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How Well are Hotels Managed in Greece? A Statistical Analysis

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The tourism industry bears an enormous influence on the wellbeing and the of the Greek Economy as it generates, directly and indirectly, between 15 and 20% of GDP and employment. It is now well understood by all tourism industry players, especially in the post-Olympic era, that this influence is mutual and can lead to either a vicious or a virtuous circle, forcing all involved to accept the results of their own actions in the short as well as in the long run.

The Hospitality sector plays a key role in this industry with over 8.500 units of all types and categories. It is, therefore, necessary to understand the opportunities and challenges that the management in hotel establishments is facing. These issues are obviously prominent not only in operations but also on a strategic level.

To facilitate this process, JBR Hellas launched the Hotel Study a few years ago with the aim to gather as much information as possible, so as to provide a reliable amount and quality of statistics on an annual basis. An ever increasing number of establishments participate in the Study and take advantage of these statistics which have contributed to the decision making process operation- as well as strategic-wise.

One of the most "popular" sources of concern is the increase of productivity levels. Due to the fact that hotels are labor intensive, improving productivity is always a challenge for the management. This is especially true when the hotel industry is experiencing periodic financial downturns, resulting from an over supply of rooms or when a stagnant economy at source countries means that hoteliers can't easily raise room rates to offset rising costs. In the Hotel Study 2003 (data 2002) the correlation between basic revenue and profitability indicators, such as the ADR, the GOPPAR and the REVPAR with those of the major expenses in the operation departments indicate the considerably low importance that in general hotels gave to productivity. From a first sight the high correlation between labour costs, undistributed expenses and fixed costs with the GOPPAR seems absolutely normal taking into consideration the nature of the industry. However, it becomes interesting to observe that in Hotel Study 2004 (data 2003) the correlations become negative and in Hotel Study 2005 (data 2004), despite a rise, they are still negative. The situation is less promising in the Deluxe hotels than in the Category A. In other words the volume of customers determines the productivity and eventually the GOPPAR of the hotel and not the management itself. However, sudden fluctuations of customers lead most of the times to adjustments in the quality of service or products in order to meet the higher or lower demand, an issue which is only regulated by adequate productivity management. Besides, this can be cross-checked with the fact that F&B revenues and costs rose but not proportionally.

The study has also revised the efficiency of the marketing departments and whether the focus on marketing activities has an influence on the income of the hotel. Indeed, marketing activities are believed to able to boost the hotel revenue and to increase the occupancy of the hotel. In the case of the Greek hotels this doesn't necessarily seem to be the rule since the Marketing expenses have some influence on the Rooms and F&B revenues but practically little influence on the occupancy of the hotel. Instead, the Average Daily Rate appears as the crucial pillar of consideration for the customers in the year 2003 and 2005, whereas in the year 2004 the public showed "surprisingly" a less price-sensitive behaviour.

A third issue which seems to alarm the management as well as the owners concerned about profit increases, is the sales mix. The sales mix is a fundamental aspect of the marketing plan. It is based on the quantity and quality of the market segments the hotel serves, the price customers pay for each service, and the type of services they demand. Hotels are using yield management to good advantage to boost revenues. Eventually, important are analytical methods that help marketing and yield managers determine which segments of the business are making the most substantial contribution to the bottom line.

Taking all last three years of study, it has been made clear that the business and the conference segments generate the highest profit for the hotel. The business segment, on one hand, does not limit itself to the use of the room, but takes advantage of the infrastructure available with a low degree of price-sensitivity. This might seem pretty obvious to any hotelier; however it is important to realize the strategic decisions that can be taken and the opportunities of cross selling and up selling that this information may present. On the other hand, as far as conferences are concerned, the economies of scale afforded by the meetings segment can offset some of the unique expenses of group sales. Food costs are lower because the ordering and preparation of food is easier and more efficient than for individual guests. Finally, as far as ethnic sales mix is concerned the study has indicated that Americans and Australians have the highest in-house turnover whereas Latin Americans have the highest profit margin and Germans the highest Average Length of Stay.

Conclusion

It has eventually become clear that the right sales mix and the right tools implemented by the marketing department will lead to a higher profit margin and a happier owner. Many hotels indeed study thoroughly the sales mix and the revenue or the profit generated out of it taking advantage several tools such as the GRC (Gross Revenue Comparison). Other hotels analyze their potentials and consider alternatives of how to meet best the needs of their customers. In any case bottom line does not depend only on the quantity served but also on the quality provided. Besides, there is a great potential in the Greek hospitality industry, which has to be exploited in the right way and with the adequate strategic decisions.