance Indicators for the Hospitality Industry

Key performance indicators play a crucial role in the hospitality industry. They provide measurable metrics that help the staff assess performance, monitor progress, and drive improvement.

**Performance evaluation** is one of the main benefits. The KPIs enable hospitality businesses to evaluate their performance objectively. By tracking key metrics, businesses can assess their success in attracting guests, generating revenue, and delivering quality services.

Key performance indicators help the departments within a hospitality organization set **clear goals and align their efforts**. By establishing targets for each KPI, such as increasing occupancy rates or improving customer ratings by a certain percentage, employees can work toward common objectives and contribute to the overall success of the organization.

Key performance indicators provide **actionable insights** that aid in informed decision-making. Hospitality managers can identify trends, patterns, and areas of improvement through data analysis. For example, if a hotel's KPIs show a decline in customer satisfaction scores, management can investigate the cause and take necessary steps to address the issues.

**Operational efficiency** can be achieved by identifying operational inefficiencies and bottlenecks. By tracking metrics such as average check-in time, service response time, or staff productivity, hospitality businesses can identify areas where they can streamline their processes and reduce operational costs.

Through the right KPIs, hospitality managers can also understand the hotel's **competitive advantage**, benchmarking against industry standards and competitors. By comparing performance metrics with other similar businesses, hospitality organizations can gain insights into their relative position in the market and identify areas where they excel or lag.

In addition, KPIs provide a basis for evaluating **individual and team performance** within the hospitality industry. By aligning employee goals with relevant KPIs, managers can track performance, provide feedback, and recognize high-performing individuals or teams. This promotes accountability, motivation, and continuous improvement among staff members.

Finally, the KPIs related to the **guest experience**, measuring guest satisfaction, loyalty, and feedback, play a vital role in improving the overall guest experience. By monitoring and analyzing the **net promoter score (NPS)**, customer reviews, and repeat bookings, hospitality businesses can identify areas for improvement and implement targeted strategies to gain guest loyalty.

### Net promoter score (NPS)

A customer loyalty metric used to measure customers' willingness to recommend a service or product.

$$NPS = \% \text{ of Promoters} - \% \text{ of Detractors}$$

## Formulas for Common Key Performance Indicators

The following are some of the common KPIs used in the hotel industry:

**Occupancy percentage** is directly related to the reservations and front desk departments (Berot, 2023). This KPI measures how many of the hotel's rooms are occupied daily.

$$\frac{\text{Number of rooms sold}}{\text{Total number of rooms}} = 100$$

**Average daily rate (ADR)** measures the average rate per occupied room, which tracks the performance of the reservations team.

$$\frac{\text{Revenue from rooms sold}}{\text{Number of rooms sold}} \quad (7.1)$$

**Average rate index** compares one hotel's ADR with the ADR of similar hotels in the region. This metric helps management understand the hotel's context and the trends in the local market, and adjust their rates accordingly.

$$\frac{\text{Hotels average daily rate}}{\text{Competitive sets average daily rate}} \times 100$$

**Cost per occupied room** monitors the average cost per occupied room. This number can be used to analyze whether the operating cost for any given room is reasonable (Berot, 2023).

$$\frac{\text{Total rooms departments costs}}{\text{Rooms sold}}$$

**Revenue per available room (RevPAR)** measures the average revenue brought in by the hotel's rooms during a certain period. It can be calculated in two ways:

$$\frac{\text{Total room revenue}}{\text{Total number of rooms}}$$

or

$$ADR \times \text{Occupancy } (\%)$$

**Gross operating profit per available room (GOPPAR)** considers both revenue and operating expenses to provide a more comprehensive measure of profitability, and of the hotel's performance, than RevPAR. Operating expenses typically include costs such as staff wages, utilities, maintenance, marketing expenses, and other operational costs (Berot, 2023). The top part of the equation, gross operating profit, is calculated by subtracting total expenses from total revenue.

$$\frac{\text{Gross operating profit}}{\text{Total number of rooms}}$$

**Net revenue per available room (NRevPAR)** monitors booking revenue, deducting distribution costs and commissions (Berot, 2023).

$$\frac{\text{Room revenue} - \text{Distribution costs}}{\text{Total number of rooms}}$$

**Revenue per occupied room (RevPOR)** measures the profit a hotel makes from its guests, broken down by the number of rooms sold. This number takes into account guest expenditures throughout the hotel, and not just on rooms.

$$\frac{\text{Total revenue}}{\text{Total rooms sold}}$$

**Total revenue per available room (TrevPAR)** is a benchmarking tool for all-inclusive hotels and resorts. It calculates total revenue generated per available room. This number helps to analyze all revenue generated over all departments (food and beverage, spas, etc.).

$$\frac{\text{Total revenue}}{\text{Total number of rooms}}$$

**Online reviews** are an important gauge of the customer experience: the ratings system can make or break a hotel's business. Companies must respond to negative online reviews accordingly and in a timely fashion, making active attempts to put things right.

Source: Berot, 2023.

## Strategies to Increase Core Metrics

The rooms division manager can use several different strategies to improve a hotel's KPIs.

Improving **occupancy** requires attracting more guests to fill more rooms. There are several possible strategies that management could pursue to accomplish this. One is to **increase online presence** through developing an engaging and user-friendly website that showcases attractive visuals and the hotel's unique features and amenities. The website should be optimized for search engines and sharing engaging content. Another strategy would be to **run targeted marketing campaigns** based on the hotel's target segments. For example, the hotel can reach out to past guests with personalized offers or information about loyalty programs or upcoming events that could interest them. In addition, it is crucial to **set competitive pricing**. The hotel can design packages, special promotions, and discounts for specific periods or target groups.

Table 31: Online Marketing Campaigns

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Online marketing campaigns

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<p><b>E-mail with a special offer, room upgrade or package</b> This email should be sent to the guests that already stayed in the hotel to attract his return.</p>	<p><b>Contact OTA market manager to participate in a promotion</b> These type of campaigns help the hotel to increase the visibility in the OTAs.</p>	<p><b>Special offer through a cost-per-click campaign</b> The hotel should have an external or internal profile to build the correct campaign.</p>
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Source: Espinar, based on Blanes (2022).

Improving **ADR** involves increasing the revenue earned per occupied room. It is critical to **analyze the target market segment** and **identify their willingness to pay** for different room types, services, and amenities. Revenue can also be increased by training the staff in **upselling and cross-selling** strategies.

**Table 32: Improving ADR**

<p><b>Charge a premium for the best rooms...</b> ...e.g., bigger in size, with a better view, etc.</p>	<p><b>Offer packages with other services...</b> ...e.g., breakfast, complimentary bottle of wine, or any local activity</p>	<p><b>Offer guests the opportunity to upgrade to a higher category room at a special price</b></p>
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Source: Author, based on Blanes (2022).

**RevPAR** involves increasing both occupancy rates and ADR. This can be done through a robust revenue management system, which can use **data analytics, market insights, and demand forecasting** to optimize pricing and inventory allocation. It can also adjust room rates dynamically based on market conditions, demand fluctuations, and competitor rates. Improving

**Table 33: Improving RevPAR**

<p><b>Dynamic Pricing...</b> ...to increase rates during high demand and reducing them during low demand</p>	<p><b>Monitoring the competitor set...</b> ...to elaborate a rate plan strategy</p>	<p><b>Usage of stay restrictions...</b> ...e.g., “closed to arrival” for busy nights or “minimum stay” to boost occupancy during events</p>
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Source: Author, based on Blanes (2022).

 **SUMMARY**

Key performance indicators provide numerous benefits to the hospitality industry. They facilitate performance evaluation, goal setting, informed decision-making, operational efficiency, competitive analysis, and employee performance management. By leveraging KPIs, hospitality businesses can drive growth, profitability, and customer satisfaction.



The KPIs create quantitative ways to monitor and optimize revenue management and marketing efforts. Efforts to drive them up can be informed by a hotel's market segmentation, pricing strategies, and yield management to create a robust approach to increasing a hotel's performance.

# UNIT 8

## HOUSEKEEPING ORGANIZATION AND PLANNING

### STUDY GOALS

On completion of this unit, you will be able to ...

- understand the organizational chart of the housekeeping department
- identify the main tasks of the housekeeping department and relevant key performance indicators
- define the main functions of the executive housekeeper
- understand the main challenges of the housekeeping department

## 8. HOUSEKEEPING ORGANIZATION AND PLANNING

### ~~Introduction/~~Case study

Excellent housekeeping is crucial for guest satisfaction. And as Peter learned, effective housekeeping operations depend on organization and planning.

As he reviews the housekeeping department, the first thing Peter needs to understand is the line of communication within the department, since in each hotel, housekeeping's structure and job titles vary depending on the hotel's size, complexity, and special requirements. After he gets the general lay of the land, then he can analyze each profile and their tasks.

With its 354 rooms, the Hilton Stockholm is a rather large hotel with an elaborate housekeeping structure. The department head is an **executive housekeeper** who oversees the entire housekeeping department. The executive housekeeper is responsible for staffing, budgeting, training, and overall department performance.

Assisting the executive housekeeper in managing department operations, there is the **assistant executive housekeeper**. This person coordinates schedules, handles guest complaints, and ensures quality standards are met (O'Fallon and Rutherford, 2007).

Several **housekeeping supervisors** report to the assistant executive housekeeper. They each supervise a team of housekeeping staff, assign tasks, monitor cleanliness, and ensure efficient workflow.

The **floor housekeepers**, or **floor inspectors**, are responsible for supervising the cleanliness and maintenance of specific floors or sections. They inspect guest rooms, public areas, and ensure adherence to cleanliness standards.

Under them are **room attendants**, also known as **housekeeping attendants**. Their main functions are to clean and prepare guest rooms according to established procedures. They also handle laundry, replenish amenities, and report maintenance issues (O'Fallon and Rutherford, 2007).

A separate set of **public area cleaners** have been designated to clean and maintain the public areas. They clean and maintain the lobbies, corridors, restaurants, and other shared spaces. They are managed by the **public area supervisor**.

The **laundry supervisor** has a team of **linen (or laundry) attendants**, who manage the hotel's linen and laundry operations. They collect used linens from the housekeeping attendants and sort, wash, fold, and deliver linens to various departments. They also distribute uniforms to hotel staff and handle uniform inventory, laundering, and repairs (O'Fallon and Rutherford, 2007).

Peter next wants to examine all the procedures in place in the department. He turns to the **standard operating procedures (SOPs)** that the department uses. The SOPs will contain all the information related to the tasks for each job title, as well as step-by-step instructions for each routine housekeeping task. These instructions should establish **clear objectives** for room cleaning, linen management, public area maintenance, inventory control, waste management, equipment maintenance, and compliance with safety and regulatory standards. Standard operating procedures serve as a reference for training new staff members, but also ensure consistency in operations (O’Fallon and Rutherford, 2007).

**Standard operating procedures (SOPs)**  
A set of guidelines and instructions that define how various tasks and processes should be performed to ensure consistency, efficiency, and quality.

**Table 34: Housekeeping Organizational Chart**

EXECUTIVE - HOUSEKEEPING		
Assistant Executive Housekeeper		
Floor Supervisor	Public Area Supervisor	Laundry Supervisor
Room Attendants	Public Area Attendants	Laundry Attendants

Source: Espinar, based on Bardi (2010, p. 413).

## 8.1 Housekeeping Basics

The responsibilities of the housekeeping department revolve around ensuring the cleanliness, orderliness, aesthetics, and maintenance of the hotel’s guest rooms, public areas, and facilities.

At a minimum, housekeeping staff make beds, replenish amenities, **ensure a clean and comfortable environment for guests**, report maintenance issues, and coordinate repairs with the maintenance department. Housekeeping might provide additional services such as turndown service or meeting guests’ special requests (Benhadda et al., 2017).

The team **cleans and maintains public areas** such as lobbies, corridors, elevators, restaurants, lounges, and public restrooms. Tasks include regularly vacuuming, dusting, mopping, and sanitizing public spaces, as well as cleaning and stocking public restrooms with necessary supplies. It is important to monitor and report any damage, spills, or maintenance issues in these areas.

**Laundry and linen management** is another basic function. The main tasks are collecting, sorting, washing, drying, folding, and delivering linens, towels, and other fabrics used throughout the hotel. Housekeeping also maintains an inventory of linens and monitors their condition, placing orders and coordinating with outside laundry services if required. Finally, within this same department, housekeeping distributes, cleans, and maintains the uniforms for hotel staff (Benhadda et al., 2017).

Housekeeping also **maintains an inventory of supplies** such as cleaning agents, amenities, and guest supplies. They monitor stock levels, place orders, receive deliveries, and ensure proper storage, organization, and safe handling of chemicals and other supplies.

They implement cost control measures to minimize waste and maximize efficiency. Systems are put in place for tracking inventory levels, reordering items, and ensuring timely deliveries. A well-managed inventory prevents shortages, avoids waste, and supports smooth housekeeping operations (Benhadda et al., 2017).

The department identifies the **equipment and maintenance tools** necessary for housekeeping tasks. Equipment might include vacuum cleaners, mops, and dusters. The department develops a preventive maintenance plan to regularly inspect, service, and repair equipment. Well-maintained equipment enhances efficiency, prolongs their lifespan, and minimizes disruptions due to breakdowns.

Regular **quality control and inspections** are implemented to maintain cleanliness standards. Designated members of the housekeeping team conduct periodic audits to assess adherence to the SOPs, identify areas for improvement, and recognize exemplary performance. Feedback from these inspections helps management identify training needs and enhance overall service quality (Benhadda et al., 2017).

The department's performance is directly correlated to **ongoing training and appropriate staff management**. The department trains and orients new housekeeping staff. In addition, all staff should receive regular training sessions on cleaning procedures, safety protocols, and quality standards.

Service and quality can be ensured by **determining the optimal number of housekeeping staff**. Proper staffing and scheduling help ensure that housekeeping tasks are completed efficiently and on time (Benhadda et al., 2017). Determinants of the number of the staff include the facility's size, occupancy rates, and service levels. In creating a staffing plan, management takes into account workload distribution, shift scheduling, and leave. They must also manage performance evaluations in a way that promotes a positive work environment (Benhadda et al., 2017).

The heads of the department should establish effective **communication channels** between housekeeping staff, supervisors, other departments, and guests. Regular team meetings, briefings, and digital communication tools can facilitate communication within the team. Housekeeping also coordinates with guests, so they can address guests' requests and concerns. Staff promptly reports issues or incidents to the management or relevant departments (Benhadda et al., 2017).

### **Protocols in Hotel Housekeeping**

Having a good team and the best tools and cleaning products are two components an efficient housekeeping department (Benhadda et al., 2017). Another is having systematic processes. Protocols are key to the department's success in terms of efficiency and quality. A systematic cleaning process for each room, for example, will promote thoroughness and efficiency, as well as cleanliness, hygiene, and guest satisfaction (Rubbermaid Commercial Products, 2023).

Protocols need to be tailored to the hotel and required standards. The executive housekeeper sees to it that appropriate protocols are in place.

Two important protocols are a lost and found procedure and a cleaning checklist. The **lost and found procedure** covers steps for managing and maintaining accurate records of the items lost and found in the hotel. It also describes how to log, store, and return lost items to guests as per hotel policies.

The **cleaning checklist** is a comprehensive list of tasks that housekeeping staff carry out in each room and the common areas. The checklist serves as a guide for the cleaning staff, reminding them to cover all necessary areas, be consistent in their cleaning procedures, and meet the highest standards (Benhadda et al., 2017).



## **DIGRESSION**

### **Steps in Room Cleaning**

Each day, housekeeping cleans each guest room according to the hotel's standards of cleanliness. The challenge is to do this within a tight time frame. The following is an example procedure for cleaning a guest room.

#### **Step 1: Gather supplies.**

Collect the necessary supplies and equipment, including cleaning solutions, microfiber cloths, a mop, a vacuum cleaner, trash bags, toiletries, and fresh linens.

#### **Step 2: Prepare the room.**

Before entering the room, knock on the door and announce your presence. If the room is vacant, ensure that it is safe to enter.

#### **Step 3: Open the windows and curtains.**

Allow fresh air and natural light into the room by opening the curtains and windows.

#### **Step 4: Remove trash and dirty linens.**

Empty the waste bins and replace the liners. Depending on the hotel policies and guest requests, the sheets should be changed every two to three days. This frequency can vary based on several factors, including hotel policies, guest preferences, industry standards, and environmental considerations. If it is time to change the sheets, strip the beds and gather all dirty towels, sheets, and pillowcases for laundering.

#### **Step 5: Dust and wipe surfaces.**

Dust and wipe down all surfaces, including furniture, countertops, shelves, and fixtures. Use a microfiber cloth or appropriate cleaning solution to remove dust, stains, and fingerprints.

**Step 6: Clean the bathroom.**

Focus on the bathroom area next. Clean the toilet, sink, and shower using appropriate cleaning products. Wipe down mirrors, countertops, and any other surfaces. Restock toiletries and ensure the towels are clean and neatly arranged.

**Step 7: Make the beds.**

Strip the bed of used linens and replace them with clean sheets, pillowcases, and duvet covers. Smooth out any wrinkles and fluff the pillows. Ensure the bed is made neatly and appealingly.

**Step 8: Clean the floors.**

Vacuum the carpeted areas thoroughly, paying attention to corners and edges. If the room has hard floors, sweep them first, then mop using a suitable cleaning solution.

**Step 9: Check and replenish amenities.**

Inspect and restock all amenities, such as coffee and tea supplies, toiletries, and other guest essentials. Ensure that everything is in order and presented neatly.

**Step 10: Perform the final inspection.**

Before leaving the room, conduct a final inspection to ensure cleanliness, proper functioning of amenities, and the overall appeal of the space.

**Step 11: Close windows and curtains.**

Once the room cleaning is complete, close the windows and curtains, ensuring privacy and security for the guest.

**Step 12: Report maintenance issues.**

If you noticed any maintenance issues or damage while cleaning, report them promptly to the appropriate department for resolution.

## Key Performance Indicators in Housekeeping

Unit 7 described key performance indicators (KPIs) relevant to overall rooms division management, but there are additional KPIs specific to measuring productivity in the housekeeping department.

The most important KPI in housekeeping is the **average room cleaning time**, a measurement of the average time it takes the staff to clean a room. This measurement helps evaluate the efficiency of housekeeping operations and identify areas for improvement. In general, the average time a housekeeping worker spends in each room is 20 to 30 minutes. Within that time, the worker will also have to restock the cart and travel between floors (Benhadda et al., 2017).

The average number of rooms a housekeeping attendant can clean in a day will vary. Generally, an attendant can clean between 13 to 20 rooms per day, but this number can be higher or lower based on the specific circumstances: room size, tasks involved, the hotel's standards, the experience and efficiency of the team, and additional responsibilities (for example, if the team has to restock supplies, respond to guest requests, or assist with other tasks). For example, an attendant can clean 18 to 20 rooms if guests are transient guests on business, rather than families on vacation, since transient guests leave their rooms early each day (O'Fallon and Rutherford, 2007).

**Room attendant productivity** is another KPI that assesses the productivity of individual room attendants. It measures the number of rooms cleaned per shift or per day. This metric helps with optimizing staffing levels and workload distribution.

Room inspections assess the housekeeping team's attention to detail and adherence to cleanliness standards. The relevant KPI is the **room inspection score**, which measures room quality and cleanliness.

The department should be aware of the hotel's **guest satisfaction scores**. These scores are obtained through guest feedback surveys or online reviews. They reflect guests' level of satisfaction with the cleanliness and maintenance of the hotel's rooms, providing valuable insights into the overall performance of the housekeeping department (O'Fallon and Rutherford, 2007).

Another KPI tracks the number of **lost or misplaced items** guests report and the housekeeping team's success rate in retrieving and returning these items promptly. This figure can be used to assess the effectiveness of the lost and found procedure.

The **housekeeping budget variance** compares actual housekeeping expenses with the budgeted amounts. This KPI helps control costs, identify potential areas of overspending, and manage resources.

**Employee satisfaction and turnover rates** measure job satisfaction and retention of the housekeeping staff. A high turnover rate can indicate underlying problems that need to be addressed. A satisfied and stable workforce is more likely to deliver consistent service (O'Fallon and Rutherford, 2007).



The KPI for **inventory management** tracks the control and efficient use of housekeeping supplies, such as linens, cleaning products, and amenities. It helps manage costs, reduce waste, and ensure an adequate supply of necessary items.

In the housekeeping department, it is important to implement the right

**safety and compliance**

protocols. The relevant KPI measures adherence to safety protocols, cleanliness standards, and regulatory requirements. It can be used to make sure the department meets benchmarks to ensure a safe and healthy environment for both guests and staff (O’Fallon and Rutherford, 2007).

**Outsourcing Housekeeping**

Many establishments outsource two of the main services in the housekeeping department: the cleaning service and the laundry service. This means that, instead of performing these tasks in-house, the hotel contracts external companies to handle all cleaning and laundry needs. For instance, instead of maintaining an in-house laundry facility, the hotel sends its linens, towels, and other laundry items to the external provider for washing, drying, folding, and delivery back to the hotel (Benhadda et al., 2017).

**Table 35: Pros and cons of outsourcing cleaning and laundry services**

<b>PROS</b>	<b>CONS</b>
Cost savings	Lack of direct control
Expertise and professionalism	Requires added communication and coordination
Flexibility and scalability	Security and privacy concerns
Time and resources savings	Staff turnover
Consistent service quality	Limited customization
Access to advanced equipment and technology	Dependence on external providers
Enhanced hygiene and health standards	Restrictive contract terms

Source: Espinar, based on Benhadda et al. (2017).

**Benefits**

The main benefit of outsourcing is **cost savings**, since dedicated cleaning and laundry services can be more cost-effective. The hotel can avoid staffing expenses associated with maintaining an in-house housekeeping department, including salaries, benefits, and training. Outsourcing also eliminates the need for the hotel to invest in equipment, maintenance, and the utilities of an in-house laundry facility (Benhadda et al., 2017).

Professional cleaning and laundry companies are specialized and have the **expertise, training, and resources** to deliver efficient and high-quality services. They are often equipped with the latest cleaning techniques, tools, and environmentally friendly products (Benhadda et al., 2017). Professional laundry services can provide consistent and high-quality results, ensuring clean and well-maintained linens and towels for hotel guests.

External companies can also adjust their workforce based on the hotel's occupancy levels. Offering ultimate **scalability**, the company can allocate additional cleaning staff during peak periods and fewer during low-demand periods.

By outsourcing cleaning services, the hotel management can focus on core operations and guest services, leaving the housekeeping tasks to the external provider. This can free up time and resources for other important aspects of hotel management (Benhadda et al., 2017).

### **Considerations**

The decision to externalize hotel cleaning depends on factors such as cost, operational priorities, desired quality standards, and guest expectations. Careful consideration and thorough evaluation of the potential benefits and challenges are necessary before implementing an external arrangement (Benhadda et al., 2017).

One factor in the decision is the laundry service provider's commitment to **sustainability practices** and their use of environmentally friendly detergents and processes. The hotel should evaluate whether the provider's values align with their own.

The main concern will be **quality control**: to maintain the desired level of cleanliness and standards, the hotel must establish clear expectations and guidelines for the external cleaning provider. Regular inspections and feedback sessions can help ensure consistent quality (Benhadda et al., 2017).

The hotel staff and external cleaning team must maintain **close communication** to ensure a smooth workflow and promptly address any special requirements or problems. **Coordination** is also essential to manage linen inventories, ensure timely pickups and deliveries, and address any shortages or discrepancies (Benhadda et al., 2017).

Detailed contracts should be established between the hotel and the cleaning and laundry service provider, outlining the scope of work, service-level agreements, pricing, duration, and termination clauses (Benhadda et al., 2017). To protect the hotel's reputation and keep guests' trust, the contract should address the confidentiality of guest information, adherence to privacy policies, and secure handling of linens. Some guests may have preferences or concerns regarding the use of external cleaning services and whether they adhere to local health standards. Clear communication about the hotel's cleaning procedures and commitment to maintaining cleanliness standards can help address any potential concerns (Benhadda et al., 2017). The hotel should ensure that the external cleaning company conducts proper background checks and institutes security measures for their employees, as they will have access to guest rooms and sensitive areas of the hotel.

The hotel should establish **contingency plans** with the laundry service provider to handle emergencies or unexpected events that may affect laundry operations and ensure minimal disruption to the hotel's services.

It is important to select a **reputable and reliable laundry service provider**, conduct due diligence, and negotiate favorable terms and conditions to ensure a successful outsourcing arrangement. Regular monitoring, open communication, and ongoing evaluation of the provider's performance are crucial to maintaining the desired quality and efficiency of laundry operations (Benhadda et al., 2017).

## 8.2 Personnel Management in Housekeeping

Communication challenges are likely to arise in the housekeeping department for various reasons. Often this department is a **multicultural and multilingual work environment** with language differences. If staff members have limited proficiency in a common language, it can lead to misunderstandings, misinterpretations, and difficulty conveying instructions or information (Bardi, 2010).

Differences in **cultural norms, values, or generational backgrounds** among staff may also affect communication styles and preferences. Varied communication expectations and approaches can create misunderstandings or challenges in conveying information.

Housekeeping departments often have a large team comprising **different roles and responsibilities**, including room attendants, supervisors, inspectors, and administrative staff. Coordinating and communicating within a diverse group of individuals with varying schedules and tasks can be challenging (Bardi, 2010).

This department typically operates in **shifts**, with staff members working at different times. Limited overlap between shifts can make it challenging to communicate important information or updates, resulting in gaps in knowledge or incomplete handovers.

Housekeeping staff members may also be **spread across various floors**, sections, or buildings, making face-to-face communication difficult. Lack of direct physical proximity can lead to delays or miscommunications (Bardi, 2010).

In some cases, the **absence of clear and standardized communication channels** within the housekeeping department can lead to confusion and inconsistent information flow. This can result in missed messages or ineffective communication practices (Bardi, 2010). In addition, some housekeeping staff may not have access to communication tools such as email. Reliance on physical written notes or verbal instructions can be prone to errors or delays (Bardi, 2010).

Finally, housekeeping departments often face **high workloads and quick deadlines**. In such situations, communication may become rushed, leading to incomplete or unclear instructions.

There are strategies that managers can apply to improve communication. These include providing language training or translation support for staff members with language barriers; establishing clear and standardized communication protocols and channels; encouraging open and regular communication among team members through meetings, shift handovers, or digital communication platforms; providing training and resources to enhance communication skills, including active listening, clarity in instructions, and conflict resolution; implementing technology solutions, such as communication apps or digital platforms to streamline communication and improve accessibility; and encouraging a positive and inclusive work environment that promotes communication, teamwork, and respect for diverse perspectives (Bardi, 2010).

### **The Executive Housekeeper Role**

To balance these challenges, the executive housekeeper plays a critical role in team management. The executive housekeeper organizes the staff hierarchy and divides the work in such a way that everyone gets a fair task and that everything that needs to be done is finished on time (O’Fallon and Rutherford, 2007).

The person in this role must know how to organize his or her own daily functions, separating out urgent tasks and important tasks. The executive housekeeper

- **organizes the workforce planning** to determine the optimal staffing levels for the hotel’s size, occupancy rates, and room turnover. This task requires analyzing historical data and forecasting demand.
- **develops an efficient scheduling system** that considers workload, occupancy rates, and staff availability. The system should provide fair and equitable distribution of shifts and be flexible to accommodate varying demands (O’Fallon and Rutherford, 2007).
- **recruits competent and reliable housekeeping staff** through a selection process.
- **ensures that comprehensive training is provided** to new hires, including orientation and training in job-specific skills, safety procedures, and customer service (O’Fallon and Rutherford, 2007).
- **sets clear performance expectations** based on the department’s KPIs. These expectations can be communicated through regular performance evaluations with the team, where the executive housekeeper provides feedback, recognition, and opportunities for improvement. The executive housekeeper should address performance issues promptly and offer training or support as needed (O’Fallon and Rutherford, 2007).
- **fosters communication** within the housekeeping team and with other departments. The executive housekeeper holds regular staff meetings, encourages open dialogue, and provides platforms for sharing information, updates, and feedback.
- **creates a positive work environment** that promotes teamwork, morale, and job satisfaction. The executive housekeeper recognizes and rewards exceptional performance, promotes work–life balance, and provides opportunities for professional development and advancement (O’Fallon and Rutherford, 2007).

- **promptly and fairly addresses conflicts** that arise among housekeeping staff. The executive housekeeper can help resolve issues and maintain a harmonious work environment by establishing a process for conflict resolution and providing appropriate support.
- **prioritizes staff safety** by enforcing proper training on safe work practices, providing personal protective equipment, and maintaining a clean and hazard-free working environment. The executive housekeeper regularly reviews and updates safety protocols to comply with regulations (O’Fallon and Rutherford, 2007).
- **pursues continuous improvement** by regularly reviewing and refining procedures, incorporating new technologies, and staying updated with industry trends (O’Fallon and Rutherford, 2007). The executive housekeeper also gathers guest feedback and encourages staff to contribute ideas and suggestions for process improvements, efficiency enhancements, and guest satisfaction.

 **SUMMARY**

By focusing on organization and planning, housekeeping departments can streamline operations, maintain high standards of cleanliness, optimize resources, and enhance guest satisfaction. Clear protocols, combined with inspections and employee reviews, ensure consistent results and high standards for cleanliness. Using the set of key performance indicators specific to housekeeping, managers can generate measurable indicators of the department’s progress. Outsourcing is sometimes used to the end of quality assurance, and can keep costs low.

The executive housekeeper holds great influence within the department and has the power to create a positive work environment that fosters productivity, teamwork, and professional growth. In recognizing and addressing communication challenges, the person in this role can foster better collaboration, productivity, and overall performance.

# UNIT 9

## GUEST RELATIONSHIP MANAGEMENT, LOYALTY, AND CUSTOMER RETENTION PROGRAMS

### STUDY GOALS

On completion of this unit, you will be able to ...

- describe what customer retention programs are
- identify the basic features of customer loyalty programs
- implement strategies for creating customer loyalty

## 9. GUEST RELATIONSHIP MANAGEMENT, LOYALTY, AND CUSTOMER RETENTION PROGRAMS

### Case study

#### Customer lifetime value (CLV)

The predicted net profit generated by a customer over the duration of their relationship with a business. Companies use this metric to estimate the long-term value of acquiring and retaining customers.

Peter wants to build a large base of loyal customers who will choose his hotel again for future stays. Having their repeat business will bring the hotel a stable revenue stream and room occupancy. From what he's seen from his years working in the industry, having a formal client loyalty program helps with this and brings a host of benefits. It builds stronger customer relationships and improves **customer lifetime value**. CLV distinguishes a brand from its competitors and encourages word-of-mouth marketing. It demonstrates to customers that the hotel appreciates them, which motivates consumer behavior (Campbell, 2021). Loyal customers often spend more on additional services and amenities during their stays. They are more inclined to try out new offerings, dine at hotel restaurants, use spa services, or book upgraded accommodations. Their increased spending will contribute to revenue growth for the hotel.

Having a base of loyal customers will also help reveal areas where the hotel has room for growth, as loyal clients are more likely to provide feedback and suggestions for improvement. Their insights are valuable in identifying problems, trends, and areas for enhancement. Peter's team can use their feedback to refine the division's services and stay attuned to changing guest preferences.

So that his hotel can build trust and encourage its guests to become repeat customers, Peter wants his staff to consistently provide excellent service and meet or even exceed guest expectations. Peter has also been working with the reception team to improve guest relationship management (GRM), and he has created a new role for an employee who is responsible for the key elements of GRM.

This employee, named Alice, gathers and maintains guest information, including contact details, preferences, previous stay history, and birthdays and anniversaries. She analyzes the data to identify patterns, preferences, and segments for targeted marketing and personalized services. Through email and social media, she shares information, promotions, and updates that could be relevant to guests. She also collects guest feedback to understand their satisfaction levels, identify areas for improvement, and address their concerns. Another of Alice's roles is to foster emotional connections with guests, through personalized welcome messages, loyalty recognition, and special surprises during their stay. Her focus is to make clients feel welcome and ensure their pleasant and comfortable stay at the hotel (Resources for employers, n.d.).

The hotel has a loyalty program called "Feels Like Home." It was created 10 years ago and is based on a points system. The program incentivizes repeat business by allowing guests to earn points for their stays. These can be redeemed for rewards like free nights,

upgrades, discounts, or exclusive experiences. A marketing team is working on improving the program. Each month, they reach out to members with personalized messages, offers, and recommendations based on their preferences and past interactions. They offer exclusive promotions, discounts, or packages to encourage repeat bookings and reward loyal customers with room upgrades, welcome amenities, or dedicated customer service.

This team, Alice, and the reception team work together to create a positive guest experience. Peter is sure that with these customer-retention initiatives, the hotel can build long-lasting relationships.

## 9.1 Basics of Customer Loyalty

Customer loyalty refers to customers' tendency to choose a particular brand, product, or service repeatedly over time. It is a crucial aspect of business success as loyal customers provide positive word-of-mouth referrals, drive revenue, and contribute to long-term sustainability.

Recommendations and referrals play a significant role in attracting new customers to the hotel. Positive reviews and testimonials can enhance the hotel's reputation and credibility, and lead to an increase in bookings (Campbell, 2021). Satisfied and loyal clients become brand advocates, promoting the hotel with their colleagues and friends, through online and offline networks. They may share positive experiences on social media platforms, write reviews, or participate in loyalty program referrals. Their advocacy helps in building a strong brand image and attracting new guests.

Hotel management should balance acquisition and retention strategies in a way that optimizes the marketing budget for maximum overall return on investment. Acquiring new customers from scratch can be more costly and resource-intensive than retaining existing customers. By delivering exceptional customer experiences and building strong relationships with existing customers, businesses can create a solid foundation for sustainable growth and reduce the need for excessive marketing efforts (Campbell, 2021).

Having a loyal client base also positively impacts the hotel's staff. When employees witness satisfied guests and receive positive feedback, it boosts their morale and motivation. In turn, engaged and motivated staff members are more likely to provide exceptional service, creating a virtuous circle where guests have an even better experience and higher loyalty.

Client loyalty contributes to the long-term sustainability of the hotel business. By investing in lasting relationships with guests, hotels can thrive even during challenging times. They will be equipped to maintain a competitive edge and navigate market fluctuations (Campbell, 2021).



## Ways to Nurture Customer Loyalty

When customers are satisfied, they are more likely to develop a positive perception of the brand and remain loyal. Guest relationship management (GRM) focuses on managing and nurturing relationships throughout the entire guest cycle, from the initial contact to post-stay interactions. It involves understanding guest preferences, anticipating their needs, and delivering personalized experiences.

**Consistency** is key to building customer loyalty. Customers expect a consistent experience across all touchpoints, including in product quality, service delivery, customer support, and their overall experience of the brand. Consistency builds trust and reliability, making customers feel confident to return to the brand repeatedly.

A powerful way to foster loyalty is by **tailoring products, services, and interactions to individual customer** needs and preferences. Personalization can be achieved through targeted marketing campaigns, customized offers, personalized communications, and rewards and recognition for customer loyalty.

**Emotional connections** play a significant role in fostering customer loyalty. Brands that create positive emotional experiences and establish an emotional bond with their customers are more likely to have loyal advocates. Emotional connections can be built through customer service, memorable experiences, storytelling, and shared values.

A common strategy to incentivize customer loyalty is to implement a **loyalty program**. Loyalty programs offer exclusive benefits, rewards, discounts, or points accumulation systems that encourage repeat business and make customers feel valued.

**Communication** is crucial in maintaining customer loyalty. Regular engagement with customers through email, social media, and personalized messages helps strengthen the relationship. The hotel's activity on **social media platforms** builds community and encourages guests to stay connected with the hotel (Licera, 2023). Components include responding to comments, reviews, and messages in a timely manner, and sharing relevant content. Communication also involves listening to customer feedback and addressing concerns promptly.

Finally, regularly adapting and improving based on customer feedback helps maintain loyalty. Successful businesses are committed to **continuous improvement**. Proactively seeking customer feedback, analyzing customer preferences and behaviors, and using that information to enhance products and services demonstrates an attractive commitment to meeting evolving customer needs.

## Key Performance Indicators for Customer Loyalty

Guest loyalty can be quantified through the following metrics:

A **customer satisfaction score (CSAT)** measures guests' overall satisfaction. It is typically obtained through surveys or feedback forms, where guests rate their experience at the hotel. Higher CSAT scores correlate with higher customer loyalty.

The **net promoter score (NPS)** is a widely used metric to measure customer loyalty and satisfaction. It gauges how likely customers are to recommend a company's products or services to others. The NPS has a significant impact on business growth and success (Amadeus, 2023).

The **customer retention rate** measures the percentage of customers a business retains over a specific period. It is an important indicator of customer satisfaction, loyalty, and the overall health of a business (Amadeus, 2023).

**Average booking value** refers to the average amount of money generated from each booking made by guests. This metric helps hotels assess the overall spending patterns of their most loyal guests and understand the revenue generated per reservation. In addition, this metric takes into account room rates plus any additional charges, such as for dining, spa services, room upgrades, and other amenities. The formula is reached by dividing the total revenue by the total number of bookings during a financial period (Amadeus, 2023).

**Booking frequency** measures how often customers make bookings or reservations at a hotel within a specific period. It helps hotels understand the booking behavior of their customers and evaluate their level of loyalty or engagement.

**Repeat guests** is a key performance indicator that measures the percentage of guests who have stayed at the hotel more than once. A high percentage of repeat guests indicates customer loyalty and satisfaction.

**Loyal guest rate** refers to the percentage of guests who are part of the hotel's loyalty program or have demonstrated loyalty by returning to the hotel for multiple stays. This metric helps hotels measure the effectiveness of their loyalty programs and the loyalty of their customer base.

The **guest churn rate** is the rate at which guests stop booking or visiting the hotel, indicating a loss of customers or a decrease in guest retention. This metric helps hotels measure the turnover or attrition of their customer base (Amadeus, 2023).

## 9.2 Customer Retention Programs

Customer retention programs are initiatives implemented by businesses, including those in the hospitality industry, to foster long-term relationships with existing customers and encourage them to continue doing business with the company. In hotels, customer retention programs encourage guests to return for future stays and become brand advocates.

A customer retention program can be any organized effort the hotel engages in to keep customers, like the GRM effort that Alice organizes in the case study. Customer retention programs focus on generating customer loyalty through the strategies described in the previous section. And loyalty programs are one form of retention program.

Hotels must continuously assess their customer retention programs to adapt to evolving guest needs and preferences. Regularly reviewing program performance, incorporating guest feedback, and analyzing data enables hotels to make improvements and stay competitive in the market (Licera, 2023).

### Loyalty Programs

In the hotel industry, **loyalty programs** are a cornerstone of customer retention. These programs offer rewards, points, or membership tiers to guests who repeatedly stay at their properties, and thus incentivize guests to book with the same hotel group for future trips (Licera, 2023).

The first loyalty programs were started in the aviation industry in 1981 by American Airlines through its frequent flyer programs. In 1983, Holiday Inn and Marriott started the first loyalty programs in the hotel industry, which were heavily influenced by airline point programs (eZee Editorial Team, 2023). In recent years, hotel loyalty programs have evolved to focus on personalized experiences. Programs such as Hilton Honors and Marriott Bonvoy offer tailored promotions and exclusive events to their loyal members. They also leverage technology and digital platforms to provide a seamless and convenient loyalty experience.

**Table 36: Characteristics of Loyalty Programs**

MEMBERSHIP TIERS	
EXCLUSIVE EVENTS, EXPERIENCES, OR PACKAGES	POINTS-BASED SYSTEM
PARTNER COLLABORATIONS	REWARD REDEMPTION
PERSONALIZED OFFERS AND PROMOTIONS	EXCLUSIVE PERKS AND BENEFITS

Source: Espinar, based on Licera (2023).

Generally, customer loyalty programs are free of charge for guests. They often have multiple **membership tiers** in which higher-tier members receive enhanced benefits and rewards. Tiers are determined by criteria such as the number of stays or total spending.

The **points-based system** is a type of loyalty program in which guests earn points for each stay, which can be accumulated and redeemed for rewards. Points are typically based on the amount spent on accommodations, dining, or other eligible hotel services. These points can be used for room upgrades, free nights, exclusive experiences, or partner rewards (Licera, 2023).

**Reward redemption** options may vary based on the hotel brand and program. Some hotels offer **exclusive perks and benefits** to loyalty program members, such as early check-in and late checkout, complimentary Wi-Fi, and access to exclusive lounges. These benefits make guests feel valued and encourage them to choose the hotel for future stays (Licera, 2023).

Loyalty program members often receive **special recognition and VIP treatment**. This can include personalized welcome amenities, complimentary room upgrades, priority for room preferences, access to exclusive areas or facilities, and recognition of loyalty status during their stay. Treating loyal guests as valued VIPs enhances their experience and reinforces their loyalty (Licera, 2023).

**Personalized communication** is essential. The guest's stay can be even more memorable if the staff recognizes **important milestones or occasions in a guest's life**, such as birthdays, anniversaries, or special events, with a small gift, a personalized note, or a complimentary service. Management can use guest preferences and past behavior data to create custom experiences (Licera, 2023).

Programs might also offer **exclusive events, experiences, or packages**. These exclusives can include access to concerts, sporting events, culinary events, or behind-the-scenes tours. Providing unique experiences creates a sense of exclusivity, improves guest satisfaction, and encourages guests to remain loyal (Licera, 2023).

Program members often have access to **dedicated customer service representatives** who can assist with inquiries, reservations, and other needs. This personalized customer service can enhance the member experience and provide a higher level of support (Licera, 2023).

Hotels may also offer **partner collaborations** with airline loyalty programs or other businesses that provide cross-promotional benefits. This can include earning or redeeming loyalty points with partner airlines, car rental companies, or retail brands. Such partnerships provide added value to loyalty program members.

Hotels regularly engage with loyalty program members through personalized emails, newsletters, and targeted promotions. It is important to keep guests informed about program updates, new offers, and upcoming events (Licera, 2023). Loyalty programs often also have dedicated **digital platforms or mobile apps** that allow members to track their points, make reservations, access exclusive offers, and manage their membership details conveniently (Licera, 2023).



#### SUMMARY

in the hospitality industry, guest relationship management and retention programs are vital for building strong relationships and fostering customer loyalty. Customer loyalty, in turn, helps hotels to drive revenue, build a strong brand, and create sustainable business growth. By prioritizing guest satisfaction, personalized experiences, and exceptional service, hotels can cultivate loyal customers who become brand advocates, provide repeat business, and contribute to the hotel's long-term success.

Building customer loyalty is a long-term process that requires ongoing effort and attention. By delivering consistent, positive experiences, personalizing interactions, and fostering emotional connections, businesses can create a loyal customer base.

Loyalty programs are a powerful tool for fostering guest loyalty. These programs offer guests valuable rewards and personalized benefits, which differentiates the hotel in a competitive market.

It is important to note that the features and benefits of loyalty programs can vary between hotel brands and their loyalty programs. Guests can typically enroll in these programs for free, and their membership can be earned through direct enrollment or through stays at participating hotels within the brand's portfolio.

Hotel loyalty and customer retention programs increase customer satisfaction and drive repeat business. By implementing these programs and consistently delivering exceptional experiences, hotels can retain customers and increase their chances of achieving long-term success.