

# **Analysis of the Factors Influencing the Bidding Process of Hotel Operators**

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## ABSTRACT

This thesis examines the hotel property development process in general, putting a special focus on the role of consulting companies within the hotel operator bidding process. The use case of this thesis is the consulting company MRP (the abbreviation was derived from the founding partners Mascha, Regner & Partner) hotels that not only engages in but also facilitates such bidding processes.

By applying a mixed methods approach, an online survey as well as expert interviews were conducted among hotel operators within the current portfolio of MRP hotels. In total, 26 hotel operators responded to the online survey and to support these results, seven expert interviews were completed. The findings show that among the sample, there is no clear preference for receiving a fact sheet or a teaser in order to decide on a certain project. Nevertheless, experts highlight that often less data should be disclosed to avoid misunderstandings which, however, can be solved by establishing a direct communication. To sum up, the key factors influencing this process are successful communication as well as the delivery of the right amount and type of information. This is considered being crucial by experts since it enables them to easily recognise if a project fits their requirements or not. This thesis shows that, according to the sample, the current information provided by MRP hotels is quite encompassing although there are always areas for improvement.

In addition, the information provided by MRP hotels has been ranked and one can see that the location of the project is described as the most important element for analysis. Moreover, the distinction of resort properties and city properties and projects located in A destinations and B-C destinations seems to play an important role. Future outlook shows that competition is expected to increase. This is supported by the expert interviews which further revealed that, in general, competition within the hospitality industry leads to the need of strengthening the USPs of a company as well as focusing on current trends. The major trends involve the rise of technology and digitisation as well as the tendency towards lifestyle oriented products and services. The dynamics within the network of the real estate business also seem to be an influencing factor.

Overall, this thesis demonstrates that in today's competitive environment, it is crucial to deliver the right information by using the most adequate communication channels as to best serve the need of all parties involved within the complex process of hotel property development. Given the scarce existence of relevant literature, MRP hotels and other similar companies aiming to facilitate the bidding process are recommended to expand the scope of this research by also closely monitoring and analysing their communication processes with clients in order to establish profound theories.

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## LIST OF ABBREVIATIONS

ADR =	Average Daily Rate
AG =	Aktiengesellschaft
CEE =	Central and Eastern Europe
CEO =	Chief Executive Officer
CRS =	Central Reservation System
CSV =	Comma-Separated Values
DACH =	Germany, Austria and Switzerland
F&B =	Food and Beverage
FFE =	Furniture, Fixtures and Equipment
GBI =	Gesellschaft für Beteiligungen und Immobilienentwicklungen
GesmbH =	Gesellschaft mit beschränkter Haftung
GFA =	Gross Floor Area
GOP =	Gross Operating Profit
HQ =	Headquarter
HVAC =	Heating, Ventilation and Air Conditioning
IHIF =	International Hotel Investment Forum
KPI =	Key Performance Indicators
LOI =	Letter of Intent
MD =	Managing Director
MRP =	Mascha, Regner, Partner
NDA =	Non-Disclosure Agreement
PDF =	Portable Document Format
PKF =	Pannell, Kerr, Forster
PO =	Pre-Opening
SPSS =	Statistical Package for Social Sciences
SPV =	Special Purpose Vehicle
SWOT =	Strengths, Weaknesses, Opportunities, Threats
UK =	United Kingdom
US =	United States
USALI =	Uniform System of Accounts for the Lodging Industry
USP =	Unique Selling Proposition

## AFFIDAVIT

I hereby affirm that this Master's Thesis represents my own written work and that I have used no sources and aids other than those indicated. All passages quoted from publications or paraphrased from these sources are properly cited and attributed.

The thesis was not submitted in the same or in a substantially similar version, not even partially, to another examination board and was not published elsewhere.

May 30<sup>th</sup>, 2018  
Date

# 1 INTRODUCTION

Generally speaking, a hotel consists of two elements, namely the tangible components and the intangible ones. The tangible elements are, for instance, the real estate and structure itself as well as furniture, fixtures and equipment (FFE) whereas the intangible component is represented by the service and operations of the hotel (O'Fallon & Rutherford, 2010). This thesis will focus on the tangible elements and more precisely, on the hotel property development process and the process of operator selection.

## 1.1 Importance

The company MRP (Mascha, Regner, Partner) hotels delivers consulting services to owners, developers, investors and hotel operators for certain hotel properties. They engage in a wide range of consulting activities, including hotel development projects, repositioning and renovation of hotel properties, owner representation, turn-around management, valuation and technical support as well as financial transactions in general (MRP Consult GmbH, n.d.). As the company also represents owners and thus, frequently consults property owners when selecting the most appropriate hotel operator for their estate, a need for more comprehensive knowledge about this process has emerged.

Providing the reader with more in-depth information, MRP hotels usually establishes a teaser or fact sheet, depending on the urgency of the property owner. This is then sent to a selection of potential hotel operators. The information given to them varies in type and amount but generally includes facts and figures about the property, its unique selling propositions (USPs) and crucial financial information. Consequently, the hotel operators are invited to bid for the project and to provide a letter of intent (LOI) as well as a five year trading projection. Afterwards, a set of potential candidates is determined which will be narrowed down to solely a few hotel operators in the following steps where lastly a final decision will be made.

The importance of investigating this topic is reflected by the observation made by MRP hotels that, over a time period of various years, some differences and similarities were detected when delivering the information to the hotel operators. For instance, if the property is located in a city like Vienna often no information on the market and demand is needed as the hotel operators already dispose of this specific data. When dealing with properties located on the lakeside market information might also not be necessary but rather data on the water temper-

ature, hours of sunshine et cetera should be provided. The common factors identified when establishing a fact sheet or teaser for hotel operators may vary between resort properties and city properties and between the types of destinations, referring to A destinations and B-C destinations. MRP hotels has many years of experience with the process of hotel property development along with the preparation of fact sheets and teasers. However, the question which factors and elements of communication are important to be included as to efficiently apply this process is not fully answered. Thus, the intention of this thesis is to compensate for the lack of literature on the hotel property development process and more precisely, on the process of selecting the most suitable hotel operator for a real estate by delivering the kind of information needed, varying according to the factors previously mentioned.

## **1.2 Aim of this Thesis**

In fact, this thesis will take a closer look at the process of communication between potential hotel operators and MRP hotels focusing on the bidding process. More specifically, this thesis aims to understand which factors influence this bidding process and whether or not similarities between city properties or resort properties and properties in A destinations or B-C destinations exist. The following research question is stated:

*Which factors influence the type and amount of information required by hotel operators when deciding to bid for the operation of a property?.*

This thesis intends to investigate which information is currently provided to potential hotel operators and further, examine its sufficiency to succeed in this process. Additionally, the aim is to detect differences in the type and amount of information needed, when dealing with city properties or resort properties. The following sub questions are outlined below:

- *Is there a difference concerning the amount of information needed between operating a city property or a resort?*
- *Is there a difference concerning the type of information needed between operating a city property or a resort?*
- *Does the type of contract vary between resorts and city hotels?*
- *Is the likelihood to bid for operating a property affected by personal initial meetings or is non-personal information, namely fact sheets and teasers, preferred?*
- *Does the amount of employees working in the development department of the hotel operator influence the amount of information necessary about the market?*

- *How does the amount of financial involvement taken by the hotel operator influence the amount of information needed, specifically referring to the financial details delivered by consulting companies, such as MRP hotels?*

Not only will this thesis contribute to the scarcely existing literature on various precise topics but also be practically applied by MRP hotels. When doing research for this thesis, it has been detected that there is a large amount of literature available on real estate management and hotel operators in general. However, data on concrete applications for hotel consulting companies related to the hotel operator bidding process is rather limited. Thus, one intends to compensate for the lack of information by distributing an online survey on this topic, conducting expert interviews and by gathering all relevant literature. Additionally, the output of this thesis involves a general checklist which can lead to concrete managerial applications as it can be used by hotel consultants, such as MRP hotels, when communicating with owners of hotel properties. Hence, consultants have a more comprehensive knowledge related to the information needed by hotel operators, varying for specific types of properties, depending mostly on their location. This will result in a better understanding of the needs and wants of their clients, referring now explicitly to the side of the hotel operators.

### **1.3 Structure of this Thesis**

This thesis is divided into several chapters. First, the literature review will provide the reader with in-depth information on hotel property development by explaining the process in general and briefly addressing the topic of hotel management and operations. Additionally, an insight will be given into the hotel operator selection process by referring to information obtained from MRP hotels. Subsequently, the methods of analysis will be elaborated on by explaining the process of creating the online survey and the questionnaire for the expert interviews. Then, the results chapter will highlight the most significant conclusions of the survey and the expert interviews and will combine literature and practical findings on this topic. Furthermore, the last chapter will elaborate on answering the research question as well as the several sub questions and finally present the set of limitations and possibilities for future research.

## 2 LITERATURE REVIEW

The following chapter will provide the reader with more concrete information on the various processes involved when selecting an appropriate hotel operator for a real estate. To start with, one will elaborate on more general aspects such as the hotel property development process and the real estate management procedures. Additionally, reference will be made to the communication process in order to gain knowledge on its basic underlying concept and consequently, apply this to MRP hotels. Finally, the hotel operator selection process will be addressed by adding practical knowledge from MRP hotels.

### 2.1 Hotel Property Development

In this section, the aim is to offer basic information on the complex processes involved when dealing with the topic of hotel property development and more precisely, the bidding process. Despite the increasing importance of the tourism- and hospitality industry, literature on this topic is still relatively limited. O'Fallon and Rutherford (2010) explicitly refer in their book *Hotel Management and Operations* to the hotel property development process, whereas usually more general literature is available on these areas and on the one of real estate properties. Thus, for the purpose of this thesis, one will also consider the work published by Harper (2008), titled *Valuation of Hotels for Investors*, and Lawson (1995) which is named *Hotels and Resorts: Planning, Design and Refurbishment*. Hence, as one can see, there is plenty of literature available on topics related to hotel properties but only a small proportion can really be applied for this thesis. As a result, the reader will now be given a first insight into the relevant literature by explaining the process of hotel property development and the different ownership structures. This is followed by more general information on the management of hotel properties as well as on the evaluation criteria of hotel properties.

O'Fallon and Rutherford (2010) point out that the hotel development process typically starts with a developer who is looking for a real estate which is suitable for constructing a hotel. The developer is described here as an entrepreneur who normally takes a high risk by putting his or her wealth into the project. There are many factors which have to be taken into account when choosing an appropriate real estate for a hotel, such as the visibility from the freeway, the access to the city center and multiple others. In many cases, the developer also visits the neighbourhood in order to detect potential competitors and get an impression of the surroundings. In addition, it is crucial to consider the price per square foot of land as it can be

stated that, the higher the cost of land, the higher the rates will be that the hotel is offering to its guests. Hence, the decision has to be made whether the price will fit the average daily rate (ADR) existing within this market. However, it has to be mentioned that, compared to the total costs, the price of the land is substantially lower. Thereafter, a feasibility study is conducted in order to determine whether it is economically feasible continuing with this project. The study is typically conducted by an external and objective third party for a fee. The process may take several months as the external company is considering, evaluating and establishing recommendations based on various criteria.

According to O'Fallon and Rutherford (2010), these might be put into seven categories and they are the following: *the site, the economy of the area, the hotel market, the identification of which hotel market segment to serve, the selection of an appropriate hotel design as well as a brand and a ten year projection*. The category *site* refers to the accessibility of the real estate, its visibility, its size and its proximity to important locations such as working places, homes or travel destinations. Referring to the *economy of the area*, this includes the existence of tourist attractions, meeting centers and locations, major employers as well as government agencies, the demand and needs of the hotel. Moreover, the *hotel market* involves aspects such as the competitors, previous occupancy and average rates of similar establishments and data on the travel behaviour within this area. When *identifying a hotel segment to focus on*, there are various possibilities, namely: full or limited service, extended stay, luxury, midprice, economy and budget. This also goes hand in hand with *the decision on the appropriate hotel design* which can either be high-rise, midrise, garden apartment style or hybrid design. Thereafter, the developer *selects a hotel brand* where the choice needs to be made whether to be franchised, licensed, independent or independent with a strategic market affiliation. Afterwards, the *ten year projection* is carried out as to specify the potential cash flow, yield, rate of return and many other crucial financial indicators. Subsequently, various legal steps are necessary which involve, amongst others, the creation of an ownership entity. This is necessary in order to hold title to the land and the hotel, once it is constructed. Furthermore, this ownership entity then communicates with the development company to establish a development agreement. This is done for a fee, typically approximately three percent of the total costs of the project. This development agreement includes factors, such as the choice of an architect, engineer and general contractor, the purchase of FFE and the ability to secure the franchise, mortgage loan and other variables (O'Fallon & Rutherford, 2010). It is often the case that the developer suggests a franchise company to the owner of the hotel. The franchise company charges the hotel owner with a franchise fee, royalty fees and marketing / miscellaneous fees. For this decision howev-

er, both sides have to evaluate whether the new hotel would fit to the others which are already included within the portfolio of the franchise company. If the analysis reveals positive results for both, the hotel operator and the franchise company, a franchise will be granted. When selecting an architect, one has to consider his or her experience in designing hotels, the fee, his or her ontime record and in general, the experience of the architect's company with similar projects. The fee paid to architects usually amounts to approximately five percent of the total costs of the project but can, depending on the scale of the project, often be negotiated for a lower one. The aim of the developer is to have the architect design a hotel which can be easily operated and maintained. Likewise, the previous experience of the general contractor as well as the quality and reliability record are crucial factors to consider when choosing a general contractor. The relationships the company has with its many subcontractors are also important to evaluate. Often, the general contractor and the architect act as a team by placing the bid for a project together, allowing the developer to easier detect the final costs. Consequently, one needs to consider the factors influencing the financing of the project which are the following: price of the land, costs for constructing and designing the real estate, costs of FFE and opening supplies, pre-opening (PO) marketing, employment costs and an operating capital cash reserve for a period of six months (O'Fallon & Rutherford, 2010). In case this calculation is performed, it will be used to update the ten year plan. With this information, the developer applies for a loan where the terms and conditions may vary significantly, depending on the individual lender. Factors influencing the cost of the loan are, for instance, the interest rate, the personal guarantees made by the developer itself or equity partners / investors, the length of the loan and the terms of repayment. Although banks often even provide up to 60 percent of the total costs, the remaining 40 percent must be covered by investors. This is done by raising the necessary equity investment funds from parties having risk capital available for investment. These potential investors may be individual investors, private asset managers, opportunity fund managers and venture capital fund managers. After having secured the loan and the equity as well as having received the building permit from the city, the land is purchased. This represents the start of the construction period which typically spans over a time period of 12 to 16 months. However, the opening will solely be achieved on time if all the parties involved do not encounter any problems or delays during this time, which is hardly the case. Now, the final step before starting with the construction of the real estate usually includes the choice of a management company. This management company then deals with the pre-opening marketing, personnel selection and daily operations as soon as the hotel is opened for guests. The management company also charges a fee which is most of the time three to four percent of the revenue as well as two to three percent of the gross operating

profit, reflecting evaluation measures, both on sales and profitability. After having elaborated on the complicated processes involved when constructing a hotel, it has to be mentioned that O'Fallon and Rutherford (2010) stated that the process will not always necessarily be undertaken step-by-step, as outlined here, but sometimes rather simultaneously in order to save time and to minimise costs. To conclude, it usually takes three years from the first steps until the hotel is opened and ready to be operated. This emphasises the fact that the hotel property development process is a long and complex one, involving many different areas of expertise and various parties which need to constantly communicate effectively with each other in order to avoid misunderstandings and problems.

### **2.1.1 Hotel Property Ownership**

Although most family-run hotels are operated and owned individually, many hotels operated by companies dispose of relatively complex ownership structures (Lawson, 1995). This enables companies to enhance their portfolio at a faster rate as they can separate the ownership of the property and its operation, requiring less financial resources of their own. Going more into detail, the reader will be provided with concrete information on the different ownership structures available when operating a hotel.

MRP hotels identifies the three most common forms of ownership which are said to be the following: *franchise contract, management contract and lease contract*. To start with, the franchise contract enables the franchisee to make use of the brand's marketing channels, its reputation and to receive support from the franchisor. In return, the franchisee pays a fee where an agreement is made whether it is paid annually or according to the occupancy or revenues generated. The duration of the contract is typically between five and ten years.

A management contract allows the management company to operate the property more independently but still requires partial contribution from the property owner. Hereby, the management company is obliged to reimburse the property owner through management fees, various other fees and the inclusion of the pre-opening budget. The management contract is usually applied for approximately 20 years and might be extended in a five year interval.

A lease contract is implemented when a hotel company or investment group leases a hotel property and consequently, operates it (Kraus-Winkler, 2017). There is an owner's agreement or a comfort letter as well as a fixed rent agreed upon. The operator is able to fully decide on the marketing and management of the property, however the lessee has a right to information and inspection. The time period equals the one from the management contract, thus is normally limited to 20 years and can be extended on a five year basis, however there is the possibility to exit the contract. There are many other sub forms existing but for the purpose of this thesis, it is perceived being sufficient to mention the basic underlying forms outlined above. In

general, company hotels find it easier to expand or renovate the property as well as to meet the professional standards and monitor its performance (Lawson, 1995). Typically, company hotels operate various properties and consequently, can link the reservation system and their networks accordingly to ensure an efficient and effective operation of the property.

### 2.1.2 Hotel Management

The organisational structure of hotels varies significantly as the properties themselves often differ widely in size, type, level of service offered and nature as well as extent of facilities. Nevertheless, there are key features concerning its organisation which remain roughly the same. To start with, hotels are usually divided into revenue centers and cost centers. On the one hand, revenue centers bring income by selling products and services to guests of the hotels. On the other hand, cost centers do not directly generate revenue but rather support the activities of revenue centers. When taking a closer look at the organisational chart of a small hotel, the typical divisions might be the following: front office, housekeeping, food and beverage and building maintenance. The one for a larger hotel can involve more departments, such as rooms, food and beverage, marketing, engineering, telecommunications, human resources, accounting, security, fitness and recreational facilities, concessions, rentals as well as commissions (O'Fallon & Rutherford, 2010). To emphasise the difference between the cost centers and the revenue centers, the previously mentioned departments will be divided into one of the two categories. The illustration of its division can be found in Table 1.

Revenue centers	Cost centers
Rooms	Marketing
Food and Beverage	Engineering
Telecommunications	Human Resources
Fitness and Recreational Facilities	Accounting
Concessions, Rentals and Commissions	Security

Table 1: Revenue centers vs. Cost centers (author's own)

The division named *rooms* within this thesis is said being the major department of a hotel because the room is the main product that a hotel offers to its guests as the primary function is to provide accommodation. The basic structure according to O'Fallon and Rutherford (2010) within this department is the following: front office, reservations, housekeeping and uniformed services or guest services.

First, the personnel working at the front office typically performs various activities, often in close interaction with the guest. They are a crucial part of the first and last impression that a guest has of the service within a hotel due to the fact that they are checking guests in as well as out. In addition, the front office team is distributing the rooms accordingly and giving away the keys to the guests. Moreover, they are also taking care of the reservations and of the settlement of the guest accounts.

Second, the reservations team is trained to process reservations, answer questions about the property and its features, disclose rates and available dates as well as make the property attractive to future guests and convince them to book their stay. They equally process reservations entering through central reservation systems (CRS) and through external third parties such as travel agents or hotel representatives. Especially lately, hotels have been increasingly focusing on receiving direct reservations either through their website, their telephone numbers or through their e-mail addresses. This is due to the fact that, for hotels, it is the most cost efficient channel as, for instance, booking platforms such as booking.com charge an enormously high commission fee. For determining the appropriate rate to be charged, hotels often dispose of sophisticated revenue management systems. For this purpose, the revenue management systems analyse past and current information which should ideally lead to an increase in revenues and customer service capabilities.

Third, housekeeping is in charge of cleaning the guest rooms and public areas of a hotel (O'Fallon & Rutherford, 2010). These activities require large personnel which is frequently supervised by an executive housekeeper. Furthermore, there is an assistant housekeeper taking care of the house persons, room inspectors and room attendants. The linen room supervisor monitors the performance of the linen room attendants. Additionally, the laundry and valet manager is responsible for the seamstresses as often hotels offer laundry services to their guests and also need to ensure that their own uniforms are in good condition.

Fourth, the uniformed services or guest service department consists of a concierge, a bellperson and transportation or a valet parking employee. The concierge should provide the guests with all the necessary information about the hotel, the local surroundings and major events taking place within the destination. Apart from giving recommendations, the concierge can also buy tickets and make reservations for the guests. The bellperson ensures that the luggage of the guests is carried to their rooms and explains to them the main features of the hotel as well as the rooms. Concerning the transportation services, valet parking is either offered in the own garage of the hotel or in another one nearby. Moreover, hotels might grant airport shuttle services or others, which are also handled by this specific department.

Another department which contributes to a large extent to the revenue generated by the hotel is the food and beverage department where its revenues may even sum up to the same amount as the ones obtained through selling the rooms. This is often the case in resorts as well

as convention hotels since guests tend to become less price sensitive due to the fact that they are on vacation. Most hotel managers perceive their food and beverage facilities as being of high importance as this aspect significantly contributes to the experience of their guests. Successful hotel operators aim to go beyond offering their food and beverage facilities to hotel guests by also intending to attract external guests and the local community. This is measured through determining the capture rate, namely the percentage of guests who eat at the property. To give the reader a more concrete impression on the various food and beverage facilities, examples of the diverse outlets will be named. The food services include the various restaurants the hotel has to offer, take-away, room service, banquets and the food prepared for the employees. The beverage services comprise of the cocktail lounge, public and service bars, banquets and mini bars offered in the guestrooms. Typically, large hotels provide a variety of food and beverage facilities whereas smaller properties may solely dispose of one dining area that equally serves breakfast, lunch and dinner.

When determining the type of food and beverage facilities which should be offered at a property, there are multiple criteria which should be taken into evaluation. Managers need to think about the type of hotel and consequently, the clientele as, for instance, business travellers show a high preference for private dining while resorts often rely on speciality restaurants and convention hotels require huge ballrooms. The type of restaurant should go hand in hand with the class of the hotel, meaning five star hotels necessitate five star restaurants. One should also take into consideration the competition as it is not advisable to offer Italian cuisine when your property is surrounded by numerous Italian restaurants. Moreover, the availability of the product as well as the labour is crucial. The next aspect to be evaluated is the demand as certain parts of the country reveal a tendency for specific cuisines which should be kept in mind. The organisation of the food and beverage structure can be highly complex and may vary significantly according to the size of the hotel.

To give the reader a basic idea of this specific division, an example of a mid-size hotel will be briefly explained (O'Fallon & Rutherford, 2010). The head of this division is the food and beverage manager who directly reports to the general manager. Next, the chef or often also named executive chef or head chef is responsible for the cooks as well as the chief steward. The chief steward is in charge of the kitchen steward and warewashers and ensures that all food and beverage facilities are sufficiently equipped with clean inventory. Additionally, the dining room manager assures that guest services are performed efficiently. This leads back to an effective organisation of the food servers and buspersons and sometimes, also training of new employees. The head bartender supervises the bartenders and beverage servers in order to efficiently manage the operations of the lounge or bar area. Furthermore, the catering subdivision may be the most profitable one of the food and beverage department as sometimes catering represents 50 percent of the total food and beverage sales. As per O'Fallon and Rutherford (2010) the caterers may organise the food and beverage either for conventions, for

smaller hotel groups or for local banquets booked by the sales department. For implementing these activities, employees in the catering division need to dispose of a variety of skills and knowledge, not solely about the food production, services and products itself but also about the scenery and atmosphere related to certain types of events. Furthermore, technical knowledge is required and also the ability to determine the best and most efficient way of using the available hotel facilities. Most often the catering managers report to the food and beverage manager, however frequently they also report to the director of sales or the general manager of the hotel. In addition, hotels offering catering and plenty of food and beverage outlets, generally also have room service available for their guests. Nevertheless, this leads to difficulties as the food and beverages may be served at a great distance and thus, either arrive cold or lukewarm. Likewise the productivity is relatively low as employees are able to serve more people in a restaurant than when delivering meals to the rooms as they need to overcome a greater distance. All of the drawbacks mentioned lead to higher costs charged by hotels for food and beverage items ordered through the room service. Hotels can face this problem by limiting the food and beverage items available to be ordered as well as by limiting their hours of operation. As to deliver the food within the expected time and in the desired condition, referring to its temperature and texture, often guests are asked to indicate their preferences for breakfast the night before and place it outside the room on the handle of their door. This allows the room service department to schedule all related activities appropriately and thus, ensures an efficient distribution of food and beverages. Despite the negative associations some hotels may have with the room services, especially luxury hotels perceive this as an opportunity to significantly contribute to the experience of the guest by redesigning the process as well as the products.

There are plenty of other services associated with the food and beverage department, like the support and control services. These include the purchasing department which ensures that the hotel has all the products available which are needed for an efficient operation, including the food and beverage items. If there is no separate role of a food and beverage controller, the tasks are also performed by the hotel's controller. Examples are the tracking of the costs of food and beverage items, the observation of ordering and receiving procedures, the development of costs and prices of the menu items and the creation of reports on the food and beverage costs on a monthly or daily basis. As already mentioned, normally the food and beverage department significantly contributes to the profits of a hotel but there is also a variety of potential pitfalls which should be kept in mind. Restaurants typically have long opening hours but also periods where fewer customers are served and hence, it is essential to efficiently manage the work schedule. Moreover, low average checks result in low profitability as some customers may solely come in for low priced breakfast or snacks. Hotels may also dispose of different types of restaurants which can lead to inefficiency from a cost perspective (O'Fallon & Rutherford, 2010). Normally, restaurants have a relatively high employee turnover rate which should be avoided by efficiently training and recruiting employees. Sometimes restaurants additional-

ly offer entertainment which can result in high costs, if not being negotiated adequately. Finally, it is crucial for hotel restaurants to market themselves aggressively as they have to heavily compete with other free-standing restaurants and thus, adapt their menus and interior design correspondingly.

Furthermore, employees of the telecommunications department manage the provision of phones and internet during the guest's stay which is, especially nowadays, increasing in importance. Next, concessions are said being facilities which are operated by an independent operator who organises all the related activities, such as its equipment, personnel and marketing. In return, the hotel receives a certain fee or percentage of sales. The hotel might also rent the space to a company where they pay the hotel a lease, usually on a long-term basis. Likewise, the hotels gather commissions from suppliers who are located outside of the hotel but are still offering services to guests. Examples involve car rental agencies and dry-cleaning services. The commissions payable are based on a percentage of the gross sales of the guests (O'Fallon & Rutherford, 2010). Some hotels might be equipped with fitness or recreational facilities, like swimming pools, massage rooms and others. Normally, these services are offered to guests free of charge, except massages or other treatments, but might be sold to external parties, more precisely to nearby offices or residents. Having elaborated on the various revenue centers existing in hotels, more details will be provided to the reader on the cost centers within the course of this chapter.

First, the goal of the marketing department is to determine potential guests, to modify the products and services offered according to the needs and wants of the prospective guests and to subsequently transform them into actual guests. The structure of this department is typically the following: the director of sales and marketing oversees the sales manager, the director of advertising and public relations and the convention sales manager. Furthermore, the sales manager monitors the performance of the tour and travel salespeople, the national accounts salespeople as well as the group sales (O'Fallon & Rutherford, 2010). Activities include the advertising of the hotel, the development of multiple campaigns, the representation at trade shows or exhibitions and raising public awareness by participating in community activities. To emphasise the importance of this department, it has to be mentioned that hotels spend approximately five percent of sales on marketing and sales actions.

Second, the engineering department handles all the tasks associated with the physical state of the property and the energy cost control. Ideally, this should result in a hotel property which is in a good condition and, without having technical interruptions, offers their guests a comfortable and smooth experience. This division is led by the chief engineer, accompanied by a secretary and followed by an assistant chief engineer. Further subdivisions are the following: head plumber, head electrician, head sound technician, head heating, ventilation and air conditioning (HVAC) / refrigeration, head carpenter and head painter who, in addition, have personnel supporting them with their tasks.

Third, the accounting division deals with forecasting and budgeting, controlling all costs and cash and keeping records of all purchases. However, it has to be stated that accounting is a really complex process and might be better described by referring to it as *financial management*. The structure is as follows: the head of controlling is represented by the controller who is observing the general cashier, the night auditor, the income auditor and the food and beverage controller. Subsequently, the cashier works for the general cashier and the accounts payable staff as well as the payroll staff for the income auditor. The food and beverage controller is responsible for the receiving staff and the storage staff.

Fourth, humans are perceived as being valuable assets of a company and this area is addressed by the human resource department. This division is concerned with the employment, the salaries, wages and benefits of the employees of the company. Their task is to recruit, hire, train, motivate, retain and communicate with the employees accordingly.

Fifth, the security department is in charge of the safety of the guests, the personal belongings, the employees and the hotel property itself. The security should be preventive in order to avoid theft and other criminal acts within the hotel. The department usually consists of security officers, necessary equipment, master keys, well-structured safety procedures and identification procedures.

Thus, as one can see, the management of a hotel involves multiple departments which all have to cooperate and communicate their actions in order to efficiently operate the property. Moreover, it is also crucial having a wider knowledge of the valuation of existing hotels and the next section will elaborate on this topic in more detail.

### **2.1.3 Valuation of Hotel Properties**

According to Harper (2008), the valuation of hotel properties usually comprises of five basic steps. First, an inspection should be conducted which is said being one of the best opportunities of determining the value of the hotel. The factors which can be detected during the inspection and have an influence on the value of the property include, amongst others, the following: characteristics of the property and the surroundings, environmental factors, state of the building referring to its condition and the dimensions of the land as well as buildings. The inspection is said having to fulfil five main functions, namely the examination of existing facilities where the investor can precisely determine which aspects are included in the valuation and which ones are not. Moreover, the condition of the property should be determined to ensure that it is in a good state. Additionally, an analysis of the financial implications of the layout should be conducted. Except of the steps mentioned previously, treasure-hunting opportunities might be detected which are not visible for personnel working in the hotel for a

long time as they might be used to the current conditions. Moreover, it might be the case that hotels solely focus on the priorities which have been set, however they fail to determine other trading opportunities. To illustrate this, an example will be provided, namely the following: a hotelier did an inspection after having purchased the property and discovered a fully functioning ballroom (Harper, 2008). It was decided previously that the ballroom should not be used and thus, the hotelier paid less than the actual value as the ballroom and its revenues were unknown and hence, not considered at the time of purchase. Another item that can probably be undervalued in hotels may be unused / spare land that could be sold without having a negative impact on the hotel operations. One also needs to assess the alternative uses which might be of higher value. This might be the case when the hotel is poorly located, the property does not meet the requirements of the marketplace anymore, the hotel land value decreased less than the one of the land nearby or the property was abandoned to fall into disrepair. Nevertheless, it has to be mentioned that an alternative use of the hotel property requires permissions and necessary legal documents which can result in high costs for the needed demolition, conversion and consequently, rebuilding. However, one needs to keep the limitations of an inspection in mind as the operator or vendor might try to solely show the best rooms in order to make the property more attractive for investors (Harper, 2008). Thus, before the official inspection, the person evaluating the hotel could stay overnight as to get an impression of the experience a regular guest would have at the property.

Second, information on the local hotel market should be gathered. This can be done by reviewing the competition, more precisely examining the hotels nearby that have a similar quality and target market. If the hotel also offers a bar or restaurant, comparable bars and restaurants within close proximity need to be included as well. The same is applicable if their fitness center or spa area is open for external members. Sometimes it is even recommended to visit the competitors and request a small tour in order to see what the similarities or differences are. Likewise, if one is able to anticipate the future competition, it is advantageous as, for example, the closing of a hotel nearby could result in higher demand for the property under evaluation. Furthermore, one should establish a profile for the demand in the area as well as determine possible changes within this demand structure. Those changes can be based on developments within the economy of the area, the transportation, investments and many others. Ideally, performance benchmarking should be undertaken where a competitive set is established and will be used as a basis for comparison with the performance of the hotel. This is usually offered by external companies that compare ADR, occupancy rates and other relevant data within the chosen competitive set.

Third, Harper (2008) suggests examining the historic trading accounts which presumes knowledge of financial statements and records. Hereby, the uniform system of accounts for the lodging industry (USALI) defines the position where distinct revenues and costs should be reported when dealing with the profit and loss accounts. This results in a relatively comparable set of accounts that can be benchmarked accordingly.

Fourth, an interview with the general manager or the financial manager should be conducted, preferably face-to-face. The interview aims to find out how the property has been traded previously and how it tends to be traded in the future. In addition, it gives the one evaluating the property the possibility of discussing various questions which may have come up after a review of the accounts. The following factors are most likely to build the basis for the interview questions established later on: the information on legal aspects, the property itself, the operations and others, such as data on outstanding claims or details of the tax positioning of the property (Harper, 2008).

Fifth, an independent analysis of the whole information obtained during the previous steps is essential. This allows the investor to establish an independent assessment of how the hotel is likely to trade in the hands of the reasonably efficient operator.

Now explicitly referring to the role of MRP hotels within the hotel property development process, the reader will be provided with more in-depth information. As already mentioned, the company often supports property owners when finding an appropriate hotel operator for their real estate. Thus, MRP hotels usually establishes a teaser or fact sheet which is subsequently sent to a selection of potential hotel operators. On the one hand, the fact sheet just gives a quick overview of the most important details and is often applied when there is an urgent need of immediately finding a hotel operator for the real estate. On the other hand, the teaser involves more detailed information and, in contrast to the fact sheet, typically disposes of approximately more than five pages. Generally speaking, this information contains facts and figures about the property, its unique selling propositions (USPs) and crucial financial information. Consequently, the hotel operators are invited to bid for the project and provide a letter of intent, short LOI, as well as a five year trading projection. Afterwards, a set of potential candidates is determined which will be narrowed down to solely a few hotel operators in the following steps. Then, personal meetings and site inspections may take place where lastly, a final decision is made by choosing a suitable hotel operator.

After having elaborated on the hotel property development process and having shortly addressed the valuation techniques for real estate properties, the next chapter offers initial insights into the topic of real estate management.

## 2.2 Real Estate Management

To start with, a real estate or real property is described as being the land and the improvements made to it as well as having the authority to make use of these aspects (Jacobus, 2010). Going more into detail, the term *land* does not solely refer to the surface of the earth but includes the center of the earth, its surface and continues into space. Thus, it might be the case that one person has the surface rights, another one has the subsurface rights and even a different person has the air rights. The improvements made to the land concern everything that is attached to it with the purpose of being permanent, more precisely this involves houses, schools, fences, roads and many others. They improve the value of the land and are therefore called *improvements*.

There are various forms of ownership of the land which will be shortly addressed within the following paragraph. When one person owns the property, this is described as a *sole ownership or an estate in severalty*. The advantage herewith is that one person can make all the decisions on his or her own and thus, does not rely on any other parties. However, this freedom also goes hand in hand with a responsibility as it is his or her obligation to find tenants and keep the property in good state. Moreover, there is a significant initial investment required when purchasing a property. Now moving to the types of ownership where two or more people share the ownership of a single property. They might do this acting as *tenants in common*, where each person has an undivided interest in the whole property. This interest needs to be equally split between the parties and each owner may sell his or her individual interest. Another type is called *joint tenancy* where the most significant difference to the one mentioned previously is its right of survivorship. If one of the owners dies, the ownership will not be passed to his or her heirs but stays within the remaining tenants. It can be said that there is solely one owner less after one has died (Jacobus, 2010). A form of ownership being explicitly available to married people is defined as *tenancy by the entirety*. For this purpose, the husband and the wife are perceived as a legal unit and hence, both signatures are required when selling the property to someone else. It is needless to say that there are various other forms of ownership existing, often varying widely from country to country, and many more characteristics for each type of ownership can be elaborated on in more detail. However, the aim is to

briefly address the main types of ownership in order to give the reader a first impression of this topic.

### **2.2.1 Types of Hotels**

With explicit reference to the hospitality industry, it has to be stated that a real estate can be converted into various forms of hotels. However, one has to mention beforehand that tourists do not solely stay in hotels as 75 percent of all domestic tourists, meaning people travelling within their own country, either stay with friends or relatives or rent houses or apartments (Lawson, 1995). The most significant groups staying at hotels are business travellers as well as foreign tourists. According to the world tourism organisation there are two major categories of accommodation, namely hotels and similar establishments and supplementary accommodation, referring to rented apartments, houses and camping sites. A hotel is typically described as a public establishment that offers travellers accommodation and food against a payment. They are categorised according to their location, their standards of quality, their operation as a chain hotel or independent one and their extent of specialisation. Referring to the factor *size of the property*, the optimal solution is said being achieved when having around 200 rooms for efficient staffing. Apart from these factors, the most common method for identifying the type of hotel within the hotel development processes involves the following five categories: *mid-range, high-grade, budget hotels, resort hotels and suite hotels*.

Mid-range hotels are commonly situated in suburban areas, near airports, ferry ports and towns. These properties may offer guests more spacious rooms, convenient access and parking as well as more space for leisure activities and amenities. Moreover, the location may be positively associated with a new commercial property. High-grade hotels are frequently referred to as city center hotels where most locations often only have limited space and are related to town planning controls. This category also includes mixed developments where the hotel is combined with office buildings, shopping malls or convention centers (Lawson, 1995). Thus, the hotel may only cover certain areas or floors while being served by an exclusive elevator. Additionally, the term *adaptive re-use* refers to hotels where the character and the shape of the property are to a high extent already defined. This might result in not being able to use the space available in the most efficient and effective way but nevertheless these properties have a unique character and often a historical association. The target market of budget hotels as well as motels typically consists of transient users who look for an accommodation at economy rates. They are highly standardised, however the evolving trend is towards a more innovative and attractive design. Resort hotels vary significantly, depending on the tourist attractions

nearby as well as the marketing requirements. Examples for this are beach resort hotels where the most appealing factor to potential guests is the water with its activities. Additionally, there are marinas, health resorts and spas, rural resorts and country hotels, mountain resorts, themed resorts, all-suite hotels, condominiums and serviced apartments (Lawson, 1995).

### **2.2.2 Grading of Hotels**

Already for over more than 55 years, the world tourism organisation aimed to establish an universally accepted hotel rating system. However, in the year 1995, there were still more than 100 of such systems in operation where most of them were oriented towards the one developed by the world tourism organisation but with local adjustments. The rating systems can be placed into two categories, namely the official classifications which are typically determined by government agencies, such as the ministry of tourism or the regional tourist board, and the independent ratings, based on the assessment of external third parties. This evaluation can be undertaken by associations, more precisely the hotel association, or commercial bodies, such as the Michelin travel guides (Lawson, 1995). There are various criteria which encourage the introduction of such universal rating systems as they can be seen as channels for direct promotion and ensure that the standards will most likely meet the expectations. Thus, guests of a hotel know what to expect when booking a property within a certain rating category as there are requirements to be fulfilled and as a result, one already has an idea of the facilities provided. Moreover, the standards guarantee a certain level of quality and are partly responsible for a reliable image of a destination. However, apart from the benefits previously mentioned, there are also difficulties related to the introduction and modification of such universally applied rating systems, especially when there is a significant amount of hotels already available. Possible issues include the local infrastructure as, for instance, standards might need to be altered for developing countries as basic conditions, such as a clean water supply and sanitation may not be given at all or at least not to the same extent as in developed countries. Furthermore, the overall quality should also be considered as some properties might not have certain facilities or amenities although this can be compensated by other elements, like historic value or an exceptional location. In addition, most rating systems are based on tangible components and are short of integrating subjective judgement for qualitative aspects into their evaluation. Moreover, it has to be kept in mind that guests have different needs and wants, often varying by location, where consequently also different standards should be applied for a hotel located in a city or a resort situated in a more rural area. Ultimately, the rating

level largely depends on the maintenance and the degree of cleanliness, anyhow these factors are sometimes challenging to observe and to determine.

The elemental features of the various rating categories will be briefly addressed within this paragraph. The level *one* refers to hotels offering good basic facilities, allowing the guest to experience a comfortable stay. However, the meal services are offered to a limited extent and typically private hotels are situated here. Next, the label *two* stands for hotels with higher standards of accommodation, also providing amenities to their guests. This category comprises of private hotels as well as budget hotels. One step further, namely the *third* type, involves spacious properties which are highly comfortable and dispose of their own, integrated bathroom. The guest is able to consume full meal facilities and the various amenities are available. Subsequently, the rating of *four* is applied to well-equipped hotels of high quality, offering furniture ensuring high standards of comfort combined with multiple services and amenities. Finally, really exceptional hotels are labelled with the category *five* due to their outstanding quality of accommodation and luxurious furniture linked to perfect services and extensive amenities for their guests. Nevertheless, this is solely a rough description of the various categories, ranging from *one* to *five*, which are commonly applied. Nonetheless, the world tourism organisation developed precise minimum standards for hotels for each of the categories shortly discussed here. An overview of these standards can be found in Appendix 2.

As one can see, real estate and its various forms and the rights associated with it are a very complex topic and hence, it is just briefly addressed here as to have a basic understanding of the most important practices linked to hotel property development. The subsequent chapter is about communication since, as already mentioned, many parties are involved in the dynamic procedure of selecting an appropriate real estate and in general, the hotel property development process, which could lead to miscommunication. Therefore, it is crucial to have comprehensive knowledge about the underlying structure of the communication strategy and to apply this concept effectively and efficiently in order to ensure successful bidding processes. The next section will explain the basics of the communication process.

### **2.3 Communication Process**

As MRP hotels is continuously communicating with many external parties, ranging from hotel operators to real estate owners and other third parties involved, it is essential to enhance the communication process by gathering more knowledge about this procedure. Thus, the reader will be given an explanation of the basic model of communication in order to highlight the importance of a well-established communication process. However, not much literature was

found on this topic either, often emphasis was put rather on specific studies referring to communication, such as cultural studies and others. Hence, one will focus on the work by Fill (2009) with his book *Marketing Communications – Interactivity, Communications and Content* by describing the key functions of communication as well as the linear model of communication. Moreover, the work of Lamb, Hair Jr. and McDaniel (2012) titled *Marketing – Student Edition* will be considered to some extent.

Generally speaking, Fill (2009) argues that communication in exchange transactions should fulfil four key tasks. First, it should provide information and make potential customers aware of the organisation and its products or services offered. Second, communication should persuade current as well as potential customers to engage into an exchange relationship. Third, reassurance should be provided to the customers by reminding them of the previous experiences and benefits they had with the company (Fill, 2009). Fourth, communication can act as a differentiating factor in order to stand apart from competition. Based on the discussions with the experts we can see that the number of competitors within the tourism- and hospitality industry is continuously rising, thus knowledge about the communication process and methods can be highly important for the actors within this sector.

When referring to the communication process, it is necessary to mention its basic underlying concept, namely the linear model of communication which comprises of the following components: source, encoding, signal, decoding and receiver. To start with, the source can be seen as the organisation or individual who has identified a need to transmit a message (Fill, 2009). The process of selecting an appropriate way of displaying the message, either as a picture, word, symbol or music, is named encoding. However, the source should keep in mind that the message needs to be understood by the receiver, otherwise this could result in misunderstandings. Especially companies often invest a great amount of time and money into establishing a successful communication process. As per Fill (2009), when the source displays a lack of persuasion, trust, authority or expertise, this might significantly influence the credibility of a company in a negative sense. Second, the signal is transmitted by the source using particular media channels. The channels may be either personal or non-personal. Personal channels comprise of face-to-face interaction and word-of-mouth communication which are, especially these days, growing in influence. Face-to-face communication allows seeing the reaction of others and hence, enables the source to respond immediately (Lamb et al., 2012). Non-personal channels are usually campaigns aiming to target large audiences through, for instance, mass media advertising. The target group consists of customers as a whole and examples of a mass media channel involve televisions or newspapers. Hereby, it is more difficult to know the reaction of the customers and thus, marketing managers have to wait in order to be able to see whether their reaction is positive or negative. Third, the receiver is described as the individual or organisation receiving the message. This involves the process of decoding where the receiver interprets the message into his or her own thoughts. Fill (2009) states that the ability of the receiver

er to decode the message depends on the experiences, attitudes and values of the receiver as well as the source. Finally, providing the sender with feedback is crucial for a successful communication process. This may be done in form of changes in buying behaviour, direct feedback or storing information in long-term memory for future purposes. Another important factor to consider when evaluating the communication process is noise. Noise is said to be existent when the information is misinterpreted or excluded (Fill, 2009). Furthermore, it is omnipresent in all communication processes and hence, prevents the receiver from obtaining the information to its full extent. To summarise this, the linear model of communication is visualised in Figure 1.

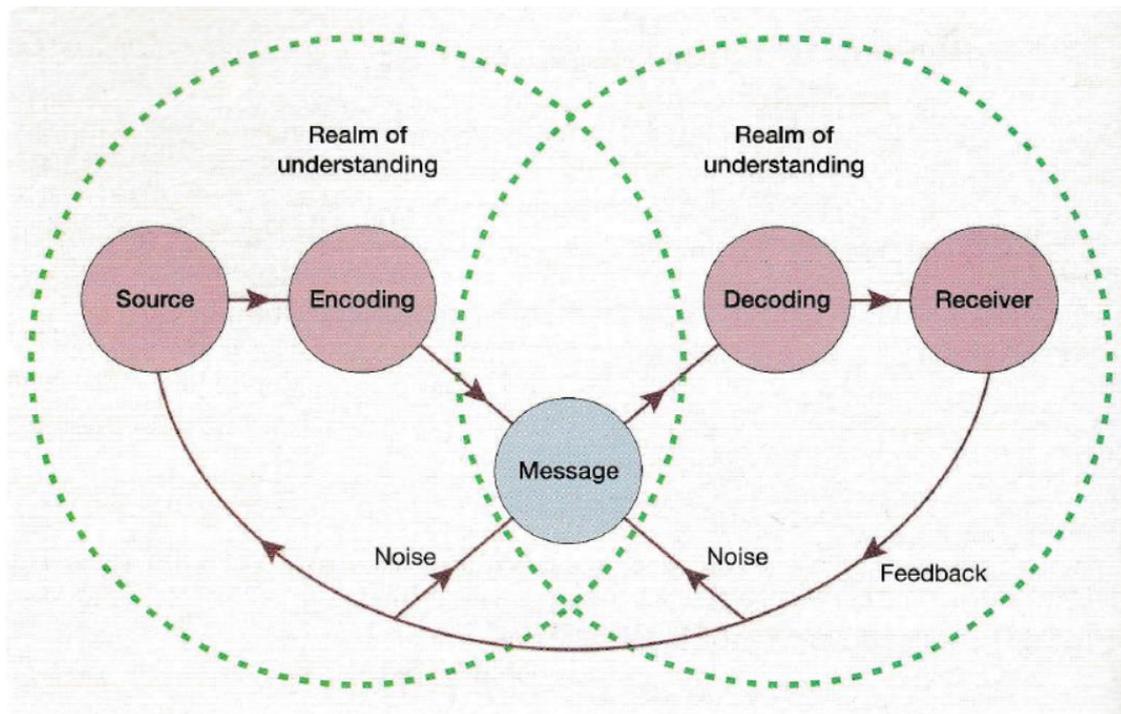


Figure 1: A linear model of communication (Schramm, 1955 and Shannon & Weaver, 1962 from Fill, 2009, p.42)

As already mentioned, many issues are affected when dealing with the communication process and thus, companies nowadays really need to carefully structure their internal as well as external communication. MRP hotels already does pay close attention to the communication process involved in when selecting appropriate hotel operators for real estate properties, however there is still some space for improvement. Hence, a better comprehension of the preferred communication channels and methods of hotel operators arises.

## 2.4 Hotel Operator Selection Process

When MRP hotels is approached by a property owner to provide support in order to find and select an appropriate hotel operator, there are various steps which need to be undertaken. MRP hotels helps with the selection of a prospective hotel operator but also offers support

during the negotiation of the operator contract and even assists until the actual opening of the property, both referring to the technical and economic aspects. First, MRP hotels states the initial position by capturing the current situation. Next, they ask their client to inform them about crucial factors, such as the location of the hotel, the investment costs and many others. Often an operator search is assigned with a pre-feasibility study. The pre-feasibility study conducted by MRP hotels is divided into three main parts, namely i) the analysis of the location as well as the market, ii) the development of the hotel concept and iii) the economic efficiency forecast (MRP hotels, 2017). The examination of the location of the property and the surrounding market is essential to review the underlying requirements for the operation of a hotel. This is done by visiting the property in person and by roughly generating an overview of the competition and the trends within the tourism development of the destination. These tasks are summed up in a SWOT analysis which stands for *strengths, weaknesses, opportunities and threats*.

Furthermore, the first step when establishing a hotel concept is to define the relevant factors that influence the development and to generate an approximate concept of the product by outlining the functional areas, their size and design. MRP hotels also gives their thoughts on the sales and marketing strategy where the USPs, the target market and strategies to approach this market are defined. MRP hotels also evaluates the potential hotel brands and operator structure. The results are summarised in a fact sheet which shows the examination of the possible product concept. Moreover, the economic efficiency forecast involves a prediction of the overall return and costs, corresponding to the various departments. MRP hotels also offers a projection according to the uniform system of accounts for the lodging industry format typically for the period of ten years of operation. However, the first stabilised year of operation, which is usually within the third year, is used as a basis for decision making. MRP hotels also assesses the possible constellations of the operating establishments based on their forecast of the economic efficiency of the property.

Finally, MRP hotels determines the risks of the project as well as its commercial viability. The next step is the first phase of the search for a hotel operator where a longlist is developed, followed by a shortlist and the conduction of preliminary talks. The longlist shows all the potential hotel operators which is then discussed with the client and narrowed down according to multiple criteria, such as the positioning, the type of contract, the strategy and many others. All the remaining candidates from the longlist receive a teaser which is prepared by MRP hotels. This teaser is typically longer than five pages and provides more comprehensive information on the project. It includes data about the property by mentioning the name of the project, its location, structure, status and area, more precisely the gross floor area (GFA), where a rough description is given on the space for housing, congresses and the hotel. If applicable, information on the current situation is presented on the present owner, the type of contract and the party responsible for the management and the branding of the property. There might

as well be more data on the destination by mentioning the various competitors on the market. Moreover, the number of rooms is indicated as well as the USPs, such as the market and the location (MRP hotels, 2017). Subsequently, the location is shown on a map where the approximate distance to airports, the city center and train stations is marked together with a plan of the site. Then, the potential hotel operators are asked to express their interest by contacting the responsible person from MRP hotels. Additionally, the prospective hotel operators should provide the following information: letter of intent (LOI) including the main terms depending on the type of agreement, namely management agreement or lease agreement, proposed branding, lease term, lease amount, guarantees, FFE investments costs and others.

Next, there will be the opportunity for site inspections in the future. As one can see, the teaser presents a detailed overview of the project by illustrating various factors and giving the potential hotel operators an insight into the property they are intending to operate. On the contrary, the fact sheet is relatively brief and usually about one or two pages long. The aim here is to provide the future hotel operators with a short overview of the project to see whether they express their interest or not. Subsequently, the potential hotel operators are approached and this first phase ends with the receipt of written LOIs declaring the interest of the hotel operator for this property. Based on exploratory discussions, the shortlist with approximately three candidates is established, ranked according to their qualification for this specific project. When performing preliminary talks, one aims to clarify the concrete interests such as the type of contract, contract terms, brand, et cetera. The second part of the hotel operator selection involves supportive actions referring to the negotiations with the remaining prospective hotel operators who are, if necessary, allowed to adapt their offers. MRP hotels provides professional assistance by clarifying definitions and technical terms and the completion of the head of terms with the appropriate candidate. Finally, the best offer is selected and more detailed negotiations start.

## **2.5 Conclusion**

The hotel property development process is a very complex one and thus, chapter 2 addressed the parts which are perceived being important to serve as foundations in order to ensure an efficient procedure and profitability for the property owner. As MRP hotels is acting as an intermediary and thus, represents an essential role within the hotel property development process, they have to consider all their actions and always attempt to improve themselves. This is the reason why MRP hotels has engaged in the creation of these data acquisition processes in order not only to measure the current satisfaction of hotel operators with the role of MRP hotels but also to enhance their practices by developing general drafts, varying by location and type of property, which allows them to cater their offers specifically to the needs and conditions of the project.

Subsequently, the next chapter presents concrete details on the creation, distribution and analysis of the online survey as well as the expert interviews. Thus, the reader is provided with relevant practical data which can, in turn, be combined with the literature on the communication process and hotel property development processes in order to detect areas for advancement which are summarised in chapter 4 where concrete implications for MRP hotels are outlined.

### **3 METHODOLOGY**

The following chapter will elaborate on the chosen research methods by revealing further details concerning the creation, structure, distribution and analysis of the online survey as well as the expert interviews which were performed for the purpose of this thesis. A version of the survey is included in Appendix 1 as to ensure that the reader is provided with all the relevant information. Additionally, the expert interviews can be found in Appendix 3.

#### **3.1 Research Design**

Research approaches are defined as being procedures for research, ranging from general assumptions to more concrete methods for data collection, analysis and interpretation (Creswell, 2014). This involves the research design and research methods. The basis for choosing a research approach is built on the research problem or issue being investigated, the personal experience of the researcher and the audience which should be addressed with the survey (Creswell, 2014). Generally speaking, there are three research approaches which are the following: qualitative, quantitative and mixed methods. Qualitative research focuses more on exploring and understanding a certain phenomenon by getting valuable insights into the behaviour, attitudes and values of people. Typical methods implemented for qualitative research involve in-depth interviews, participant observation and focus groups (Mack et al., 2005). In contrast, quantitative research is applied when testing theories by analysing relationships among various variables (Creswell, 2014). Quantitative research may involve experimental designs or nonexperimental designs, such as surveys. Mixed methods research involves elements of both methods mentioned previously, thus includes quantitative and qualitative approaches. Some argue that mixed methods research allows for a more holistic approach as it includes quantitative and qualitative research and hence may lead to more significant results (Creswell, 2014).

For this thesis, a mixed methods approach has been applied. Thus, quantitative as well as qualitative data have been collected. First, an online survey was conducted. However, the low response rate for the online survey required an additional research method to provide a holistic picture of the topic being investigated for this thesis. Therefore, sequentially expert interviews were held to supplement the outcome of the survey. Applying both, quantitative and qualitative approaches, for this thesis allows to answer the research question and sub questions.

#### **3.2 Survey**

The primary choice of applying quantitative research for this thesis is grounded in the aim of analysing the relationships among multiple variables which is, as already mentioned, one of

the key characteristics of quantitative research. For this explicit purpose, a cross-sectional survey has been created as the aim was to solely gather data at one point in time in order to identify the current situation and develop implications for future enhancement. If applicable, MRP hotels may conduct the survey again in order to detect whether the changes have resulted in higher satisfaction of hotel operators with the role of MRP hotels within the hotel operator bidding process. Thus, in order to answer the research question identified at the beginning of this thesis and to contribute to the existing literature on the hotel operator bidding process with some practical input, an online survey was developed.

### **3.2.1 Design of the Survey**

The online survey was created by using the web-based survey tool named Lime Survey. It is an open source tool and transparently developed (Lime Survey, n.d.). As Modul University Vienna hosts Lime Survey on its servers, there is a special version available to their students without any limitations concerning the number of respondents, number of surveys, et cetera. The fact that students from Modul University Vienna are able to dispose of an unlimited number of surveys and respondents is highly advantageous in this specific case as the sample size of approximately 200 respondents typically exceeds the range of respondents offered by other online software tools. Further advantages mentioned on the Lime Survey website include the unlimited number of administrators, the wide range of question types and languages, the skip logic, the design of the survey appearance, the anonymisation of responses and multiple others. To sum up, Lime Survey allows its users to create surveys, to send invitations and reminders, to visualise the response data and to export the responses in various formats (Lime Survey, n.d.). The data can be exported either as Microsoft Excel, Microsoft Word, statistical package for social sciences (SPSS), R, Stata, portable document format (PDF) or as a comma-separated values (CSV) file. Consequently, users have a range of possibilities to analyse the data accordingly by making use of one or even multiple methods. For the purpose of this thesis, the data will be analysed by using Microsoft Excel in order to examine the possible relationships between the variables identified as being crucial for gaining a better understanding of the topic being investigated. Despite the numerous advantages, there are also some limitations which should be mentioned as there is a lack of tutorials and information for the specific version available to students from Modul University Vienna. However, based on the various criteria mentioned previously, the decision was made to use Lime Survey as the advantage of being able to perform an unlimited number of surveys with an unlimited number of respondents outweighs the limitations.

### **3.2.2 Sample of the Survey**

The sample size of this survey consists of multiple hotel operators who are currently in the portfolio of MRP hotels. Thus, some are regularly contacted when a real estate owner is looking for an appropriate hotel operator to manage his or her property. The initial number of re-

spondents was estimated being approximately 200, however after having updated the hotel operator list, 190 hotel operators remained. Out of those 190, solely for three no current e-mail address could be found and thus, the sample size adds up to 187 hotel operators. The hotel operators that have been contacted in order to fill out the survey are internationally represented, hence are not limited to any specific countries. Moreover, the list disposes of a mixed selection of hotel operators as it ranges from Marriott International and Meliá to Weitzer Hotels. This ensures that the sample size is relatively diverse and allows for wider comparison and understanding by analysing the different types of companies concerning their satisfaction with the information presently provided by MRP hotels.

### **3.2.3 Measurement and Design of the Survey**

The process of creating the online survey involved a time span of various months in order to ensure an efficient and encompassing research method. To start with, one performed a brainstorming session together with MRP hotels in order to develop a mutual understanding of the areas to be covered as to lead to the creation of a general draft for MRP hotels. Consequently, MRP hotels established a draft version of the survey which is divided into two main parts. Thereafter, the decision has been made to rather formulate statements than questions. After having developed the statements, some adjustments have been made to avoid the inclusion of duplicate or redundant information. In the course of the following weeks, the draft version of the survey was tested by involving other colleagues and external people to check its coherence, comprehensibility and design. Afterwards, the statements were entered into Lime Survey where further amendments were made. In addition, pre-tests were performed with varying respondents and time spans. The first step was to pre-test the survey among MRP hotels as they are already familiar with the topic and thus, may be able to provide more detailed and precise feedback. After having done so, various other persons have been asked to perform the survey in order to see how long it takes them to finish. This has been done to highlight the compendiousness of the survey which should ideally be mentioned in the introduction as well as in the e-mail, giving the respondents a guideline on how much time they need to invest. The implementation of pre-tests contributed significantly to the identification of minor errors and has led to an overall enhancement of the logic of the survey.

### **3.2.4 Structure of the Survey**

The survey is divided into two major parts which are further subdivided into two categories. The first part aims to retrieve background information about the hotel operators themselves. For reasons of comparison it is crucial to create a basic profile with knowledge about the structure and type of hotel operator. Moreover, concrete information referring to the hotel property development process is inquired by retrieving data on the development department, the scope of their projects and the kind of contract they usually apply. Here, the aim is to obtain a better comprehension of the hotel operator before going into detail about the role of MRP

hotels. The second part consists of more specific information referring to the presentation of the property by MRP hotels. It starts by providing the hotel operators with two options where they can choose whether they are currently mainly involved in operating city hotels or resorts. Furthermore, they are obligated to decide whether these properties are located in A destinations or B-C destinations. This refers to the type of destination as one has to admit that, for instance, both Vienna and Eisenstadt are cities in Austria but significantly differ in population size, popularity and reputation. Having made this decision, the subsequent questions will then be answered for the selected scenario. The respondents will be inquired about the length and way of displaying the information concerning the real estate. Additionally, various criteria usually included in a fact sheet or teaser by MRP hotels will be provided, which should consequently be ranked according to their importance. These criteria comprise of elements such as return on investment (ROI) expectations, location, USPs, key performance indicators (KPIs), supply and demand structures. As well respondents are asked to comment on the level of detail of the multiple criteria previously mentioned. Upon completion of this part, another category will appear if the hotel operators have already worked together with MRP hotels. Next, knowledge about the communication process and their satisfaction with the role of MRP hotels is sought. This is done by inquiring about the responsiveness, tools of communication, and design and structure of the teaser or fact sheet. Furthermore, respondents are asked to indicate whether they would work with MRP hotels in the future and whether they would recommend MRP hotels within their network. Ultimately, they are encouraged to leave further comments when having reached the end of the survey. The final version of the survey can be found at the end of this thesis, more precisely in Appendix 1.

To go more into detail, information will be provided to the reader, referring to the type of statements implemented here. One can find both, open-ended ones, as well as closed-ended ones. There are multiple choice answer possibilities, such as *Please choose the following criteria which should be mentioned in the e-mail* where respondents are offered various predefined options, more precisely *location, market information, planning documents, key performance indicators, financial information, project specifications and requirements for potential hotel operators*. Moreover, respondents are asked to enter data when inquiring, for instance, about the number of employees within the development department or the current number of hotels within their portfolio. Additionally, there are also statements where it is solely possible to rank multiple criteria from *one* to *five* according to their importance where *one* means not being important at all and *five* reflects the highest importance. Using as well a *one* to *five* scale, the respondents should rank their satisfaction with processes related to MRP hotels where *one* refers to being very dissatisfied and *five* states being very satisfied. There are also some *yes or no statements* where, for example, it is stated *We would consider working with MRP hotels in the future* where the respondents are allowed to answer *yes* or *no*. Although most of the statements can be categorised as being closed-ended ones, there are also several open-ended ones. An example for this is the following *Please feel free to leave a com-*

ment on the level of detail of the various aspects, such as location, market, planning documents, KPIs, finance, project specifications and requirements for potential hotel operators. Furthermore, at the end of the survey respondents are encouraged to leave comments or remarks that they might have. The mix of both statements allows for in-depth comparison of the various measures which need to be further investigated.

After having developed the statements for the online survey, the variables aimed to measure were identified. Bernard (2013) identifies variables as something which can take the form of more than one value, also possible to being displayed as words or numbers. Thus, if you inquire people about their age, they will most likely name a number, such as 20 or 40. However, if you ask them to name their highest educational status, they will reply in words by mentioning their high school leaving certificate or maybe any other university degree (Bernard, 2013). Examples for variables often measured in social research involve age, sex, ethnic affiliation, marital status and many others. Furthermore, when talking about variables in quantitative research, as it is the case here, one has to differentiate between independent, dependent and mediating variables. On the one hand, independent variables are described as being the ones that influence or cause outcomes. A synonym for those variables is treatment, manipulated or predictor variables. On the other hand, dependent variables depend on the independent ones and hence, are resulting from the influence of the independent variable. Other names include outcome, effect or response variables. The term mediating variable refers to a variable that mediates the effect of the independent variable on the dependent one (Bernard, 2013). This can be best illustrated by mentioning an example, where pupils doing well on their exam (dependent variable) might be the outcome of their extensive preparational work (independent variable) and / or the gathering of their study ideas into a framework (mediating variable). Here, the mediating variable of organising their ideas is most likely to influence the effect of the preparational work on the performance during the exam.

Providing more concrete information on the variables determined for the purpose of this thesis, one is named *types of contracts* where the purpose is to capture the basic profile of the hotel operators. The statement for this is the following *We would usually offer the following type(s) of contract(s)* and three concrete answer possibilities are given, with an additional option of *other* where respondents can enter a text. Moreover, the variable *tools of communication* is measured by the following sentence *We have been very satisfied with the tools of communication used by MRP hotels, such as personal approach via phone and the receipt of the teaser or fact sheet* and respondents are asked to rank their satisfaction on a scale from *one* to *five*. In addition, the variable *criteria* refers to the subsequent statement *Please rank the following criteria which should be included in the fact sheet or teaser according to their importance*. Furthermore, it is announced that *Our legal business structure is the following* where the variable is labelled *business structure* and the answer options are *a group of companies, a large single enterprise, a medium single enterprise, a small single enterprise and a micro single*

*enterprise*. Most of the variables identified are related to the research question and sub questions established for the purpose of this thesis.

### **3.3 Expert Interviews**

As, after having conducted the online survey, there was still a need for further analysis, the decision has been made to include a qualitative element in this research by applying expert interviews. The aim of these interviews is to obtain information on a macro level, hence not solely focusing on specific aspects but rather also inquiring respondents about the future trends, general structure and network within this specific industry. Moreover, some questions are also based on the outcome obtained through the survey as to further explore topics where the analysis revealed rather surprising results. Furthermore, expert interviews allow for deeper insights into aspects considered important by being able to inquire in a more detailed and personal manner but also to elaborate on a specific topic. There are mostly open ended statements which allow the respondents to answer freely and they also give the interviewer the opportunity to go in-depth when having detected an area of interest or a topic which seems to be valuable and should be further investigated. The design of the expert interviews will be elaborated in more detail in the next section.

#### **3.3.1 Design of the Expert Interviews**

For this thesis, expert interviews with chosen hotel operators within the portfolio of MRP hotels were conducted. Expert interviews dispose of various benefits. First, expert interviews may be more efficient than doing observations when being in the exploratory phase. It might be the case that more sensitive issues can be easier addressed. Moreover, if the expert has a key position within a company of interest for the research topic, he or she might expand the access of the interviewer or recommend someone else who would be suitable for expert interviews. In addition, the realisation of expert interviews immediately results in good data which can be further used and analysed (Bogner, Littig & Menz, 2009). Nevertheless, there are also potential limitations which need to be addressed. Here the main issue is to decide upon the threshold where a person is described as an expert and what distinguishes the expert from all the other people. However, for this thesis the task was overtaken by MRP hotels as they know the hotel operators within their portfolio and are aware of their level of expertise and knowledge. Thus, it is assumed that MRP hotels adequately selected the most appropriate interviewees for this task.

#### **3.3.2 Sample of the Expert Interviews**

For performing the expert interviews, a slightly different sample size was included. For this purpose, the original list of hotel operators who were contacted in order to fill out the online survey was utilised but a selection of the ones who did not complete the online survey was

considered. MRP hotels chose hotel operators who dispose of sufficient knowledge to contribute their expertise on this specific topic. Thus, 20 hotel operators considered as experts within the hotel property development process were selected. This includes a wide range of experts as, for instance, international brands such as Motel One and Hyatt International are involved as well as family hotels, such as Mayer Family Hotels and Reiters Hotels. The 20 experts were approached and the aim was to obtain between four and six answers to complete the information already received through the online survey and to apply a more holistic approach. This goal is achieved as seven expert interviews were conducted for the purpose of this thesis. The interviewed experts are the following and are listed below:

- a. Alexandra Apacla, Senior Analyst Development at Deutsche Hospitality
- b. Florian Mayer, General Manager at Leading Family Hotel & Resort Dachsteinkönig from Mayer Family Hotels
- c. Astrid Schafleitner, Director Development Germany South, Austria & Central and Eastern Europe (CEE) at Motel One Development GmbH
- d. Florian Kollenz, Chief Development Officer at 25hours hotels
- e. Caspar Kraushaar, Development Executive (D-A-CH area, including Germany, Austria and Switzerland) at InterContinental Hotels Managementgesellschaft mbH (Gesellschaft mit beschränkter Haftung)
- f. Anonymous source, Aparthotel
- g. Martin Winkler, Member and Spokesman of the Österreichisches Verkehrsbüro Aktiengesellschaft (AG) Executive Board

All of the interviews, except for the last one with Mr. Martin Winkler, were conducted via phone and the interviewee was asked for permission to record the interview. All respondents agreed and thus, notes were taken during the interview but in addition, the conversation was also recorded. After having conducted the interview, the recording has been used to complete the interview in a more comprehensive manner as the time pressure did not allow writing down everything during the interview itself. This resulted in seven complete interviews which can be used to support the research for this thesis. The time span of the interviews varies slightly, however the average time lies within approximately 30 to 45 minutes. It has to be mentioned that some interviewees were keen on providing plenty of information whereas others did not want to outline the internal procedures, strengths or weaknesses of their company outside the enterprise. Nevertheless, the answers are highly valuable and provide a significant contribution to the quantitative research conducted at an earlier stage of research. The most important findings will be summarised for the reader in the paragraphs below and will be outlined separately per interviewee. For more detailed information, a full version of the transcript of all the expert interviews is available in Appendix 5 and is summarised per question.

a. Alexandra Apacla, Senior Analyst Development at Deutsche Hospitality

*General profile*

The first interviewee belongs to a company that has approximately 8.800 employees and multiple subsidiary brands. They evaluate around 50 projects per year and in 2017, they signed 15 projects. Currently the company is operating 104 hotels and most projects are located in city properties but they are equally situated in A destinations as well as B-C destinations.

*Internal procedure*

Their internal procedure when making the decision to bid for the operation of a property is the following: first, they are approached by someone external with details about the project. Second, they analyse the project and if it fits their requirements, they determine which brand is suitable for this specific location. Third, they enter into negotiations with the partners and owners and make an offer by sending a proposal for an expression of interest to the owning party. Fourth, the company sets up a term sheet according to the brand and contract. Fifth, the company presents the information gathered to the supervisory board that approves or rejects the project. If having received an approval from the board, they sign the agreement to operate this specific property.

*Typical schemes*

The next aspects considered are the type of contract which, according to Deutsche Hospitality, mostly varies from location to location. Presently, the majority of their contracts are lease contracts but, as they aim to obtain a balance, they focus more on management and franchise contracts. They do not perform a typical financial involvement but frequently, they give the owner keymoney and contribute to the pre-opening budget.

*Information requirements*

The company does not have a clear preference for receiving a fact sheet or a teaser, it significantly depends on the structure and content of the information. The type of information which should be included is the following: expectations of the owners, data on the property, location, market, planning documents, KPIs, financial data, project specifications and requirements for potential hotel operators. Deutsche Hospitality would appreciate being contacted via phone however, they suggest sending the information first and doing a follow-up call later as this enables them to go through the information before the call.

*Future trends and challenges*

Now generally speaking about the hospitality industry, they see Airbnb as a core disruptor which is rising due to the increasing use and popularity of technology which easily connects

people around the world. The global trend of applying technology makes it necessary to invest more frequently as technology quickly becomes redundant which results in a rise of investment costs. Technology, increasing demographics as well as the speed to go and travel are, according to the company, future trends. Nowadays, the increasing number of low-cost airlines leads to the need for mid-scale hotels. Thus, they also aim to diversify their offer by having more brands within their portfolio. This also represents one of their challenges, as they do not have as many brands as their competitors. Moreover, it is sometimes difficult to find an appropriate location as they have strict regulations and requirements in place.

#### *Competition and the network within the hospitality industry*

In the future, they see more brands entering the market and thus, the competition will increase at some point and due to their limited number of brands, their scope of operations is restricted. They are flexible in terms of deal structure and easy to be approached as they are not such a huge company and thus, even their top management is accessible. Moreover, they are open to changes and new trends. Within the hospitality, there are regular networking events where hoteliers, analysts, investors and consultants meet and exchange ideas. This company in specific is working closely together with development companies and real estate developers but not with a particular consulting company.

- b. Florian Mayer, General Manager at Leading Family Hotel & Resort Dachsteinkönig from Mayer Family Hotels

#### *General profile*

The second expert interviewed for this thesis is working at a group of companies with 150 employees. They evaluate three to four projects per year and realise one project every three years. Currently, they are operating three hotels in Austria and Germany. Referring to their location, they solely have resort properties located in B-C destinations. However, they are not dependent on the destination as they really aim for resort properties situated in villages based on their brand concept.

#### *Internal procedure*

Usually, the Mayer Family Hotels is approached by developers where the person in charge evaluates the project. The final decision is made by the head of the company, who is in this specific case a family as they are a family owned hotel company. Although developers or investors who approach them already provide all the necessary data, they perform research on their own as well. They prefer new built projects since they are able to develop everything from the scratch according to their concept.

### *Typical schemes*

At the moment, the company has one management contract in place and the other properties are 100 percent owned by the family. They will open a new hotel in Switzerland where they will apply a lease contract, thus they do not have a clear preference concerning the type of contract. The company currently does not engage in financial involvement.

### *Information requirements*

They do not reveal a preference for a fact sheet or a teaser as the length of information really depends on the project. Important aspects to be included are: location, market information, planning documents, financial information, project specifications and requirements for potential hotel operators. They do not think it is necessary being approached via phone beforehand. However, when having received and analysed the documents, a personal phone call will enhance the communication between both parties.

### *Future trends and challenges*

According to Mayer Family Hotels, the most important challenge is the current crisis of finding well educated employees, especially in leisure destinations it is difficult to find employees who are educated enough to work in operating departments, like service, food and beverage (F&B), and the kitchen. Furthermore, they think that Airbnb and technology in general are challenging the entire hospitality industry but not their specific concept. One threat is the scenario where regional tourism might decrease based on the recovery of destinations like Tunisia, Turkey and Egypt which have been highly affected by recent terror attacks. Referring to the future trends in general, the booking and payment processes will get easier, faster and more transparent.

### *Competition and the network within the hospitality industry*

It cannot be denied that competition is always there but they have a very special concept, thus their competition is limited. They are totally dedicated to children and on average, they have about 250 children in every property which also brings an enormous responsibility and requires specifically trained personnel. Big hotel chains do not have a target group that involves small children and hence, they are not that much afraid of competition in the near future. One of their strengths is that they are not operating under the same terms and conditions as big hotel brands are. Additionally, there are no big hotel brands in the leisure tourism in Austria and they do not anticipate any big hotel company to step into the market soon. Their concept is unique and there is currently no competitor with the same specialisation who is already operating so many properties. Their major strengths are clearly their business access and USP. One potential area for improvement might be that, within their development process, they do not have the structure or knowledge like big hotel brands have but currently, this is not needed as they are a family owned company. Of course, generally speaking, there are always areas

for improvement within the process, structure and presentation. They are in touch with certain developers and investors but they do not see a specific network.

- c. Astrid Schafleitner, Director Development Germany South, Austria & CEE at Motel One Development GmbH

#### *General profile*

The subsequent company has about 2.200 employees, as of December 2017, and eight employees within the development department. They are a group of companies with 63 hotels currently being operated. They evaluate more than 500 projects per year and normally, sign between seven and ten projects per year. They are situated mostly in cities as well as in A destinations.

#### *Internal procedure*

Their internal procedure involves various steps where first, they are approached either by the owner directly or hear about the project by talking to brokers or other local specialists who know the market very well. Second, they are overlooking the opportunities, starting to negotiate a project, aiming to understand which values are needed and determining whether or not the project is feasible from an architectural perspective. If they are convinced, they will take the documents to the managing director (MD), who in turn will take it to the board meeting in order to aim for an approval. After the board approval has been granted, they finalise negotiations and start exchanging contracts. This is a typical process but, as they are a small team within the company, there is nothing 100 percent standardised as it is more related to the situation and the current opportunity at hand.

#### *Typical schemes*

Motel One mostly engages in long term leases where approximately 75 percent to 80 percent of the room stock is secured via long-term leases. The remaining room stock is within their own real estate portfolio. Currently, they do not have a management contract in place and they do not consider franchising as an option to grow. In general, the better the project and the location are, the more creative and flexible they are regarding the financial involvement. Typically, they work with rent free options, this could be equivalent to getting a budget for the pre-opening.

#### *Information requirements*

The company would prefer receiving a fact sheet as, for the first analysis, they actually solely need to understand the location and even one line with an address would be sufficient. Then, they determine the closest public transportation, the visibility and how the neighbourhood looks like. Next, they require information about the size of the building and the potential deal

structure. Then, they decide whether they are interested or not. If they are interested, they start their architectural feasibility study on the project. Market information is not needed as they already have massive data on every hotel market in Europe. Moreover, they would like to have information on the planning documents and on the project specifications. Financial information is important but should not be too detailed as sometimes the direct contact between the parties is essential to know what the intentions of the other party are. To sum up, they just need the location as first information where they base their primary decision on. They want to be approached via phone beforehand as usually, this allows discussing the project in a few minutes and establishing a direct contact.

#### *Future trends and challenges*

The hospitality industry has a colourful landscape with many niche products and companies varying in size and scope of operations. This allows them to satisfy different needs of customers. In general, they experience continuous growth on tourism and overnights. However, they are not the only one looking for this specific location, thus they need to strengthen the brand, the USPs, constantly develop and improve the product and find the right people to work with. Although this process is truly challenging, it is also absolutely interesting. Referring to the challenges, they see especially in Germany many markets which show very strong pipelines with a huge growth in supply within the next couple of years. The current market does not seem to be demand driven, but rather investment driven. They are cautious on the further market development as another financial crisis or terroristic act could lead to regression and a decrease in overnight stays which would foster competition. Therefore, if a market is too hot, they only invest or enter if the location is absolutely prime and the project is based on sustainable fundamentals. They see one big trend named *lifestyle* as many brands and hotel operators would like to become a more lifestyle oriented brand by being cool and reaching out to millennials as their customers. The other trend is *digitisation* where it is essential to think about the options to integrate the digital improvements into operations and find ways how to satisfy customers.

#### *Competition and the network within the hospitality industry*

They see competition in the market but it is good for all of them to improve the product. Motel One assumes that competition will stay as strong as it is today or it will probably even increase. It is essential to focus on the core values, for instance *credibility* and *financial strength*. Moreover, they are fast within the hotel property development process. They are also able to do their own developments and additionally, they are quite flexible on their deal structure. The interviewee sees an importance of having a clear focus on digital development and improvement, for instance within the development process but also product wise where a better management of project related data would make lives easier. Product wise, their first robot Sepp moved into their hotel in Munich, Parkstadt Schwabing, smart television with concierge function is now available in Motel One Berlin Upper West and they just recently launched their

Motel One loyalty program *beONE*. Nevertheless, there are plenty of further elements not only digital natives will ask for in the future and where they need to be prepared. There are no formal networks but there are networks within different markets, knowing the people who are active in this industry is absolutely essential. There are plenty of people involved, such as property owners, lawyers, architects, brokers, consultants and many others. One has to network and socialise in order to obtain new projects and to be proactive as well.

d. Florian Kollenz, Chief Development Officer at 25hours hotels

#### *General profile*

This company has about 700 employees where eight employees work within the development department. They are a group of companies with one special purpose vehicle (SPV) per city where they are located. Between 40 and 50 projects are evaluated per year where three to five projects are actually realised. At the moment, they are operating ten hotels which are all located in cities. So far, they have a mix between A destinations and B-C destinations although in the future they plan to focus on A destinations.

#### *Internal procedure*

Their internal procedure is different on a case to case basis. First, they receive a teaser containing broad information and key facts on the property. After having signed the non-disclosure agreement (NDA), they are granted access to a virtual data room with all detailed information, such as floorplans, pictures, renderings and financial data on the market. Then, they visit the property to experience the neighbourhood and get an impression and feeling for the location. Subsequently, a review of the plans is conducted and based on this information, they develop forecasts. After these first steps, they do market research and determine their competitive set. Finally, this results in a business plan and a full financial forecast which forms the basis for the final decision. These documents are presented to the landlords or their consultants who, thereafter, shortlist with a second round of preferred candidates. Referring to the decision maker, they usually share the heads of terms, the financial forecast and the floorplans and consequently, the shareholder board decides to either approve a project or not. This decision is anonymous and all shareholders need to agree in order to move forward. Moreover, the project also needs to be presented to the investment committee of Accor as they have just recently gained a 30 percent stake in the company. Thus, the project is presented to Accor whenever there is a financial commitment from the hotel operator.

#### *Typical schemes*

Normally, 25hours hotels signs lease agreements, management agreements and so called *manchise agreements*. Out of their ten current hotels, all of them have lease contracts but the property they are opening in 2018 in Paris is going to be a management agreement. *Manchise*

*agreements* are a mix of a management and a franchise agreement. This is only done with Accor where Accor provides the existing infrastructure and resources but the concept is created by 25hours hotels. Usually, they participate in the pre-opening expenses, especially in lease agreements they get a certain pre-opening budget from the owner. On management agreements, such as in Paris, they offer a gross operating profit (GOP) guarantee. Usually, they rather aim for giving guarantees than providing money on the very beginning, thus they are not really in favour of keymoney and giving a FFE grant.

#### *Information requirements*

They neither favour receiving a fact sheet nor a teaser as it highly depends on the content and the way of presenting. It is crucial for them to have the exact location including the address. They also need to know the size of the property, a typical floor plan, some pictures of the surroundings and information on the owner and the developer. Moreover, they wish to have a very quick outline on the process. Consequently, information on the location is essential and further they want to receive planning documents as well as financial information, project specifications and requirements for potential hotel operators. There is no real preference whether or not to be called beforehand. One challenge is finding new projects and getting them off the ground.

#### *Future trends and challenges*

There is tough competition since often they are also competing with office rents or residential use as, for instance in London. Another challenge is bureaucracy, especially in markets like Italy, France and Brazil. There are so many factors that need to be considered and often the company has to plan many years in advance although they do not have a property there yet. Referring to the trends, one can see a tendency towards more individual products, such as a *lifestyle* sector which implies moving towards a more authentic local experience. This demand for an authentic experience has already been filled by another player, namely Airbnb. Furthermore, especially in the area of digitisation, the scope of services will change as, for instance, the concierge should focus on services that really are of value for the guests and not run administrative services.

#### *Competition and the network within the hospitality industry*

Obviously, there is much competition however 25hours hotels stated having found their niche in the market with a very specific offer. Nevertheless, they are quite often competing with local hoteliers having two or three well-developed hotels. They see that guests are looking for an experience outside the box and thus, there might be a shift towards more individual hotels and brands. One strength of the company is that they are quite flexible with the type of contract whereas they are not so flexible with the public space, such as the lobby and the various outlets, as this is the area where they create the experience for the guests. As the company is

constantly growing, they need to keep in mind that the ways of managing such a big company are quite different from where they started as a small startup. After all, hotel real estate is still a small industry and there are typical events, such as the international hotel investment forum (IHIF) in Berlin, where one can socialise and network. They try to have good relationships with people who are close to the projects like consultants, architects, lawyers and others. Especially if they are entering new markets, they try to build up a new network there.

- e. Caspar Kraushaar, Development Executive (D-A-CH area, including Germany, Austria and Switzerland) at InterContinental Hotels Managementgesellschaft mbH

### *General profile*

The interviewed company is a group of companies with approximately 400.000 employees where around five employees are further involved with developments of projects within the DACH region and ten employees deal with related activities, such as the design, assessment and others. Per year, they evaluate approximately 400 projects and they realise between ten and 15 projects annually where 2017 was a record year with 19 projects being realised. Currently, they are operating 76 hotels and have 43 ones in the pipeline. The highest share of their properties is located in cities and in B destinations. However, it has to be mentioned that the company is not a hotel operator but gives away the name and brand to franchisees.

### *Internal procedure*

Their internal procedure is structured in the following way: first, they do a pre-assessment. For this purpose, they get in touch with the corresponding person and check the location, meaning if there are already hotels out of their portfolio located nearby in order to protect their current franchisees. If the size and location are suitable, they examine the construction site and if it is further determined being feasible, they perform due diligence internally. Next, they bring a developer and a franchisee in contact. There are plenty of internal procedures involved within this process as, for instance, they require the approval from the approval committee in the United Kingdom (UK). After having signed the contracts, the construction can start.

### *Typical schemes*

They are open to many different types of contract but they frequently do franchise agreements. The most common financial contribution they give is keymoney. They definitely do not engage in FFE grants or patronage where they would guarantee for the franchisee.

### *Information requirements*

The interviewee would prefer getting solely fact sheets as teasers contain information which they often already have or which is redundant for them. The fact sheet should ideally contain the address, plans, costs and expectations of the owner. Moreover, information on the owner-

ship structure, gross floor area, lease indications and demand drivers is helpful. Additionally, they wish to receive planning documents, financial information, project specifications as well as information on the key performance indicators and the requirements for potential hotel operators. They prefer being approached via phone before sending the documents as this allows them to easily determine if a project is of interest for their company or not.

#### *Future trends and challenges*

InterContinental Hotels Managementgesellschaft mbH expects competition to keep increasing as many companies are announcing new brands to be launched within the next couple of years. This already results in rising prices for constructing hotels but consumers are not willing to pay more. An increasing trend within the industry is digitisation as consumers expect instant feedback and knowledge of the availability of a property. Hence, everything is transparent and expectations from the consumers are rising. Nevertheless, it is crucial to take care of the data protection of their guests through physical barriers or security systems.

#### *Competition and the network within the hospitality industry*

As previously mentioned, they perceive that there is a lot of competition and hence, pressure on the market increases as every company wants to secure their market share. Referring to the strengths of the interviewed company, they can react very fast and have contracts with multiple development partners with whom they constantly work together. Moreover, they have a *one stop shop mentality* which signifies that their development department also actively looks for sites on their own and thus, they are not dependent on external parties to offer them projects. The areas for improvement will not be disclosed. The interviewee sees a network as the hospitality industry is a people's business. They have, for instance, a network of partners within the construction area and it is crucial to choose the partners wisely and maintain a good relationship with them. The network within the hotel real estate development is rather small and hence, it is essential to know the people, be honest and act quickly and reliably.

f. Anonymous source, Aparthotel

#### *General profile*

The company has approximately 50 employees in total where eight of them are dealing with the rollout of the company. They have one parent company which is the holding company and subsequently, they have one SPV per city. Referring to the projects, they typically evaluate 500 projects per year and currently they do not have any data on the projects realised per year. However, one project will be realised in 2019 and three projects in 2022. At the moment, they are operating one property. It can be said that they only have projects in city properties and, based on their current target market, they are located in A destinations. For now, they are

aiming for destinations like London and other gateway cities but as they are a very small and young company, they are considering their focus very often and are still exploring different options.

#### *Internal procedure*

In general, before they go into a city, they do a city overview where they look at the hotel market, development and the general economic state of the city. They also examine the neighbourhoods that might be interesting for them. They try to create a network within the city, meet many people and spend a few days there. Furthermore, they perform a *five minute analysis*. First, they analyse the micro location and second, they look at the floorplans and check whether the building is sufficient for their needs or not. If the location and the building go in line with their concept, the third step is to run the financial model. They come up with a rent proposal and if it is accepted by the developer, they discuss the head of terms which are basically the core pillars of the final agreement, such as the lease terms, the distribution of responsibilities and how many rooms can be integrated in the building. Once this is signed by both parties, they enter into the development and lease agreement discussion. They prefer to have two separate agreements for this as, when the building is constructed, they can focus on the fulfilment of the lease agreement. After the discussions, they elaborate on the technical terms and develop the design. At the beginning, the developer of the respective region works on the project. Once they have performed the five minute analysis and run the financial model, the co-founder of the company signs off the high level rent before sending out the proposal. In addition, on a monthly basis they include the project in the shareholder update where they inform the shareholders of the advanced projects in the pipeline and before the hot phase starts, they require the approval of the shareholders.

#### *Typical schemes*

They are very flexible concerning the type of contract but in general, they do fixed or hybrid lease contracts. However, in the United States (US), they prefer management contracts but they are standard anyhow in the US. They are willing to invest in FFE but they prefer a turnkey scenario where everything is paid by the lessor and they, in return, pay a higher rent.

#### *Information requirements*

The company favours receiving a fact sheet because teasers sometimes do not contain the information on the project they are looking for. They aim for information on the vision of the whole building, like whether or not it is mixed use or single use. Moreover, it is essential to have knowledge of the connectivity and the scale of the building. Information which they hardly ever get but which is highly appreciated is the floor height as they have a really specific minimum requirement for the room heights. Moreover, they perceive scaled floorplans as very useful since, if they have knowledge of the scales, it is way easier for them to determine the

feasibility of the project. Furthermore, they aim to obtain market information, planning documents, information on key performance indicators, financial data, project specifications and requirements for potential hotel operators. There is no preference from their side whether or not to be approached via phone before receiving the documents.

#### *Future trends and challenges*

The anonymous source outlined that they started to compete with offices or co-working areas as they are frequently also looking into accommodation options. Especially A destinations are currently really hot markets and consequently, everybody asks enormously high prices which results in, at some point, insanely high competition and rents paid. In addition, a lot of international investors are buying plenty of real estate and hence, they are also pushing prices. Moreover, there is the challenge of competing against large brands which can easily launch a new brand and also have a much better covenant strength than smaller companies. A positive aspect is that bleisure travelling, meaning a mix between business and leisure travelling, is on rise. Moreover, it is said that more than 60 percent of young professionals want to work abroad once in their life for a limited time. This fits their concept of a long stay product where the professionals could stay at their property for a couple of months while working abroad. As already mentioned, a positive future trend is the rise in international travel. Moreover, it is increasingly common to exchange employees of a company where the employees go somewhere else for a project for a limited time. The internet of things is also something they are already testing in terms of data collection. In addition, the sense of community is becoming more important again, especially when travelling for business reasons, where people are looking for social engagement and networking.

#### *Competition and the network within the hospitality industry*

There is currently tough competition and according to the anonymous source, it is in general expected to keep rising but in terms of the amount of brands it might decrease again at some point. One aspect that they do very well is the space efficiency as their core concept is that the back is not the center of the room, meaning one can store away all personal belongings in the bedroom and can, for instance, host meetings in the apartment as well. Moreover, they never rent out the ground floor, thus the owner is able to rent it out to retailers and others. Apart from that, also once the lease has expired, it is possible to use the loft for residential purposes. The company also influences the development of the neighbourhood as due to recent openings, the surrounding area is becoming hip. They have many events at their property, such as jam sessions with locals who also use the public space at the property for their purposes. However, a possible area for improvement is the covenant strength, which results in investors being careful as they do not want to take such a high risk by investing in a young company. Moreover, the flexibility of the rooms can be enhanced as they require a certain height and shape of the building to make the best out of it. The company is in contact with developers,

owners, brokers and often also municipalities. In addition to that, they have local heroes working for them who bring them into contact with developers and owners by trying to find suitable sites for the company.

- g. Martin Winkler, Member and Spokesman of the Österreichisches Verkehrsbüro AG Executive Board

#### *General profile*

The next interviewee is a group of companies and has approximately 3.000 employees where 1.500 are concerned specifically with the hotel business. They are currently operating 28 hotels. Per year, they evaluate above 50 projects and in the year 2017, they realised two projects. They are mainly involved in city properties and the majority of their projects is located in A destinations.

#### *Internal procedure*

The internal procedure starts with an evaluation of the market and afterwards, they look into the target group as they focus on lean, smart business hotels. Next, they deal with the business case where they examine the expectations of the owner and the KPI with the lease coverage ratio. This is the step where they decide to go for the specific project or not. The project is approved by Ms. Faltynek in accordance with the management team of the hotel group and they also require the approval of the sales and controlling department.

#### *Typical schemes*

Österreichisches Verkehrsbüro AG has their focus on lease contracts but they would also accept management contracts as they are quite flexible with the types of contract. FFE grant, keymoney and a contribution to the pre-opening budget are the typical financial contributions they are doing. Additionally, they also engage in a technical service fee.

#### *Information requirements*

First, a term sheet with maybe two pages might be sufficient, however, at a later stage, it is probably better to have a teaser with more details. The type of information they want to have included is the location. Moreover, market information could be integrated but is not 100 percent needed as they have their own data base on supply, demand and accessibility for various destinations. This is similar for the financial information as it is good to see the expectations of the owner but nevertheless, they do their own business plan. Planning documents are essential, like a ground plot, renderings and pictures. They also wish to have data on the project specifications, such as the type of project and information on the owner and property, as well as on the requirements for potential hotel operators. They do not need data on the KPIs to be included as they do this completely on their own. The company does not necessarily need to

be approached via phone before receiving the documents. For the first step, a teaser is sufficient and if the project appears being of interest, there will be phone calls and meetings anyway.

#### *Future trends and challenges*

A challenge for them is to do good investments in times where the industry reaches a peak in order to be fit for tougher times. On the other side, one also has to look for opportunities when the market is not doing so well. There could always be good possibilities which should not be forgotten. Referring to the future trends, there are technology trends which are tracked by their innovation department. This department tries to detect the trends that the customers will pay for, such as the check in and check out process as there is a significant trend towards automatisisation. Furthermore, it is necessary to integrate social media as well as to have healthy and organic products which could result in an adaptation of their F&B concept. In addition, they experience the trend that booking.com scores are more important nowadays than the classical star ranking. Hence, their primary goal here is to have a rating of 9.0 for their group on these platforms. There are regular meetings where they discuss the tracked performance of their properties as it is perceived as a highly important reporting tool.

#### *Competition and the network within the hospitality industry*

There is tough competition in the market, as the market is recovering which can also be reflected by the number of offers. There are usually several hotel operators bidding for one property, which is driving the prices really high. Currently, they try to invest in their portfolio to have money for investments in recession or recovery. In the future, competition is expected to increase which is supported by their numbers as, for instance, the average daily rate is continuously rising. They have a very diverse portfolio which is, on one side an advantage, as they have many products to serve the whole market. They are the biggest Austrian player and consequently, have a lot of expertise and know the market pretty well. On the other side, they do not have this one particular product which they can simply multiply like other big hotel chains have. Having to define the standards every time again can lead to a limitation of their flexibility. They have a good relationship with MRP hotels and PKF (Pannell, Kerr, Forster) hotel experts, where they are approached with different projects. Additionally, they also receive information from investors if something is for sale or for lease.

### **3.3.3 Measurement and Design of the Expert Interviews**

As already mentioned previously, the objective of doing additional expert interviews was to build on the information obtained through Lime Survey but also to have a different approach on this specific topic. When establishing the statements for the online survey, one intended to focus on a specific aspect of the hotel property development with the aim of applying it to MRP hotels. For the purpose of the expert interviews, a macro level approach was undertaken

where also general elements about the hotel operator selection process as well as the current situation and future trends within the hospitality industry were addressed. One started with analysing the answers already obtained through Lime Survey in order to reveal a further need for in-depth information and knowledge. The questions were adapted according to the feedback from MRP hotels as they discovered a few areas of interest for them which need to be investigated in more detail. Furthermore, it was decided to focus on some general aspects of this specific sector and its operations in order to provide the reader also with a broader view on this topic. The number of questions included was counted as to provide the interviewee with an approximate time span and the questionnaire was also checked for coherence and completeness in order to ensure the inclusion of all further relevant elements to consider.

### **3.3.4 Structure of the Expert Interviews**

The expert interviews are divided into three parts where the first one is targeted at receiving common information on the hotel operators, such as their size and type of company. In addition, they are asked to indicate the following information: the number of projects evaluated per year, the number of projects realised per year as well as the number of hotels presently operated. This is essential to have an approximate idea of their size and scope of operations in order to know on which level of operations the hotel operators are located. Then, the respondents were asked to state whether their projects currently fall in one of the following categories: resort properties in A destinations, resort properties in B-C destinations, city properties in A destinations or city properties in B-C destinations. This crucial distinction has also been undertaken when performing the online survey.

The second part consists of more precise information, where a high majority of the questions is based on the data obtained through Lime Survey. The experts were demanded to elaborate on their internal procedure when being approached by an external party to operate a new property and explain the various steps involved in a few sentences. These steps may vary depending on the scope of operations and the structure, etc. of the hotel operator as some might have a really complex and sophisticated process in place whereas others, most likely family owned or smaller companies, have less procedures involved. The next question is the following: *Which types of contract would you accept? Are there any differences concerning the types of contract referring to, for instance, A and B-C destinations or city and resort properties?*. After an investigation of their their type of contract, the subsequent one is similar, solely focusing on the typical financial involvement which the hotel operators usually apply. In order to illustrate the meaning of the term *financial involvement*, occasionally during the expert interviews the typical financial contributions, such as *FFE grant, keymoney and contribution to the pre-opening budget*, were mentioned to serve as guidelines. Furthermore, the interviewees are asked to indicate their preference for either receiving a fact sheet, which is between one and two pages, or a teaser, which is normally longer than five pages. Additionally, the intention was to record the kind of information that should be included within the teaser or fact sheet as

well as the level of detail accordingly. Moreover, comprehensive data on whether or not hotel operators prefer being approached via phone beforehand is retrieved as well as an explanation of their response. This should help MRP hotels to understand which type of hotel operators wishes personal communication and which ones do not.

The subsequent part of the interview concentrated on the general aspects, also emphasising the role of hotel operators within the wider area and network of the hospitality industry. The respondents were asked to reveal their numerous relationships held with other associated companies. Moreover, information about competition is considered adding valuable insights by getting to know the market as well as the density of offers that hotel operators deal with. Next, the interviewees are confronted with the following: *Where do you see strengths of your company, referring to your role within the hotel property development process, and where could you detect areas for improvement?*. Furthermore, the subsequent question addresses the challenges the hospitality industry has to face, especially focusing on the role of hotel operators. Finally, respondents are asked to name relevant future trends within the hospitality industry and go into detail with the implications which these trends might have on them, referring to their position as a hotel operator. At the end, the experts have the opportunity to leave any further comments or remarks, if they wish to do so.

The following chapter summarises the findings obtained through the survey performed with Lime Survey as well as the most important insights collected when conducting interviews among a selection of experts in this specific field. Moreover, concrete implications for MRP hotels will be outlined and a discussion will be performed in order to apply the outcome of the research to the literature retrieved for the purpose of this thesis.

## 4 RESULTS

After having addressed the methodology of the chosen research instruments in more detail, this chapter will elaborate on the results obtained through the online survey and the expert interviews. Furthermore, one will mention the factors influencing the communication process, reveal concrete implications for MRP hotels and finish with a discussion of the current topic at hand.

### 4.1 Descriptive

#### 4.1.1 Survey

The online survey has been sent out to 187 respondents and 26 answered the whole survey, which is a response rate of 13,9 percent. There were also 33 partial responses however, they will not be considered as they do not provide full information on the area of interest. As one can see, the sample size is relatively small which limits the generation of significant results as well as a holistic overview of the topic. However, assumptions may be applied for MRP hotels as to provide them with guidelines. Overall, as described in Table 2, from the 26 respondents, 19 were city properties and seven were resort properties. Additionally, 20 hotel operators mainly have their projects located in A destinations, while six hotel operators mainly operate in B-C destinations.

Sample	
Survey Distributed	187
Survey Completed	26
City Properties	19
Resort Properties	7
A Destinations	20
B-C Destinations	6

Table 2 : Sample (author's own)

First, the respondents were asked to provide information on the characteristics of the hotel operators they are currently working for. This helps to develop a basic understanding of their areas and scope of operation. The majority of the respondents stated being a hotel operator with own brand(s) although some selected various options, for instance being a silent hotel operator as well as offering own brand(s). Moreover, most of the businesses are already established ones as they were founded between the year 1951 and 2000, followed by more recent businesses founded after 2001. Referring to the international scope of the survey, most head offices were located in Austria and Germany, precisely 13, and solely six were located outside of Europe, namely in the United States (three), Singapore (one), Australia (one) and Hong Kong (one). Most hotel operators dispose of one to ten branch offices which can be seen as a relatively high amount. There were 18 respondents who named their company structure to be a group of companies, thus they are built upon a set of companies. In addition, five respondents claimed being a large single enterprise with more than 250 employees and three a medium single enterprise with less than 250 employees. Concerning the portfolio, very often multiple options were selected and hence, it can only be said that most of the hotel operators have both, own brands and / or international ones, and typically do not operate individual brands. Referring to the number of hotels presently operated by the investigated hotel operators, the large majority falls in the category of up to fifty hotels. Furthermore, four hotel operators are currently operating 51 to 100 hotels, followed by five operators being responsible for the operation of more than 201 hotels. As one can see, within the course of analysing the online survey, some outliers were detected which need to be considered carefully.

The next division concerns the creation of a more precise image of the hotel operators by retrieving detailed information about their role within the hotel property development process and their current position. First, 15 of the respondents stated being an owner and hotel operator whereas eleven claimed being an operator only. Thus, the larger part of the respondents consists of people having experience in the operation of the properties while equally owning them. The next statement refers to the number of employees working in the development department where more than half of the hotel operators, more precisely 17 out of 26, stated having up to five people employed in this specific department. Between six and ten people are working in the division of five hotel operators, followed by two companies having eleven to 20 employees being responsible for hotel property development projects. Solely two hotel operators mention numbers as high as 35 and 75 which is an enormous amount of personnel, compared to the other answers received. In addition, the final project decision is most often dependent on the approval of the board however, in one case the director of development owns the decisive vote. There is also the option for hotel operators to add something other than the suggestions, some did so and the answers were the following: *managing director (MD)*, *chief executive officer (CEO)*, *head quarter (HQ)* and *managing partners*. The next few statements address the amount of projects that hotel operators are involved in by starting with inquiring about the number of projects under evaluation per year. The majority of answers is recorded

within the following category: up to 50 projects, followed by four hotel operators examining more than 201 projects. The amount of projects in the pipeline varies significantly as almost all responses, except for one hotel operator, lie below 100. This seems quite obvious as, although hotel operators might engage in various projects, the ones which appear at the end to be really relevant and appropriate will be significantly lower. This number is even reduced when analysing the projects realised. Out of all the 26 hotel operators, a majority as large as 23 stated realising up to ten projects per year, followed by two operators falling in the subsequent category, namely eleven to 20.

The next statement referred to the financial involvement which is usually given by the hotel operators. Most of them claimed contributing to the pre-opening budget, followed by the FFE grant and no financial involvement at all. Moreover, solely one hotel operator mentioned providing keymoney and a few other hotel operators said offering equity, operating supplies & equipment and a mix of all of the options provided. Additionally, the statement which formed the basis for the next category is described as follows *Most of the projects fall in the following category*. Hereby, the answer options are: *city and resort* where a distinction is made between *A destinations and B-C destinations*. As the aim of this thesis is to detect and examine the differences concerning various criteria between resorts and cities, also focusing on the type of destination, this statement is crucial for further analysis. More than half of the respondents are engaged in city projects situated in A destinations, more precisely 14 out of 26 hotel operators. Six hotel operators state being involved in resorts in A destinations, followed by five hotel operators mainly operating properties in cities and B-C destinations. One hotel operator mentions that the majority of their projects falls into the category resort and B-C destinations. To sum up, most hotel operators have their projects situated in A destinations, where cities appear to be more popular than resorts. The most common form of contract applied by hotel operators is a lease contract (18), followed by a management contract (14) and a management contract with guarantees (eight). There was also the option *Other* where respondents entered *franchise contracts, individual contracts* as well as a *mix of all of them*.

Furthermore, information about the way of contacting the potential hotel operators is retrieved. Out of the 26 respondents, 17 do not want to be approached via phone before receiving the documents whereas nine would appreciate that. Now going more into detail about the content of the first information, the respondents could choose whether they would prefer receiving a fact sheet, namely one to two pages, or a teaser which is more than five pages long. The majority of the respondents favours teasers (20), followed by 14 people who are more interested in fact sheets. Subsequently, the fact sheet and / or teaser can be delivered in one of the following ways: as an e-mail, as a download format or per data room. Almost all respondents prefer to have the information as an e-mail (23), although some also wish for the download format (13) and solely four hotel operators favour the data room version. The next statement asks them to rank the following factors which should be included in the fact sheet

or teaser according to their importance where *one* refers to not being important and *five* symbolises the highest importance. The *location* is represented by the location itself and its pictures. The *market information* refers to the supply and demand as well as the accessibility. Moreover, the *planning documents* concern the fixed and adaptable project parameters, the ground plot and renderings. The term *KPI* involves the current as well as the forecasted key performance indicators. The *financial information* includes the total investment costs for the hotel, for the development and for the return on investment expectations. Next, the *project specifications* concern the type of the project, the development for used or mixed use, unique selling propositions and information on the owner or developer. Finally, the *requirements for potential hotel operators* are represented by the duration and type of contract.

After having examined all the answers, the information most frequently ranked with *five*, namely very important, is the location, followed by the market information and the requirements for potential hotel operators. The respondents ranked the KPIs and the financial information as equally important. The project specifications as well as planning documents follow briefly thereafter. Furthermore, the respondents are inquired about the criteria which should be included in the e-mail. The options are like the previous ones, more precisely: *location, market information, planning documents, KPI, financial information, project specifications and requirements for potential hotel operators*. There is one factor which is considered very important to be mentioned in the e-mail by all the 26 respondents, which is the location. Additionally, 21 out of the 26 hotel operators aim to have the key performance indicators and the details on the requirements for potential hotel operators (20) mentioned in the e-mail. Afterwards, the project specifications (17), market information (16), planning documents (12) as well as financial information (12) are perceived as being crucial for an inclusion into the e-mail approach. The subsequent statement is open ended as respondents are *asked to leave a comment on the level of detail of the various aspects, such as location, market information, planning documents, KPI, financial information, project specifications and requirements for potential hotel operators*. Two hotel operators provided answers where the first one addresses a wide range of criteria which should additionally be available for hotel operators. These factors include, amongst others, the characteristics of the rating, the rating method and the composition of the purchase price. The second respondent states that more information is better, thus to have information on the ownership background, the feasibility report and operator selection timeline. Furthermore, it is essential to gain a better understanding of the project vision, positioning and envisioned competitive set in order to assess which brand is most likely to fit and to determine the details, such as the number of rooms and facilities. After providing the respondents with the opportunity to give feedback, only eleven declare to accept an automated tender method whereas 15 would rather not accept such an approach.

The next statement is solely relevant for the respondents who already cooperated with MRP hotels as they will be inquired about their previous experience and satisfaction when working

together with MRP hotels. Thus, there are exactly half of the respondents left, namely 13 as the others did not have any business relations with the consulting company yet. As previously mentioned, the next section of the online survey addresses the satisfaction of the hotel operators with MRP hotels where *one* means being very dissatisfied and *five* suggests very high satisfaction. Four respondents declare to be very satisfied whereas two respondents were very dissatisfied when referring to the role of MRP hotels as an intermediary. Likewise, five stated being very satisfied with the responsiveness of MRP hotels and the same two respondents indicated not being satisfied at all. As solely these two out of the 13 respondents mentioned being very dissatisfied with MRP hotels for all the four corresponding questions, a closer look was taken at their responses and it was detected that they confirmed working with MRP hotels in the future as well as recommending MRP hotels within their network. Hence, this supports the initial assumption that these respondents misinterpreted the rating scale and subsequently, the responses were altered to fit the rating scale applied for the online survey. The next statement receives more positive responses as eight out of 13 declare being very satisfied with the tools of communication used by MRP hotels, such as personal approach via phone and the receipt of the teaser or fact sheet. As well, five hotel operators are very satisfied with the structure and design of the teaser or fact sheet. The following two statements concern the future intentions of the hotel operators referring to MRP hotels. Thus, all of the respondents (13) asserted to *consider working with MRP hotels in the future*. Moreover, they would also all (13) *recommend working with MRP hotels in the future*. Finally, there was also the option to leave any further comments at the end of the online survey. There were three remarks which are not seen as being relevant for the analysis of the survey.

#### **4.1.2 Expert Interviews**

To summarise the most important findings obtained from the expert interviews, the main aspects will be outlined to the reader in the following paragraphs.

Some questions are identical to the statements included in the online survey and thus, the answers obtained from the expert interviews will briefly be outlined to the reader within this paragraph. Out of the seven interviewees, three prefer a fact sheet and three do not have a preference. Only one hotel operator, namely Mayer Family Hotels, shows a preference for a teaser. Among the sample, one can detect a tendency towards fact sheets. Moreover, the majority of the hotel operators prefers a call via phone, being more precise Motel One, Intercontinental Hotels Managementgesellschaft mbH and Deutsche Hospitality. Two hotel operators do not want a call via phone and two do not show a preference.

##### *Network within the hospitality industry*

Most of the interviewees state that there is a network within the hospitality industry as the real estate industry is relatively small and thus, one knows their partners pretty well. Most

companies regularly work together with lawyers, brokers, architects, investors, consulting companies and others. An anonymous source declares that the company even goes beyond these relationships by having local heroes in certain destinations that bring them in touch with developers and owners to find a suitable location for their next property. For instance, Motel One states that “you also have to network and socialise in order to get new projects coming in as you cannot always wait for someone to approach you but also have to act pro-actively yourself” (Motel One, 23.02.2018).

### *Competition*

An aspect where all interviewees agree on is that there is currently tough competition and that they expect it to increase even further in the future. Some companies say that competition may also be good as it challenges them to improve their products and services. Nevertheless, increasing competition also puts more pressure on the market as everyone wants to have their share which leads to increasing prices as many hotel operators are bidding for the projects. Two hotel operators, namely 25hours hotels and Mayer Family Hotels, confirm having a niche product based on their very specific concept and consequently, they do not perceive to be significantly influenced by competition. More precisely, Mayer Family Hotels declares that “competition is always there but we have a very special concept” (Mayer Family Hotels, 16.02.2018). Additionally, 25hours hotels adds similar input “obviously, there is a lot of competition out there, however 25hours hotels found their niche in the market with a very specific offer” (25hours hotels, 23.02.2018).

### *Challenges of hotel operators*

Nowadays, hotel operators are facing many challenges. Two interviewees declare that they do not only compete with other hotel operators but also with residences and co-working areas. All hotel operators mention high competition which, paired with an increase in construction prices, results in insanely high prices. This complicates their position to get new projects off the ground and also for smaller hotel chains, it is extremely difficult to compete with other, especially bigger brands. Plenty of interviewees describe Airbnb as well as technology as a threat and as a challenge for the industry in general but without enormously influencing them. Many hotel operators know the importance of keeping up with the major trends and of being up to date. This is sometimes really difficult, as per Deutsche Hospitality, since keeping up with trends requires continuous investment and results in regular costs. Two hotel operators also address the consequences of terrorist attacks and the financial crises which can quickly change the popularity of certain destinations and lead to regression. Mayer Family Hotels is a family owned company which is currently located in Austria and Germany and mentions the challenge of finding well educated employees as a core disruptor. An anonymous source highlights the rise in bleisure travelling, namely business and leisure, which fits their concept of staying abroad for work during a couple of weeks or months really well. Another hotel operator ad-

dresses the need for continuous investment, thus investing not solely in periods where the market is stable or growing but also in times of regression. Furthermore, InterContinental Hotels Management Gesellschaft mbH declares that “although construction prices rise, consumers are not willing to pay more. Usually as competition increases, this decreases the prices although the construction prices rise and this does not fit together” (InterContinental Hotels Management Gesellschaft mbH, 02.03.2018).

### *Future trends*

Now referring to future trends, almost every hotel operator mentions technology as a core driving factor as well as a movement towards lifestyle oriented products and experiences. Nowadays, customers also seek for a more authentic local experience where the sense of community is becoming important again. Moreover, digitisation also needs to be considered where emphasis should be put on data collection as well as data protection. In addition, customers expect transparency and an efficient booking and payment process. Österreichisches Verkehrsbüro AG addresses the importance of analysing and tracking the performance on social media channels, booking platforms and others. Additionally, they aim to put more focus on healthy and organic products within their properties. Another company, namely Deutsche Hospitality (12.02.2018) states that “some of the other factors that influence future trends are the increasing demographics as well as the speed to go and travel”. In addition, the rise in low cost airlines leads to an increasing need for mid-scale products where some companies launched new brands to satisfy this need. Generally speaking, one can observe a rise in international travel and the trend towards going again to destinations which were previously perceived as being unstable, such as Egypt, Turkey and others that makes it more difficult for companies, such as Mayer Family Hotels, which are mainly present in Austria and Germany.

## **4.2 Factors Influencing the Communication Process**

First of all, the linear model of communication explained in the literature review will be applied to the situation of MRP hotels within the hotel operator bidding process. It needs to be mentioned that there are many different communication procedures involved between various parties included in this particular process. However, the main objective is to enhance the communication between MRP hotels and potential hotel operators to increase the efficiency of the procedures in place. As visualised in Figure 2 below, MRP hotels is the source that has a need for transmitting a message to the other party (Fill, 2009). They already have prescribed ways of displaying the message, namely either as a teaser or as a fact sheet, varying in length and type of information. The message is further decoded by the receiver who is, in this specific case, the prospective hotel operator. It is needless to say that there are other factors which may alter an efficient communication between the parties. This might involve different expectations and it is especially crucial to know about the preferences of the potential hotel operator in terms of the way of communication, namely personal or non-personal, and the type and

amount of information to be included in the message sent by MRP hotels. Thus, focus has been put on this specific topic when conducting research for this thesis.

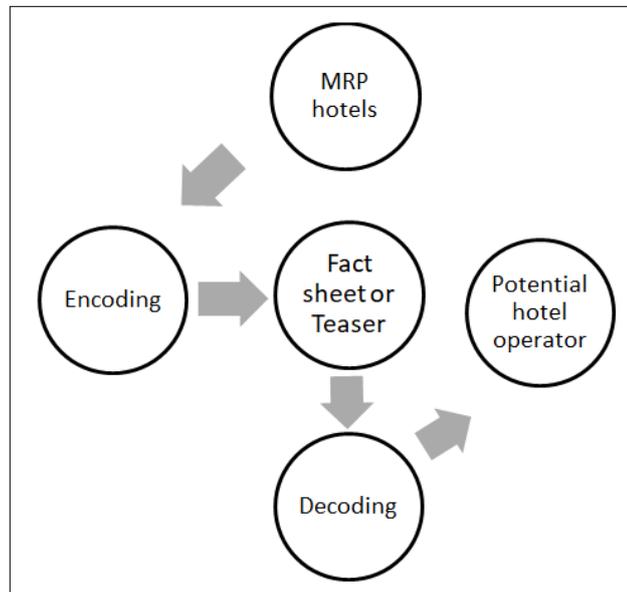


Figure 2 : Communication process of MRP hotels (author's own)

### 4.3 Implications for MRP hotels

This thesis aims to understand how MRP hotels can enhance the current bidding process between hotel operators and consulting companies. This is intended to be done by analysing the present role of MRP hotels through an online survey and by detecting any differences in the type and amount of information required by prospective hotel operators. Furthermore, expert interviews allow to determine the position of MRP hotels within the wider network and the hospitality industry in general but also the internal procedures of hotel operators when being approached by consulting companies to bid for the operation of a property. This results in the creation of a fact sheet which summarises the most important outcome and gives data on aspects which are perceived being influential on the performance of MRP hotels.

Below, one will elaborate briefly on the information which seems being of interest for MRP hotels and which is summed up for them in a fact sheet. The fact sheet developed for MRP hotels can be found in Appendix 4.

First, one can see that some hotel operators do not necessarily want to be approached via phone before receiving the documents. They often favour personal communication after having examined the documents in order to discuss outstanding questions. Second, city hotels operating in B-C destinations need more data on demand and supply, thus market related information, than city hotels operating in A destinations. Third, there is a difference concerning the type of contract between operating a city property and a resort property. City properties mostly have lease contracts whereas resort properties tend to have management contracts.

Fourth, the type of information needed varies between operating a city property or a resort property, however solely in one category which is labelled *market* as resort properties wish for more market information than city properties. Fifth, the type of financial involvement differs between the multiple types of contract offered. Management contracts go typically hand in hand with keymoney and a contribution to the pre-opening budget, management contracts with guarantees are mostly related to keymoney and lease contracts are usually associated with a contribution to the pre-opening budget. Sixth, there is a difference between the various destinations referring to the type of financial involvement. It can be presumed that A destinations are mostly offered keymoney whereas B-C destinations usually receive a contribution to the pre-opening budget. Seventh, concerning the decision making process within the development department of a hotel operator, it can be concluded that most of the times, the approval of the board is required. Only very rarely it is the case that companies rely on the decision made by the director of development. This does not vary by the structure of the hotel operator, thus both, the ones built as operator only and the ones working as owners and operators, necessitate the confirmation of the board for pursuing a project. Overall this thesis is able to show that the initial assumption of correspondences between hotels operating in similar destinations can be partially confirmed within the sample size applied for this thesis.

The three findings which can be directly applied by MRP hotels are identified. In the first case, referring to the amount of information required the following can be stated: according to the results from the online survey, hotel operators prefer receiving more information, namely a teaser. This is applicable for city properties, resort properties and A destinations, however B-C destinations do not show a clear preference for a teaser as both options, a teaser and a fact sheet, are equally preferred within the sample of the research undertaken for the purpose of this thesis. However, the expert interviews reveal different results since the majority prefers fact sheets and not teasers as they typically have one main criterion which determines their decision. Apart from this, they often already dispose of the necessary information, retrieve it on their own or approach the external contact person if needed and consequently, they state that fact sheets are sufficient. When looking into the information according to the importance perceived by the hotel operators, the order is the following:

- 1) Location
- 2) Market information
- 3) Project specifications
- 4) Requirements for potential hotel operators & Key performance indicators
- 5) Planning documents
- 6) Financial information

Furthermore, respondents stated which information should be mentioned in the e-mail when being approached by MRP hotels. The type of information everyone declared wanting to have

included in the e-mail can be found on the top, followed by a ranking according to the importance of the variables:

- 1) Location
- 2) Key performance indicators
- 3) Requirements for potential hotel operators
- 4) Project specifications
- 5) Market information
- 6) Planning documents & Financial information

To complement this information, a general draft was created which should assist MRP hotels in finding the appropriate type and amount of information which should be displayed for each property correspondingly. The main distinction is being made between city properties and resort properties, where the data obtained from the own research conducted for the purpose of this thesis will be revealed. Thus, as already mentioned, the online survey shows that both city properties and resort properties show a tendency for receiving a teaser. Moreover, resort properties prefer obtaining more data on the market situation than city properties, however for the other categories identified, namely *location, planning documents, key performance indicators, financial information, project specifications and requirements for potential hotel operators*, no significant difference could be detected. Hotel operators usually associate city properties with lease contracts and resort properties with management contracts. Additionally, the type of financial involvement for city properties is normally a contribution to the pre-opening budget whereas resort properties tend to be given keymoney or no financial involvement at all. The respondents who are mostly operating city hotels were asked to rank the information which should be provided to them according to their importance and this led to the following results: *location, market & project specifications, planning documents & key performance indicators & requirements for potential hotel operators and financial information*. The same task was directed towards hotel operators being principally engaged in resort properties where the outcome was the following: *location, market, key performance indicators, project specifications, requirements for potential hotel operators, financial information and planning documents*. The most important aspects of the general draft developed for MRP hotels are displayed in Table 3.

	City property	Resort property
Amount of information	Teaser	Teaser
Type of information		More information about the market
Type of contract	Lease contract	Management contract
Type of financial involvement	Contribution to the pre-opening budget	Keymoney, no financial involvement
Information ranked according to the importance	<ol style="list-style-type: none"> <li>1. Location</li> <li>2. Market</li> <li>3. Project specifications</li> <li>4. Planning documents</li> <li>5. KPI</li> <li>6. Requirements for potential hotel operators</li> <li>7. Financial information</li> </ol>	<ol style="list-style-type: none"> <li>1. Location</li> <li>2. Market</li> <li>3. KPI</li> <li>4. Project specifications</li> <li>5. Requirements for potential hotel operators</li> <li>6. Financial information</li> <li>7. Planning documents</li> </ol>

Table 3 : Summary of information for city properties and resort properties (author's own)

At the end of the online survey, feedback on the satisfaction of the respondents with multiple areas of operations engaged in by MRP hotels is retrieved. Most questions are built according to a rating scale of *one* to *five*, where *one* relates to *being very dissatisfied* and *five* symbolises *being very satisfied*. As already mentioned in chapter 4.1.1, the answers of two hotel operators were altered as a problem of misinterpretation seems to have occurred.

To go more into detail, the first statement refers to the satisfaction of the hotel operators with MRP hotels acting as an intermediary and 46 percent confirmed being very satisfied. Subsequently, 38 percent stated being satisfied and no one replied being very dissatisfied. Subsequently, more than half of the respondents, namely 54 percent, are very satisfied with the responsiveness of MRP hotels. The next statement is the following: *We have been very satisfied with the tools of communication used by MRP hotels, such as personal approach via phone and the receipt of the fact sheet or teaser*. Eight out of the 13 respondents, namely 62 percent, express the highest satisfaction, followed by five answers referring to *four*, also being satisfied. There was no response which expressed a level of satisfaction lower than *four* which can be interpreted in the way that MRP hotels already makes good use of their communication tools. However, when examining the satisfaction of hotel operators with the structure and design of the teaser or fact sheet, there is more space for improvement as five respondents chose *five* and likewise five respondents selected *four*, implying that respondents are equally *very satisfied* and *satisfied*. Throughout all the four questions related to the satisfaction with MRP hotels, no hotel operator ever gave a ranking of *one* or *two*, thus expressing real dissatisfaction. Furthermore, 100 percent were obtained when determining whether or not the hotel opera-

tors would consider working together with MRP hotels in the future and whether or not they would recommend MRP hotels within their network. This represents an important outcome as, although there is variation between the respondents referring to explicit areas of performance, nonetheless they agree on future cooperation and recommending MRP hotels.

#### **4.4 Discussion**

As outlined in chapter 2.4, there is precise information which is typically included by MRP hotels when sending fact sheets or teasers to hotel operators. This usually consists of the name of the project, the status, the location of the property and the structure of the agreement. The area of the real estate will also be outlined, explicitly the gross floor area, and the approximate number of rooms (MRP hotels, 2017). Moreover, the USPs will be presented by referring to the market situation as well as the location, such as the neighbourhood and accessibility of the property. It might be the case that information on the current situation, the owner of the property and a more detailed description of the project is presented. Subsequently, the requirements for prospective hotel operators are elaborated on which should result in an offer from the hotel operators who are interested. However, it might happen that the hotel operators are lacking information as their need for specific data may vary quite significantly. Of course, MRP hotels cannot fulfil the requirements of every single hotel operator but nevertheless, they aim to adapt the information provided in the most efficient way. Thus, further suggestions for information included in the teaser and fact sheet can be drawn from conducting the online survey as well as the expert interviews.

Most of the experts interviewed are in accordance with the data currently prepared by MRP hotels which is the following: *location, market, project specifications, planning documents, key performance indicators, requirements for potential hotel operators and financial information*. However, some also mentioned that less information would be sufficient as sometimes one concrete factor is significant and determines whether a project is feasible for a hotel operator or not. Here Motel One (23.02.2018) mentions the location or more precisely the address of the real estate. All other experts who were interviewed agree that the location is crucial information to be included. This supports the findings of the online survey performed as the location is ranked as the most important factor to be included in the fact sheet and teaser as well as in the e-mail.

Often, experts stated that, for instance, market information is perceived as being redundant as some hotel operators already dispose of this data in house, such as Motel One (23.02.2018), Österreichisches Verkehrsbüro AG (16.03.2018) and an anonymous source (09.03.2018). Furthermore, financial information might lead to miscommunication as frequently expectations of the hotel operators and of the real estate owners do not match and thus, this topic should rather be discussed personally as per Motel One (23.02.2018) and Österreichisches Verkehrsbüro AG (16.03.2018). Further data which could be added is according to 25hours

hotels (23.02.2018) an outline of the process as well as detailed information on the owner of the property. An anonymous source (09.03.2018) suggests the inclusion of scaled floorplans as in their case, these plans essentially determine the feasibility of their projects.

With regards to the managerial implications for MRP hotels, the intended results can be achieved by developing a fact sheet with the main results from the research conducted which can be applied by MRP hotels. Additionally, a general draft sheet is established with information preferences concerning the various property types identified, more precisely city properties and resort properties. Disposing of this information allows MRP hotels to better meet the needs of their clients by having the knowledge about which type and amount of information is necessary being displayed in the communication with the hotel operators when dealing with city properties and resort properties.

After having elaborated on the summary of the results which leads to the creation of a general fact sheet for MRP hotels, one combined the literature outlined in this thesis with the practical findings obtained from own research. The next chapter aims to answer the sub questions and the research question. Moreover, limitations and recommendations for future research will be mentioned to conclude this thesis.

## 5 CONCLUSION

The following chapter aims to answer the sub questions and the research question established at the beginning of this thesis. In addition, limitations will be addressed and recommendations for further research will be formulated.

### 5.1 Answers to the Sub Questions

At the beginning of this thesis, the main research question as well as sub questions have been developed. Now, the reader will be given an overview of the results obtained when aiming to analyse the sub questions which should lead to an answer of the research question.

Thus, various sub questions were built which also frequently already included the perceived direction the answer was expected to have. First, one had a closer look into the statement *whether or not hotels operating in B-C destinations need more information on demand and supply than A destinations*. The variable *location* was regularly applied for the analysis of the results obtained through Lime Survey, being combined with the variable *amount of information, type of information, type of contract* and many others. The concrete assumption here was that market information about A destinations may already be available to hotel operators or at least easily obtainable whereas B-C destinations require more in-depth research on the market situation. Respondents were asked to rank numerous types of information, namely *location, market, project specifications, planning documents, key performance indicators, requirements for potential hotel operators and financial information*, according to their importance and the numbers for supply and demand were averaged for A destinations and B-C destinations respectively. For instance, hotel operators mainly having projects in A destinations gave eleven times a *five*, implying the highest importance, six times a *four*, one time a *three*, one time a *two* and one time a *one*, which signifies that one respondent ranked the market as not being important at all. This adds up to a number of 85 which is further divided by the number of A destinations, namely 20. The average of A destinations now amounts to 4,25, in contrast to the average of B-C destinations which is 4,5. As a higher average suggests a higher importance, the investigated hotel operators being mainly present in B-C destinations reveal a higher preference for market related information. To support this result, the number of respondents selecting *market* as being of the highest importance, thus gave a *five*, were counted for A destinations and B-C destinations. Here, eleven out of 20 hotel operators in A destinations chose *five=very important* (55 percent) and four out of the six B-C destinations selected *five=very important* (66,67 percent). Consequently, B-C destinations also reveal a higher value when solely focusing on the ones who marked *five=very important* for the category *market*. The same procedure for calculating the average respectively is applied for the following question: *Is there a difference concerning the type of information needed between op-*

*erating a city property and a resort?*. Hence, for every answer possibility of this question, the variable *location* was examined. This results in the following outcome, namely that, taking a threshold of five percent, there is no significant difference according to the type of information except for the *market*. Here, resorts show a slightly higher preference, more precisely city properties show an average of 4,21 and resort properties an average of 4,57. The difference calculated lies above 0,25 and is, for the purpose of this thesis, considered as relevant for further interpretation. Subsequently, it might be assumed that both, city and resort properties, require the same type of information except for the category *market* where resort properties appreciate the information more. Furthermore, it was investigated *whether the type of destination, referring to A or B-C destinations, influences the typical financial involvement offered by a hotel operator*. Thus, one counted how many hotel operators out of the ones mostly operating in A destinations provide the following: *FFE grant, keymoney, contribution to the pre-opening budget, none or other*. The highest number detected among our respondents within the category A destination was 40 percent who claim offering keymoney and 66,67 percent within B-C destinations contributing to the pre-opening budget. Hence it might be stated that, among our respondents, the type of financial involvement is not identical for A destinations and B-C destinations and slightly varies.

Moreover, the variable *amount of information* was investigated by stating the following sub question: *Is there a difference concerning the amount of information needed between operating a city property and a resort?*. The variable *amount of information* is given by two answer possibilities respondents were offered, namely a fact sheet (one to two pages) or a teaser (more than five pages). Hence, the results were counted which led to the conclusion that, within our set of 26 respondents, there is a slight tendency for preferring a teaser as 15 out of 19 (79 percent) city properties chose the teaser as well as five out of seven resort properties (72 percent). Based on the analysis of the online survey, this results in the assumption that more information is preferred among both, city and resort properties. Moreover, it is examined *whether the number of hotels operated by the hotel operator influences the amount of information needed to be retrieved by external parties, such as MRP hotels*. This was based on the expectation that hotel operators being in charge of a significant amount of hotels may either already have the information available or retrieve the information themselves. The threshold here was 100 hotels where the ones below were considered as a small number and the ones above as a large number of hotels operated. The hotel operators having less than 100 hotels operated all prefer a teaser (100 percent) as well as the majority of the ones operating more than 100 hotels (71,43 percent). Thus, the number of hotels operated does not seem to influence the amount of information required in this specific case as both reveal a tendency towards getting a teaser. Next, one looked into the question *whether there is a difference concerning the amount of information needed between properties located in A destinations or B-C destinations*. Therefore, the number of responses for preferring a teaser or a fact sheet were counted respectively for the category *A destinations* and *B-C destinations*. A destinations are

more likely to choose a teaser (80 percent) while B-C destinations equally selected teasers and fact sheets as both resulted in 66,67 percent. Additionally, an examination of the *relationship between the number of employees working in the development department and the amount of information necessary* was undertaken. However, when dividing our sample size into more than ten employees and less, both categories show a tendency for receiving more information, namely a teaser. Hence, the amount of employees taking care of the development does not influence the type of information needed and it can be said that, among the collected responses through Lime Survey, a general preference for receiving more information, namely a teaser, can be detected.

The next variable might be labelled as *type of contract* where, for instance, it was investigated *whether the type of contract varies between resort and city properties*. The answer options *management contract, management contract with guarantees* and *lease contract* were analysed accordingly. Therefore, one counted the number of city hotels offering management contracts and divided this number by the total number of city hotels where the result is further multiplied by 100 in order to obtain a percentage value. It can be seen that most resort hotels (57 percent) were offered management contracts, and lease contracts were proposed to the majority of the city properties (84 percent). In addition, the *relationship between the type of contract offered and the typical financial involvement* was examined. For this purpose, the previously used method of calculation can be adapted where each answer option, namely again *management contract, management contract with guarantees* and *lease contract*, the number of hotel operators offering *FFE grant, keymoney, contribution to the pre-opening budget, none* or *other* was analysed and expressed in percentages. Concerning the management contract, the majority of responses offers keymoney (50 percent) and a contribution to the pre-opening budget (50 percent). Referring to the management contract with guarantees, 50 percent offer keymoney and within lease contracts more than 50 percent, precisely 55,56 percent, provide a contribution to the pre-opening budget. Taking the tendency detected here into consideration, a slight preference for the financial involvement previously mentioned can be observed.

Moreover the question *whether personal contact via phone or non-personal information, more precisely sending the fact sheet or teaser, is preferred* is examined. Surprisingly, 65,38 percent of the respondents stated not wanting to be approached via phone before. Hence, among the hotel operators investigated through Lime Survey a preference for non-personal communication methods can be remarked. However, as the outcome was not expected, further focus is put on this topic when conducting the expert interviews. Here, experts are asked the same question but demanded to justify their answers accordingly. The majority of experts reveal a preference for being approached via phone where they favour personal contact. Some hotel operators mention that a phone call after having received the documents would be ideal as to discuss any outstanding questions directly but others prefer to talk about the project on the

phone first in order to immediately detect whether or not the project is suitable for the hotel operator. As one can see, different opinions exist on this topic and the answers cannot be generalised based on the relatively low sample size.

Another aspect which was studied was the possible *relationship between the type of hotel operator and the decision maker in the development process*. Thus, one looked thoroughly into the answers provided by the ones stating being an operator only and here, 72,73 percent stated relying on the board approval. Likewise, the hotel operators having an owner and operator structure also heavily depend upon the approval of the board (80 percent). As one can see, among this relatively limited sample size, no difference can be detected among operators only and owner / operators concerning the decision maker in the development process. Both equally need the approval of the board to make the final decision concerning their projects.

## **5.2 Answers to the Research Question**

For the sake of completeness, the research question is outlined once more as follows: *Which factors influence the type and amount of information required by hotel operators when deciding to bid for the operation of a property?*. Various variables are identified when applying the chosen research methods. It has to be mentioned that the number of employees within the development department of the hotel operator does not seem to have an influence on the amount of information necessary. Within the sample, no difference could be detected concerning the amount of information needed between operating a city property or a resort property. Moreover, one could not confirm an influence of the number of hotels operated by the hotel operator on the amount of information needed to be retrieved by external parties. However, within the set of respondents a slight difference concerning the type of information between operating a city property and a resort property is disclosed. This aspect solely considers the category *market information*.

As already mentioned, the location is determined being a crucial factor when analysing a project, thus one will briefly sum up the main results discovered by focusing on the outcome of the online survey. The type of destination here refers to being either A destinations or B-C destinations. Within the sample, an influence of the type of destination on the usual financial involvement could be uncovered. Moreover, the observation is made that the requested amount of information varies between operating properties located in A destination and B-C destinations as different lengths of data are preferred. Referring to the location as being a city property or a resort property, further conclusions can be applied for the sample included within this research. The amount and type of information needed between operating a city property or a resort property does not vary. However, there is a difference concerning the type of contract between operating a city property or a resort property.

The following factors are influencing the hotel operator bidding process: a successful communication and the provision of adequate information in order to allow hotel operators determining immediately whether the project is suitable for them or not. Moreover, within the interviews experts highlight the importance of solely displaying relevant data to avoid misunderstandings or misinterpretations. However, this can be prevented by direct communication between the parties involved although one has to mention once more the inconsistency of the responses from the online survey and the expert interview related to approaches via phone.

Furthermore, this thesis shows that, among the sample size included for the research conducted here, the current information provided by MRP hotels is already quite encompassing although there are sometimes concrete areas for improvement which have been explicitly addressed in chapter 4. Experts also highlight the importance of strengthening the USPs and being up to date with current trends as to keep up with the competition which is expected to further increase in the near future.

Although a lot of crucial information has been retrieved from the online survey and the expert interviews, there are also some limitations and recommendations for future research which will be addressed within the subsequent chapter.

### **5.3 Limitations and Recommendations for Future Research**

#### *Limitations*

This thesis has also some limitations that need to be considered. The first restriction is the lack of literature on this specific topic. Although a lot of data is available on real estate, information on the precise role of consulting companies or the bidding process within hotel property development is limited. Thus, the focus is shifted towards more general literature on the process to allow for a macro perspective and data on the communication process is integrated as well to complement the literature gathered for this thesis. Moreover, the literature review was completed with information directly obtained from MRP hotels referring to their role within the hotel property development process and the procedures involved supporting this precise topic. Nevertheless, more literature on the bidding process of hotel operators could lead to a firmer foundation for establishing further research. The second limitation results from the sample size of 26 respondents for the online survey. The aim was to have more hotel operators complete the survey and thus, it has to be mentioned that a number of 26 out of 187 respondents does not represent all hotel operators within the portfolio of MRP hotels. Hence, one cannot fully generalise the outcome of the analysis but rather has to carefully apply it to the current situation of MRP hotels and always take the limited sample size into account.

*Recommendations for future research*

It is advised to extend this thesis by aiming for a larger sample size. Given the fact that the online survey was limited in scope, it is highly recommended to retrieve more data as to be able to come to a more encompassing solution for the research question at hand. In order to compensate for the relatively small sample size, additional expert interviews were conducted. These interviews aimed to supplement the picture by, apart from the micro level approach through the online survey, also obtaining data which allows for a macro perspective. The analysis of the expert interviews conducted is based on the interpretation of the researcher and thus, may vary when being performed by other researchers. As one can see, efforts are undertaken to compensate for the low number of respondents from the online survey, nevertheless it is crucial to draw conclusions solely with extreme caution. Thus when research is able to develop more accurate theories relating to hotel operators and consulting companies based on more profound literature, this might result in the detection of additional correlations and can significantly expand the scope of this research.

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## APPENDICES

### Appendix 1: Online Survey

*Dear Ladies and Gentlemen,*

*This survey is performed in cooperation between Modul University Vienna and MRP hotels. It aims to analyse and enhance the current bidding process where MRP hotels acts as an intermediary between the property owner and the potential hotel operators. It is divided into four parts and it will take you approximately 10 minutes to fill out the survey. We highly value your feedback and will treat all answers anonymously.*

*Thank you very much for your effort in advance,*

*Nicole Börner and Patrick Adamle*

#### **Section A: Part 1 / 4: Categorisation of hotel operators - basic profile**

1. We are a
  - a) Silent hotel operator
  - b) Hotel operator with own brand(s)
  - c) Franchisee
  
2. Our business has been founded in ...  
*Please enter the date in the following format [yyyy]*
  
3. Our head office is in...  
*Please name a city*
  
4. Our business has the following number of branch offices.  
*Please enter "0" if you have one head office but no branch offices*
  
5. Our legal business structure is the following
  - a) Group of companies
  - b) Single enterprise: large (more than 250 employees)
  - c) Single enterprise: medium (less than 250 employees)
  - d) Single enterprise: small (less than 50 employees)
  - e) Single enterprise: micro (less than 10 employees)
  
6. Our portfolio includes
  - a) Individual brand

- b) Own brands
- c) International brands

7. We currently operate the following number of hotels in our portfolio.

**Section B: Part 2 / 4: Categorisation of hotel operators - property development process**

8. We are a

- a) Operator only
- b) Owner / Operator

9. Our development department consists of the following number of employees.

*Please enter "0" if you do not have a development department*

10. The final project decision is made by

- a) Director of development
- b) Board approval
- c) Other

11. We usually have to evaluate the following number of projects per year.

12. We currently have the following number of hotel projects in the pipeline.

13. We approximately realise the following number of projects per year.

14. Our typical financial involvement consists of

- a) Furniture, fixtures and equipment (FF&E) grant by the hotel operator
- b) Keymoney
- c) Contribution to the pre-opening (PO) budget
- d) None
- e) Other

13. Most of our projects fall in the following category

*Please mark only the option where the majority of your projects are located in case you are active in multiple markets*

- a) City (A destination)
- b) City (B – C destination)
- c) Resort (A destination)
- d) Resort (B – C destination)

**Section C: Part 3 / 4: Criteria based on the categorisation of the projects**

*Please fill in the following questions according to the main category under which most of your projects fall, as selected recently.*

*The options were the following:*

*City (A destination), City (B – C destination), Resort (A destination), Resort (B – C destination)*

14. We would usually offer the following type(s) of contract(s)
  - a) Management
  - b) Management with guarantees
  - c) Lease
  - d) Other
  
15. We want to be approached via phone before receiving the documents.
  - a) Yes
  - b) No
  
16. The first information should be delivered as a
  - a) Fact sheet (1-2 pages)
  - b) Teaser (more than 5 pages)
  - c) Other
  
17. We would prefer receiving the fact sheet and/or teaser in the following way
  - a) As an e-mail
  - b) As a download format
  - c) Per data room
  
18. Please rank the following criteria which should be included in the fact sheet or teaser according to their importance.  
*1 = not important at all*  
*5 = very important*
  - a) Location including location and pictures of the location
  - b) Market information including supply, demand and accessibility
  - c) Planning documents including fixed and adaptable project parameters, ground plot and renderings
  - d) Key performance indicators including current and forecasted key performance indicators
  - e) Financial information including total investment costs for the hotel and for the development and return on investment expectations of the owner
  - f) Project specifications including type of project, development for single use or mixed use, unique selling proposition and information on the owner or developer

g) Requirements for potential hotel operators including duration and type of contract

19. Please choose the following criteria which should be mentioned in the e-mail

- a) Location
- b) Market information
- c) Planning documents
- d) Key performance indicators
- e) Financial information
- f) Project specifications
- g) Requirements for potential hotel operators

20. Please feel free to leave a comment on the level of detail of the various aspects, such as location, market, planning documents, KPIs, finance, project specifications and requirements for potential hotel operators.

21. We would accept an automated online tender method.

- a) Yes
- b) No

22. We have already worked with MRP hotels before.

- a) Yes
- b) No

#### **Section D: Part 4 / 4: Communication Process**

23. In general, we have been very satisfied with MRP hotels acting as an intermediary.

*1 = very dissatisfied*

*5 = very satisfied*

24. We have been very satisfied with the responsiveness of MRP hotels.

*1 = very dissatisfied*

*5 = very satisfied*

25. We have been very satisfied with the tools of communication used by MRP hotels, such as personal approach via phone and the receipt of the teaser or fact sheet.

*1 = very dissatisfied*

*5 = very satisfied*

26. We have been very satisfied with the structure and design of the teaser or fact sheet.

*1 = very dissatisfied*

*5 = very satisfied*

27. We would consider working together with MRP hotels in the future.

- a) Yes
- b) No

28. We would recommend working together with MRP hotels within our network.

- a. Yes
- b. No

**Section E: Feedback**

29. Please feel free to leave any further comments or remarks you may have here.

*Thank you very much for having participated in this survey.*

*We appreciate it very much that you have taken the time to answer the questions and we highly value your feedback.*

## Appendix 2: Standards for the Various Hotel Categories

*Table 1.1 WTO minimum hotel standards*

	1 star	2 star	3 star	4 star	5 star
<i>Physical requirements</i>					
<b>Size</b>	Minimum of 10 letting bedrooms				
<b>Entrance</b>	The hotel must have its own independent entrance			Hotel restaurants must have their own external as well as internal entrances. Separate service entrance	
<b>Staircases</b>	To comply with legal requirements →			Separate service staircase	
<b>Construction</b>	Architecture, design, furniture and decoration increasing with category →			Separate service staircase	
<b>Furniture, fittings and equipment</b>	Moderate cost construction, simple, durable equipment and furniture of standard design		Medium cost construction materials and fittings. Custom made furniture	High cost construction and fittings. Custom made equipment and furniture	Top cost construction, fittings, equipment and furniture. Individualized decor
<b>Emergency power supply</b>	Emergency light sources		Stand by generator to supply basic lighting and power up to 24 hrs	Stand by generator to supply energy for lighting, lifts, water treatment, cooking and refrigeration, and heating	
<b>Heating and cooling</b>	Heating or fan cooling when necessary	+ central heating and comfort cooling seasonally available	+ individual heat control in bedrooms. Temperature maintained between 18 and 25°C	+ individual air conditioning control in all rooms. High quality equipment with very low noise emission	
<b>Lift(s) available to match room capacity</b>	Where more than three upper floors	When more than two upper floors	When more than two upper floors	When more than one upper floor	
<b>Service lift</b>					Separate from main guest lift
<b>In room communication</b>	Call bell	Internal only telephone. Telephone available on request	Telephone connected through hotel switchboard	Direct dial telephone to other rooms and for national calls	Direct dial telephones for national and international calls. Telephone in bathroom
	One externally connected telephone per floor				

Table 1.1 WTO minimum hotel standards (continued)

	1 star	2 star	3 star	4 star	5 star
Public telephones	Telephone available through reception	Telephone booth in the lobby	Telephone available near all public rooms	Soundproof booth in lobby with national and international connections	
Bedrooms					
Size	Adequate for free movement, comfort and safety. Minimum area in square metres (excluding bathroom and lobby):				
Single	8	8	10	12	13
Double	10	10	12	14	16
Triple	12	12	14	16	19
Suites				Some suites available or connecting rooms to make temporary suites	Independent suites of various types and connecting rooms
Single bed minimum size	1900 mm x 800mm			2000 mm x 800mm	
Linen/towels	Bed linen changed with each new occupant, Bed linen changed twice a week	Towels changed with each new occupant, Bed linen changed daily			
Room cleaning	Daily →			Additional room cleaning on request up to 12.00 pm	24 hour additional room cleaning
Storage	Closet or wardrobe with hangers plus shelves or chest of drawers.	Increasing in sophistication →			
Seating	Minimum of one chair per person	Minimum of one armchair per person			
Tables	One bedside table per guest → Table in room	Writing/dressing table	Writing/dressing table with drawers		
Lighting	Natural light through windows during the day. Artificial light at night adequate for reading. Ceiling light with switches at entrance and bedside. One bedside lamp per person →	Reading lamp at armchair/writing table			
Floor covering	Suitably tiled or covered floors with bedside rugs or carpets where appropriate	Wall to wall carpets or high quality flooring and floor coverings			

In-room entertainment	Radio/central music system controlled by the guest TV available Colour TV Colour TV with video channel
Other room facilities	Window coverings to provide privacy and exclude light → High quality furnishings Waste basket. Ashtray (if not non-smoking room). At least one waterglass per person. Written information on hotel services and procedures provided in one other language. two other languages. Do-not-disturb sign Fire safety instructions Luggage rack Local regulations may require display of tariff → Mirror other than in bathroom or at washbasin. Stationery Plus full length mirror Mini fridge/mini bar
Soundproofing	Tolerable for day and night stay Good to tolerable High standard soundproofing
Door	Lockable with individual keys or other means. Easily identifiable from outside. Internal security fastening →
<i>Bathrooms</i>	
Availability	Wash-basin with mirror, light, shelf, towels, soap and electric socket marked with voltage + at least 25% of rooms with private bathrooms All rooms have private bathrooms Spacious bathrooms Separate toilet
Size	Adequate for free, comfortable and safe movement →
Standard facilities	Natural or induced ventilation providing at least 3 air changes/hr → Hot and cold running water. Colour coded. Thermostatically controlled → Wash-basin with mirror, light, shelf, towels, soap and electric socket marked with voltage → Water closet with toilet paper. Waste bin → Chilled drinking water Shower cabinet or bath with showerhead and curtain or screen Bath with shower-head minimum 1600mm long Bath with showerhead minimum 1600mm long. Separate shower cubicle Minimum of one hand and one bath towel per guest → Bath mats Shampoo provided Shampoo and other toiletries provided Cabinet for personal effects Hairdryer, telephone

Table 1.1 WTO minimum hotel standards (continued)

	1 star	2 star	3 star	4 star	5 star
Shared bathrooms (minimum)		One bathroom per five bedrooms sharing Two on each floor (one for each sex) Equipped with shower cubicle or bath tub, washbasin, mirror, wc (unless separate) and standard facilities			
Shared water closets (minimum)		One wc per five bedrooms sharing Two on each floor (one for each sex) with washbasins and standard facilities			
Public areas					
Public toilets					
Corridors					
Reception area					
Parking					
Green area					

<i>Food and beverage, leisure and recreation facilities</i>			
Lounge	Area with lounge seating, music and/or television services. May also be used for breakfast and reception of guests	Lounge area or sitting room with music and television services, newspapers and/or magazines	Lounge area or sitting room as before seating at least one-third of hotel bed capacity in combination with reception area
Breakfast	As above or by service to rooms	Provided in hotel or facilities in immediate proximity	Restaurant(s) provided within hotel with adequate seating capacity for breakfast and other meals Breakfast served 7.00 am to 10.00 am
Room service	The option of self-catering facilities may be provided → Breakfast served in rooms where no breakfast area available		Breakfast served 7.00 am to 11.00 am Breakfast service including newspaper, 24 hour beverage and light meal service
Restaurant	Restaurant or cafeteria where meals are served at lunchtime and evening or in immediate proximity to appropriate independent facilities	Restaurant or coffee shop where meals are served at lunchtime and evening. Seating not less than half of hotel bed capacity	Main restaurant or choice of restaurants serving a variety of meals Private dining or function rooms available. Total seating not less than hotel bed capacity High quality food and beverage services Highest standards of cuisine and services
Bar		Separate bar	Separate bar(s) and cocktail lounge
Conference facilities			Meeting and conference rooms with appropriate conference facilities
Cloakroom			
Entertainment			Cloakroom and toilets near public rooms
Recreation			Music and public address system Night club, dancing area or discotheque available in hotel or near proximity Sauna or swimming pool or health club Sauna, gymnasium/health club, swimming pool or a combination of pool/jetpool

Table 1.1 WTO minimum hotel standards (continued)

	1 star	2 star	3 star	4 star	5 star
Hairdresser				Hairdresser/beauty studio	
Services					
Reception services	Reception desk manned throughout the day. Night bell Guest luggage handling on request.	Permanent reception service. 24 hour check-in			
Medical services	Emergency medical/first aid service →	Paging service/public address system			
Cashiers services	Safety deposit →	First aid room			Individual safety deposit boxes
Laundry services	Laundry only	Credit cards accepted	Currency exchange service	24 hour currency exchange service	
Postal services	Service to include mail delivery and dispatch	Laundry and dry cleaning	Express laundry including washing, ironing and dry cleaning		
Tourist and travel services	Local maps available on request	Tourist information available at reception. Booking tickets for local entertainment and cultural events	Dispatch of postage stamps and sale of postage stamps and stationery → Dispatch of telex or telefax	Express laundry including washing, ironing and dry cleaning	
Tourist and travel services	Taxi on call	Tourist information available at reception. Booking tickets for local entertainment and cultural events	Tourist information service at reception	Taxi service	Travel agency/tourism service (tourist information, excursions, guiding, insurance, etc.) Ticketing and booking service for transport, hotels, entertainment and cultural events
Retail services		Sale of newspapers, books, postcards, tobacco and photographic supplies		Hotel minibus available if isolated location	Taxi and rent-a-car service Free hotel vehicle if isolated location

Language services	Adequate knowledge by reception staff of one key international language	Working knowledge of two key international languages by customer contact staff	Sale of cosmetics and souvenirs Good knowledge of two key international languages by customer contact staff	Sale of cosmetics, souvenirs and flowers Good knowledge of two key international languages by management positions and very good knowledge of three such languages by customer contact staff
<i>Conditions</i>	Buildings, grounds, equipment, fittings and furniture maintained in clean, safe and sound condition, in good working order and free from defects which could impair use → Public and guest areas cleaned at least daily, maintained in good decorative order and provided with clean furnishings in good sound condition. Attention given to defects with minimum of delay Full compliance with legal and licensing standards in respect of fire, means of escape and other safety precautions, hygiene, conditions for places of work and habitation, hotel insurance and other stipulated requirements →			

*Notes*

→ General requirements which apply to all hotels  
Column requirements apply to hotels of the grade indicated and above

## Appendix 3: Questionnaire for the Expert Interviews

*Survey for the purpose of completing the Master in International Tourism Management*

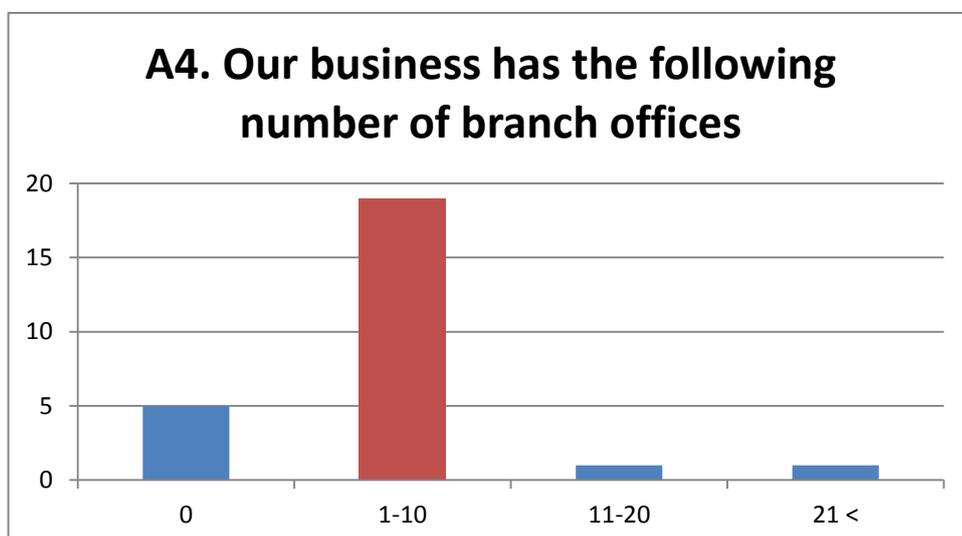
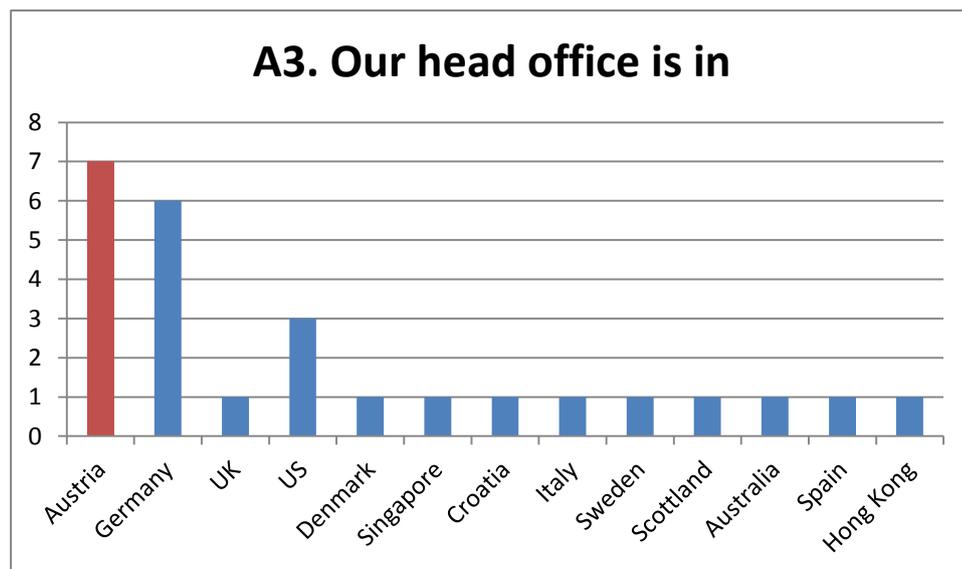
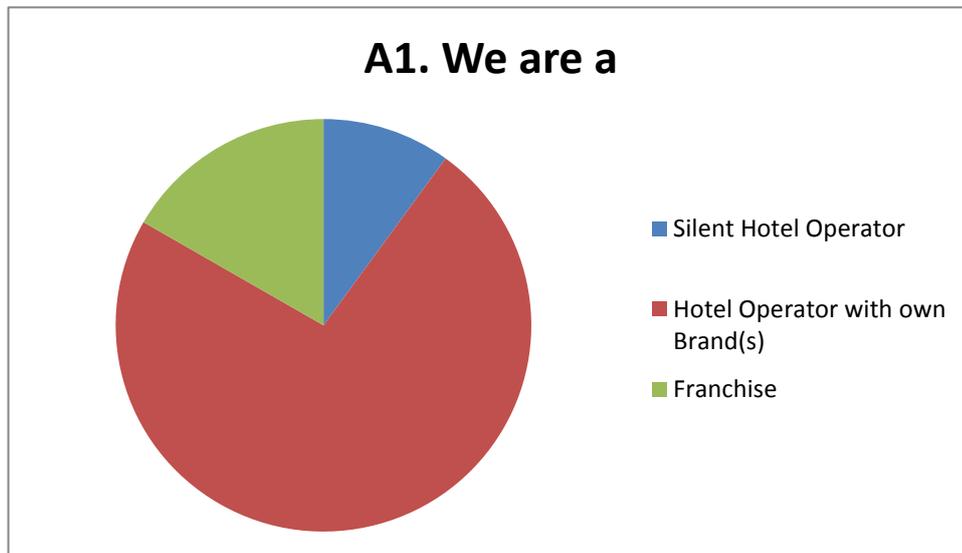
*at Modul University Vienna in cooperation with MRP hotels*

1. How many employees do you have?  
Is your structure the one of a single enterprise or a group of companies?
2. Please indicate the following:
  - Number of projects evaluated per year:
  - Number of projects realised per year:
  - Number of hotels currently operated:
3. Are the majority of your projects related to city properties or resort properties?  
In which destination are the projects typically located, A destinations or B-C destinations?
4. How is the structure of the internal procedure when you are approached by an external party to operate a new property?  
Please name the various steps and elaborate on them in a few sentences.
5. Which types of contract would you accept?  
Are there any differences concerning the types of contract referring to, for instance, A destinations and B-C destinations or city properties and resort properties?
6. Which type of financial involvement do you typically propose?  
Are there differences concerning the type of financial involvement referring to, for instance, A destinations and B-C destinations or city properties and resort properties or the type of contract offered?
7. Would you prefer receiving a fact sheet (1-2 pages) or a teaser (>5 pages)?  
Which kind of information would you like to receive and how detailed should it be?
8. Would you like to be approached via phone before receiving the documents?  
Please briefly explain your answer.
9. Please describe the landscape of the hospitality industry.  
In particular, what are challenges the hospitality industry has to face, especially referring to the role of hotel operators in general?

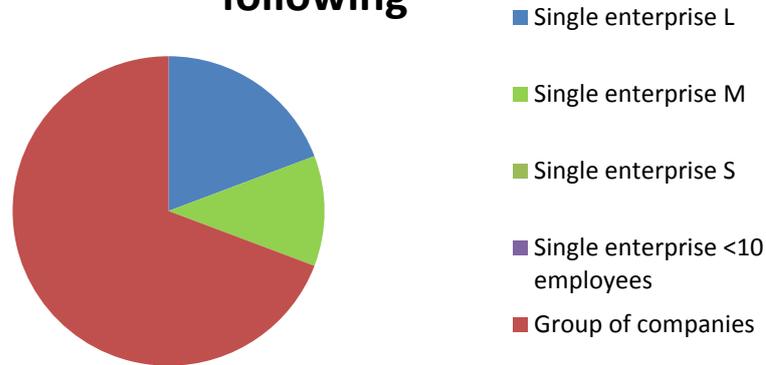
10. Can you name relevant future trends within the hospitality industry and elaborate on the implications that these trends might have on you?
11. How crowded is the market with offers to bid for the operation of a property, is there currently though competition on the market?  
Do you have indications for future trends concerning the competition?
12. Where do you see strengths of your company, referring to your role within the hotel property development process?  
Where could you detect areas for improvement?
13. Referring to the hotel property development process, does a network exist?  
Could you visualise or briefly describe the various relationships you hold with other associated companies?  
Is there some kind of a gatekeeper embedded within this network?
14. Please feel free to elaborate on other related topics or indicate any further comments you may have.

## Appendix 4: Fact Sheet for MRP hotels (Analysis of the Online Survey)

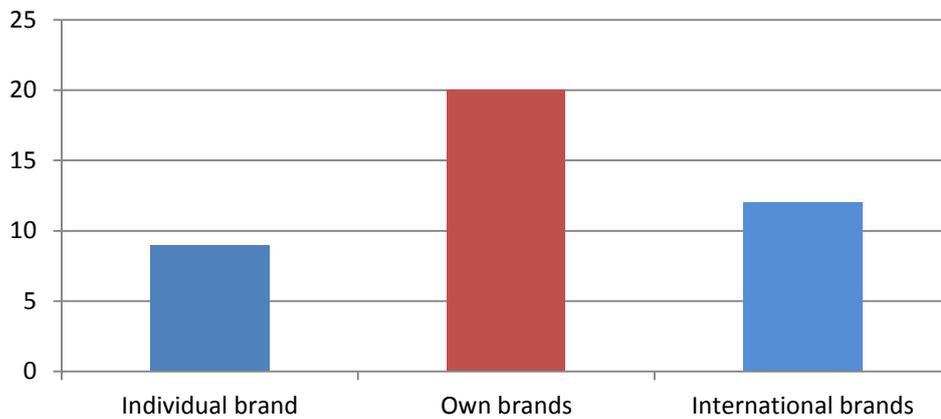
General data on the respondents (26 responses)



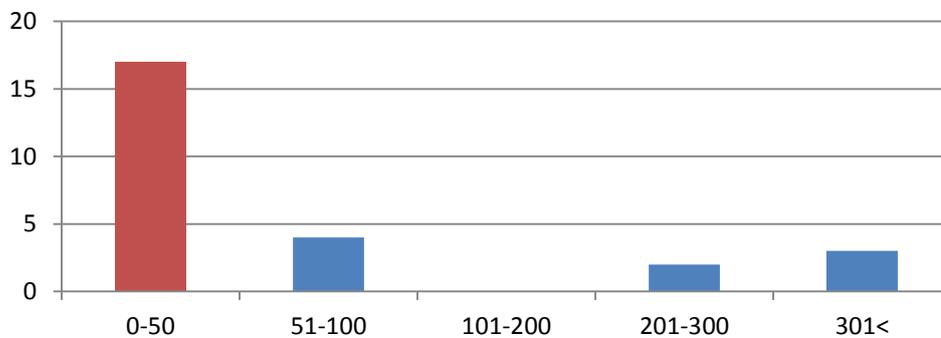
### A5. Our legal business structure is the following

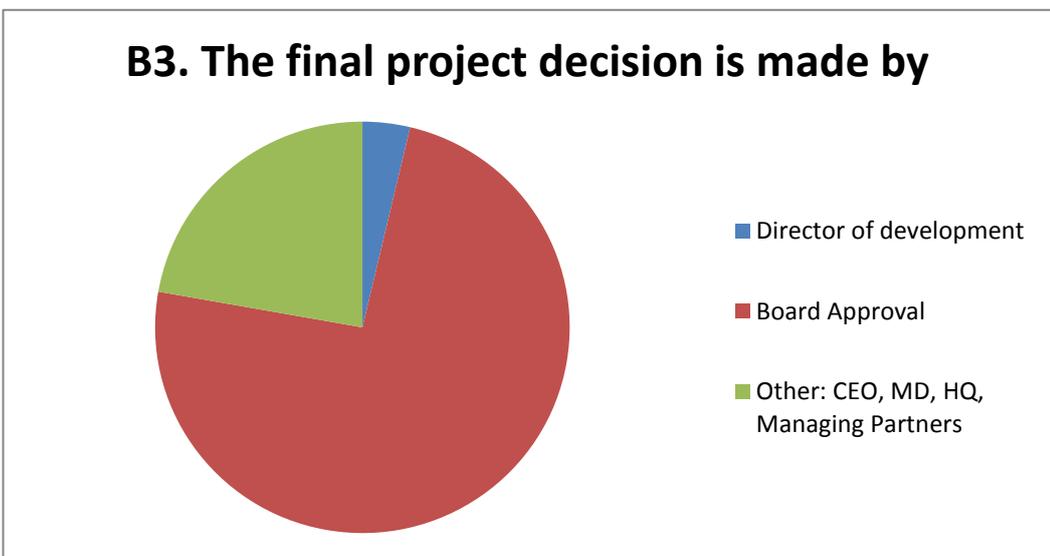
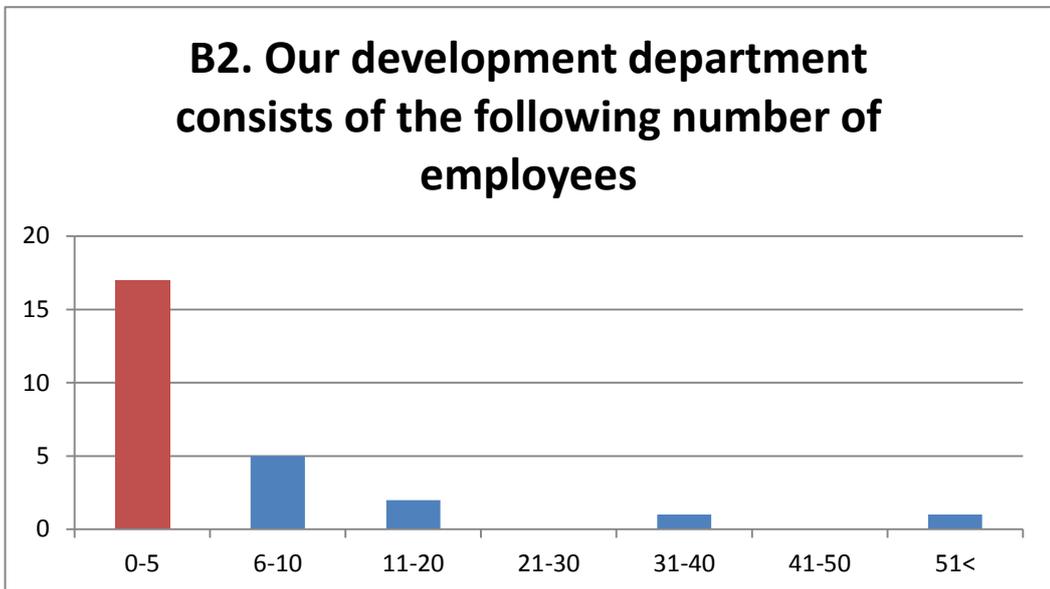
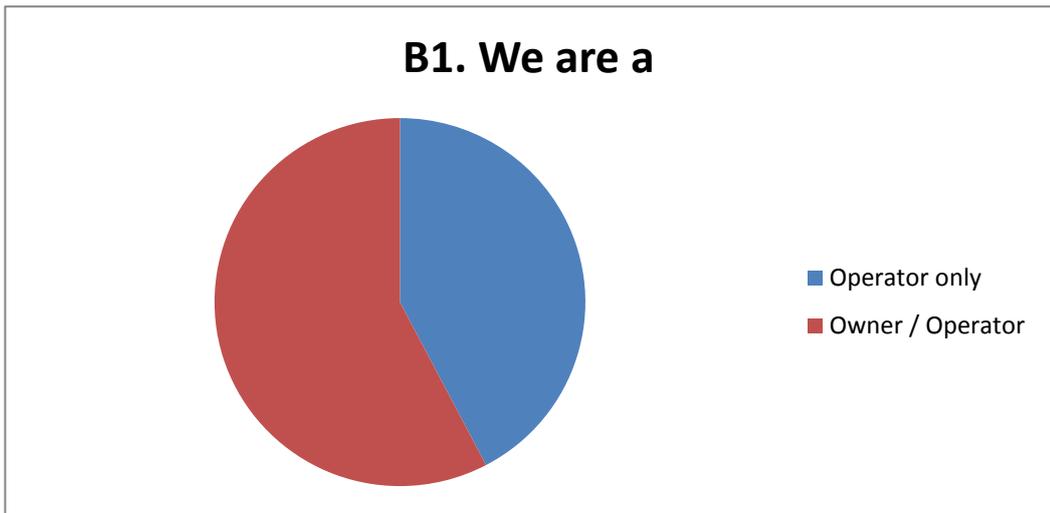


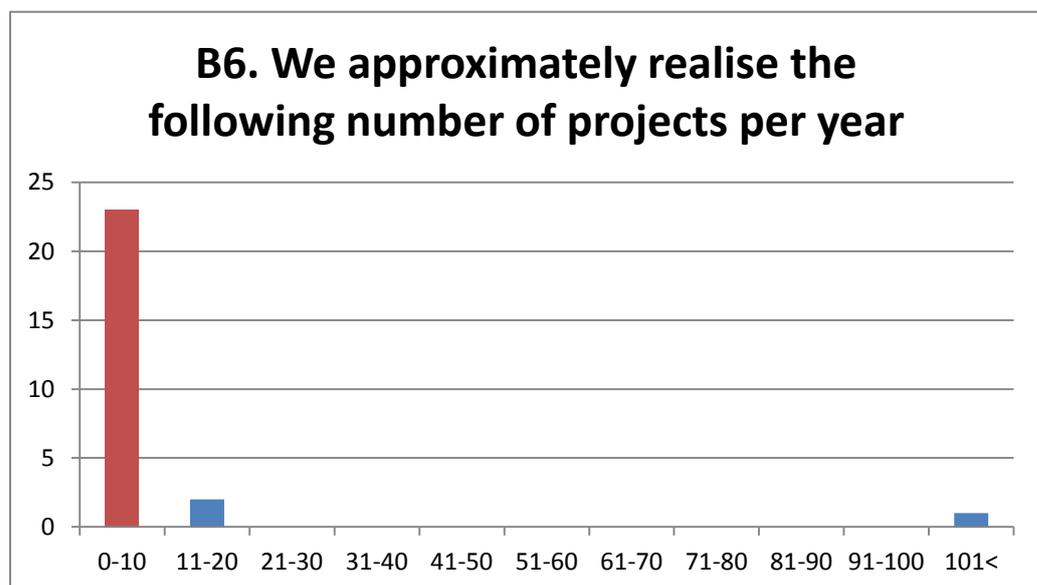
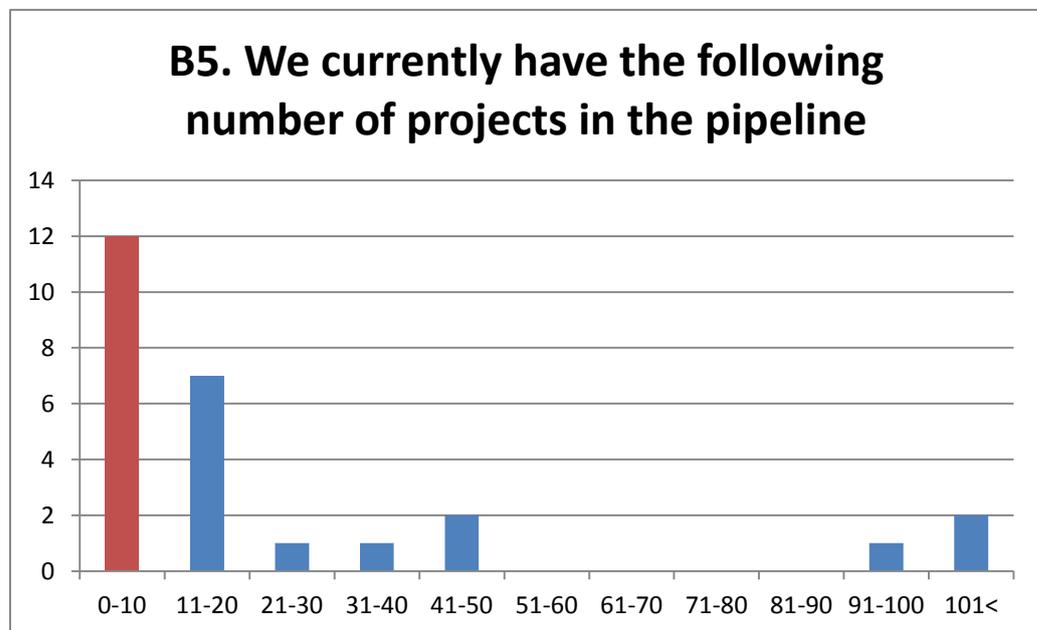
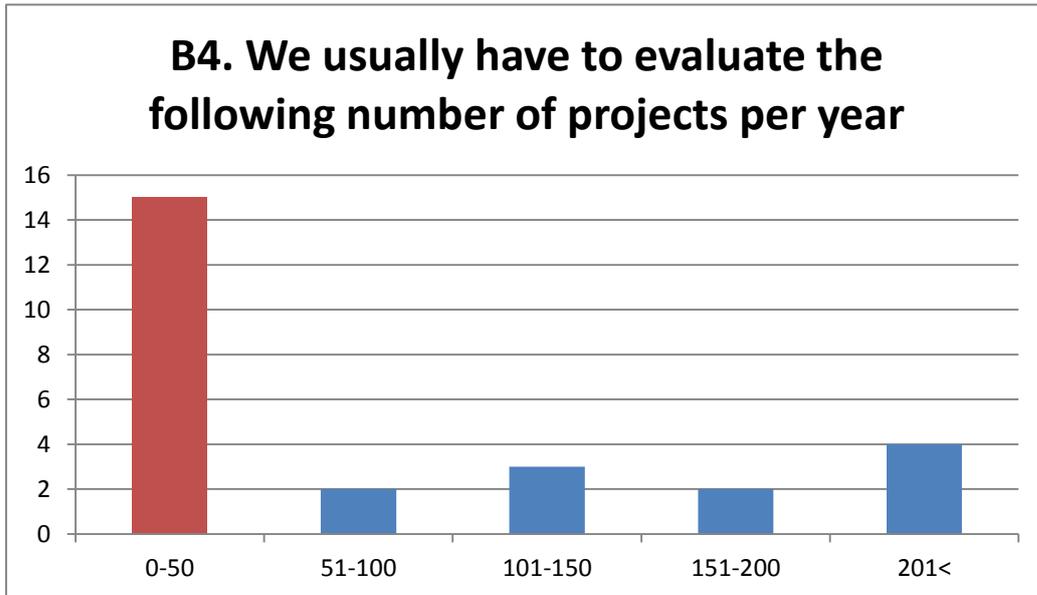
### A6. Our portfolio includes



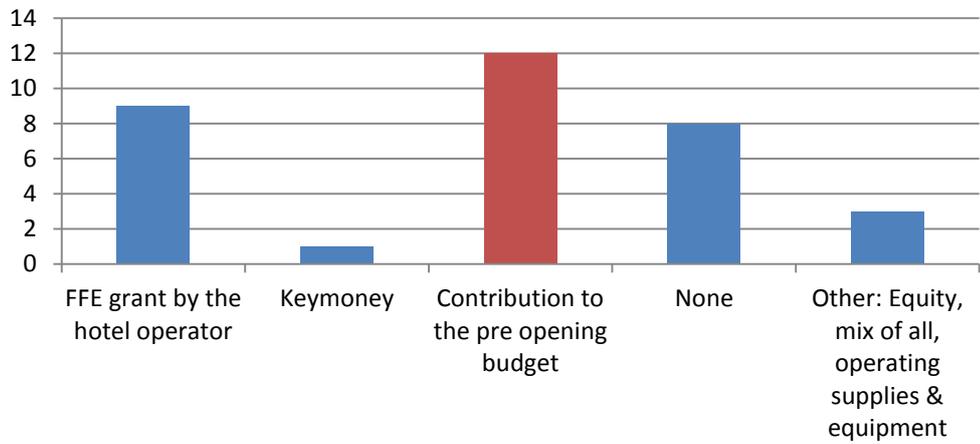
### A7. We currently operate the following number of hotels in our portfolio



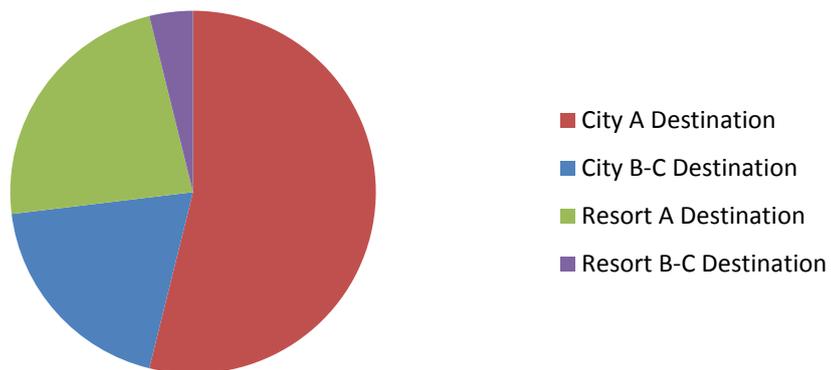




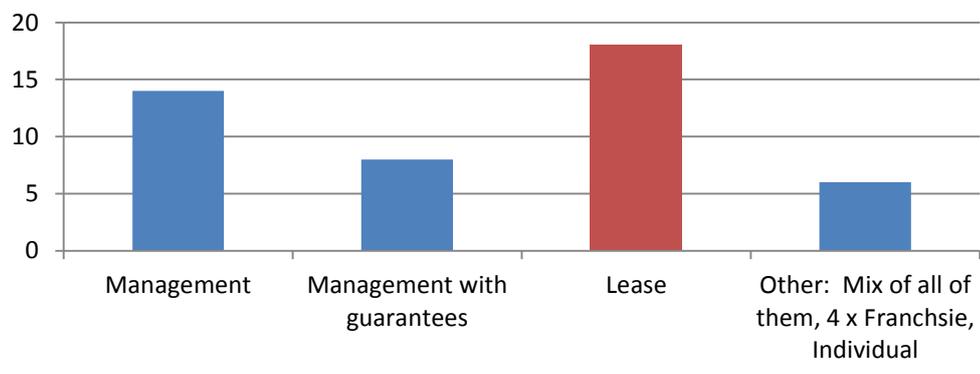
### B7. Our typical financial involvement consists of



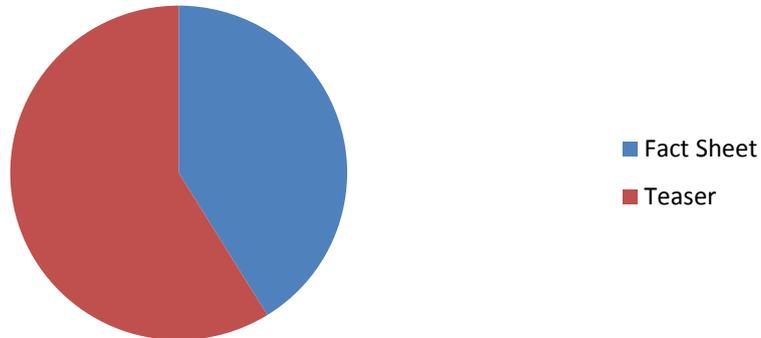
### B8. Most of the projects fall in the following category



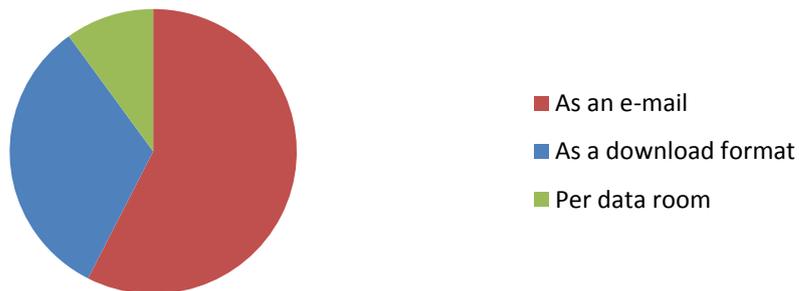
### D1. We would usually offer the following type(s) of contract(s)



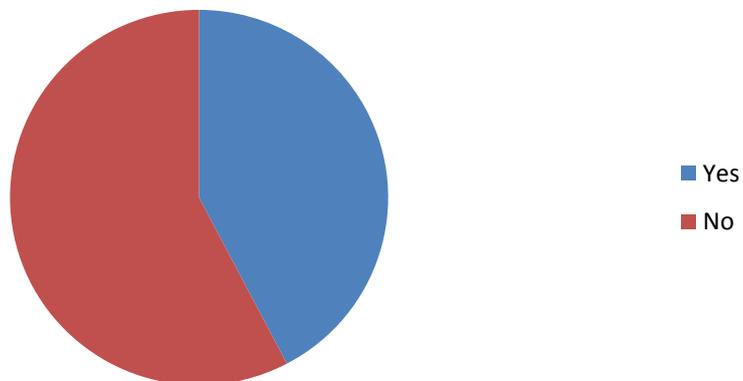
**D3. The first information should be delivered as a**



**D4. We would prefer receiving the fact sheet and / or teaser in the following way**



**D8. We would accept an automated tender method**

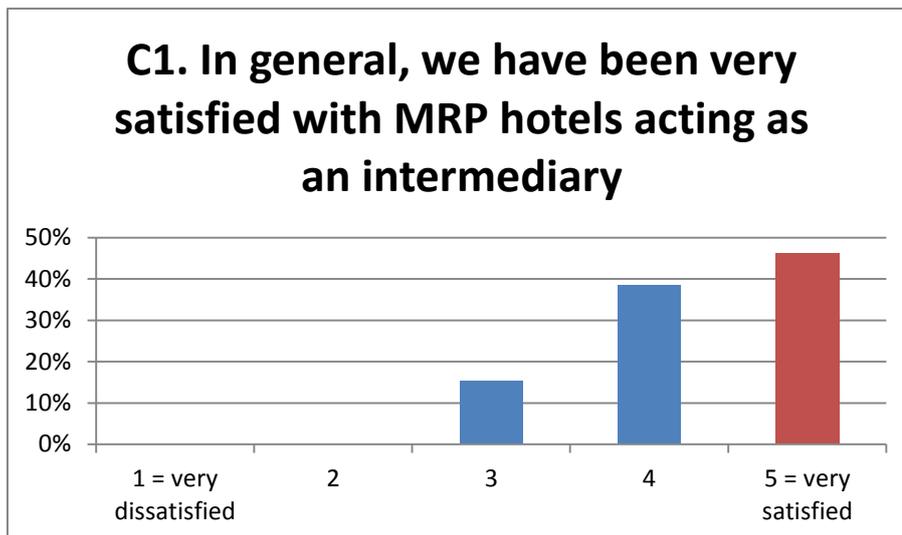


**Implications for MRP hotels**

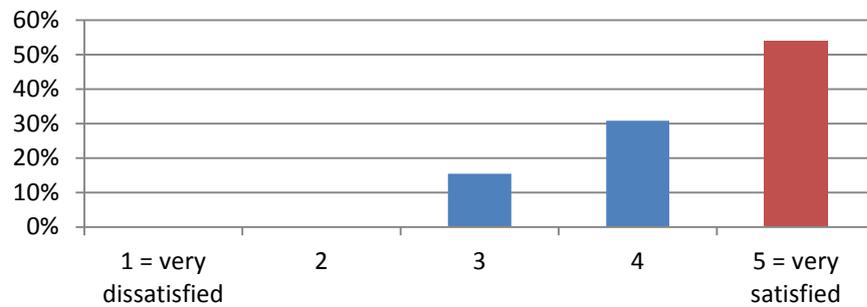
- 1) Information ranked according to the importance
  - 5 = highest importance*
  - 1 = lowest importance*
  1. Location – 4,81
  2. Market information – 4,31
  3. Project specifications – 4,19
  4. Requirements for potential hotel operators – 4,12
  5. Key performance indicators – 4,12 & Planning documents – 4,04
  6. Financial information – 3,88
  
- 2) Information which should be mentioned in the e-mail
  1. Location – 100 percent
  2. Key performance indicators – 80,77 percent
  3. Requirements for potential hotel operators – 76,92 percent
  4. Project specifications – 65,34 percent
  5. Market information – 61,54 percent
  6. Planning documents – 46,15 percent & Financial information 46,15 percent
  
- 3) Hotel operators prefer receiving a **teaser**, namely more information.
  
- 4) **A destinations** show a relatively high preference for **receiving a teaser** whereas for **B-C destinations** there is no clear preference as **both options** (teaser and fact sheet) are **equally preferred**.
  
- 5) Hotel operators do **not** necessarily want to be **approached via phone before** receiving the documents.
  
- 6) **City** hotels operating in **B-C destinations** need **more information on the market** (demand and supply) than A destinations.
  
- 7) There is a difference concerning the type of contract between operating a city property and a resort property. **City properties** mostly have **lease contracts** whereas **resort properties** tend to have **management contracts** and no management contracts with guarantees at all.
  
- 8) There is a difference concerning the type of information needed between operating a city property or a resort, however solely in the category *market* as **resorts wish more information on demand and supply than city properties**.

- 9) The type of financial involvement varies between the different types of contract offered. **Management contracts** go typically hand in hand with **keymoney** and a **contribution to the pre-opening budget**, **management contracts with guarantees** are mostly related to **keymoney** and **lease contracts** are usually associated with a **contribution to the pre-opening budget**.
- 10) The type of financial involvement varies between different types of destinations. **A destinations** mostly are offered **keymoney** whereas **B-C destinations** usually receive a **contribution to the pre-opening budget**.
- 11) **Both**, operator only and owner / operator structures, usually **need the approval of the board** within the development process and rarely (or the *operator only structure* even never) rely on the director of development.
- 12) There is a difference between the number of hotels operated and the type of financial involvement. Companies operating **up to 50 hotels**, typically offer **keymoney** as well as a **contribution to the pre-opening budget**. Companies operating between **51 and 100 hotels** usually provide **keymoney** and the ones operating **more than 100 hotels**, give a **FFE grant and a contribution to the pre-opening budget and no financial involvement**.

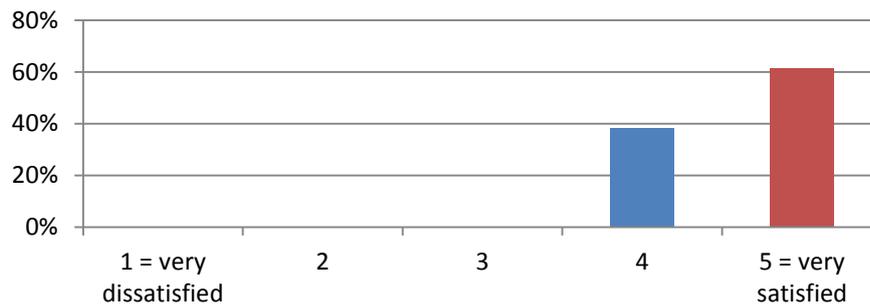
*Satisfaction with MRP hotels (13 responses)*



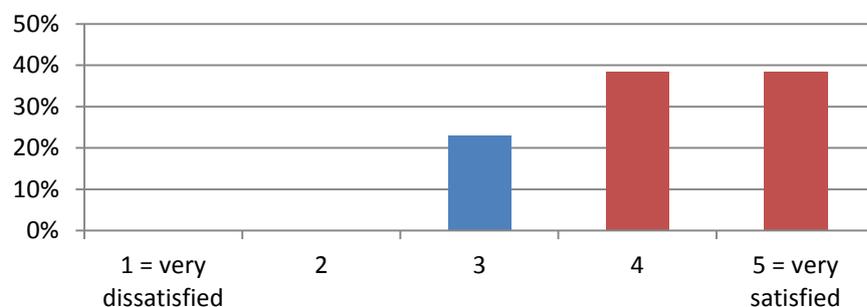
## C2. We have been very satisfied with the responsiveness of MRP hotels



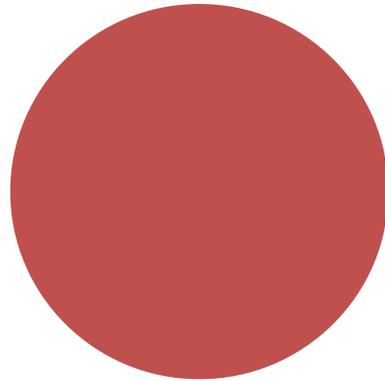
## C3. We have been very satisfied with the tools of communication used by MRP hotels, such as personal approach via phone and the receipt of the fact sheet or teaser



## C4. We have been very satisfied with the structure and design of the teaser or fact sheet

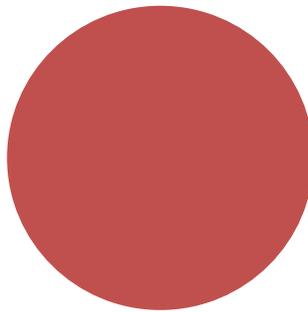


**C5. We would consider working with MRP hotels in the future**



■ Yes

**C6. We would recommend working with MRP hotels within our network**



■ Yes

## Appendix 5: Expert Interviews

The interviews were conducted with the following experts and for the sake of completeness the dates of the interviews are outlined in brackets:

- a. Alexandra Apacla, Senior Analyst Development at Deutsche Hospitality (12.02.2018)
- b. Florian Mayer, General Manager at Leading Family Hotel & Resort Dachsteinkönig from Mayer Family Hotels (16.02.2018)
- c. Astrid Schafleitner, Director Development Germany South, Austria & CEE at Motel One Development GmbH (23.02.2018)
- d. Florian Kollenz, Chief Development Officer at 25hours hotels (23.02.2018)
- e. Caspar Kraushaar, Development Executive (D-A-CH area, including Germany, Austria and Switzerland) at InterContinental Hotels Managementgesellschaft mbH (02.03.2018)
- f. Anonymous source, Aparthotel (09.03.2018)
- g. Martin Winkler, Member and Spokesman of the Österreichisches Verkehrsbüro AG Executive Board (16.03.2018)

1. How many employees do you have?

Is your structure the one of a single enterprise or a group of companies?

- a. They have approximately 8.800 employees and they are a group of companies.
- b. They have approximately 150 employees and they are a group of companies.
- c. They have approximately 2.224 employees and they are a group of companies.
- d. They have approximately 700 employees and they are a group of companies.
- e. They have more than 400.000 employees and they are a group of companies.
- f. They have approximately 50 employees and they are a group of companies.
- g. They have approximately 1.500 employees and they are a group of companies.

2. Please indicate the following:

- Number of projects evaluated per year:
  - a. They evaluate approximately 50 projects per year.
  - b. They evaluate approximately three to four projects per year.
  - c. They evaluate more than 500 projects per year.
  - d. They evaluate approximately 40 to 50 projects per year.
  - e. They evaluate approximately 400 projects per year.
  - f. They evaluate approximately 500 projects per year.
  - g. They evaluate more than 50 projects per year.

- Number of projects realised per year:
    - a. They signed 15 projects in 2017.
    - b. They sign one project every 3 years.
    - c. They typically sign seven to ten projects per year.
    - d. They typically sign three to five projects per year.
    - e. They typically sign ten to 15 projects per year but they signed 19 projects in 2017.
    - f. They cannot tell yet as they are a young company.
    - g. They realised two projects in 2017.
  
  - Number of hotels currently operated:
    - a. They are currently operating 104 hotels.
    - b. They are currently operating three hotels.
    - c. They are currently operating 63 hotels.
    - d. They are currently operating ten hotels.
    - e. They are currently operating 76 hotels.
    - f. They are currently operating one hotel.
    - g. They are currently operating 28 hotels.
3. Are the majority of your projects related to city properties or resort properties?  
In which destination are the projects typically located, A destinations or B-C destinations?
- a. They are mostly located in city properties but they also have resort properties, however not as many as city properties. The largest share is covered by city properties. They have properties in A destinations and B-C destinations, thus it is rather balanced. It always depends on the type of contract, the strategy, the project specifications and other criteria.
  - b. They solely have resort properties, so all family resorts in the country side, they are not at all located in cities. They are located in villages, so rather B-C destinations. They are absolutely not dependent on the destinations as they aim for resort properties in villages, this is their concept.
  - c. They solely have city properties, they do not have resort properties within the Motel One portfolio at all. Referring to the location, they are mostly situated in A locations but A and B destinations. For categorising the destinations as A destinations, B destinations and C destinations, they consider the overnight numbers and flows. A minimum of one million overnights a year is needed in order to have potential for growth for this market. For Motel One, A locations are the big markets with more than three million overnights whereas B destinations are smaller than that.
  - d. All of the 25hours hotels are located in city destinations, they do not have any resort properties. Currently, there is a mix of A destinations and B destinations, micro locations, but all the new projects that they sign are located in A destinations. The first ho-

tel in Hamburg is almost a C destination, Frankfurt is also a B location. However, the focus for the future is set on A locations.

- e. Typically, they are not into resort properties, they are focus on city properties and business travel. There is a trend going away from A destinations. For instance, A destinations in Germany include the top 7 destinations which are Hamburg, Frankfurt, Berlin, Munich, Stuttgart, Düsseldorf and Cologne. They currently have more hotels open in B destinations due to the enormous amount of Holiday Inn Express Hotels which fit well in B locations. Even when looking at projects in the pipeline, one can see a tendency for B destinations. This will not change in the future as A destinations are becoming more and more crowded and more expensive as well.
  - f. They only have projects in city properties. They are located in A destinations, based on their current target market. For now, they are aiming for destinations like London and other gateway cities. As they are a very small and very young company, they are considering their focus very often and are still exploring different options. It could also be the case soon that they shift their focus towards B locations like Manchester, etc. as it is very difficult to get into London as a young company.
  - g. A little bit more than 80 percent are city properties, thus the biggest share of hotels is located in cities. Moreover, the majority of properties is situated in A destinations like Vienna, however some are also in Innsbruck, Graz, Linz and in other federal states of Austria.
4. How is the structure of the internal procedure when you are approached by an external party to operate a new property?  
Please name the various steps and elaborate on them in a few sentences.
- a. All the developers receive the project through their contacts or through the network. This already involves the expectations they have, meaning whether they request a lease or not and what the requirements established by the owner are. Moreover, it includes information on whether or not the project requires financing, whether or not they already dispose of the building permit and whether or not they own the land themselves. It should also include a brief explanation of the project as well as information on the location. Financial information, such as the expected market performance is also essential. An analysis of the project is conducted in order to determine whether it would be suitable for the company or not. If yes, the next step is to see which brand could fit the location. Furthermore, it needs to be researched if the location is better for a lease or a franchise contract. Moreover, they have to talk to the partners and owners in order to determine what they are specifically looking for as some prefer lease or management contracts. If there is a lease contract, they have to determine what type of lease they can offer, either a fixed or variable lease. Concerning the management contract, there is also the possibility of applying a straight management contract or a management

contract with guarantees. After the evaluation, the company aims to offer the best option to the owner as well as their company. The decision has been made to go for it, thus they send the proposal for an expression of interest to the owning party. If this process continues, they set up a term sheet with commercial terms according to the brand and contract. As it is already at an advanced stage, they internally present everything to their supervisory board. The supervisory board consists of the ones who approve or reject a project. Finally, they sign the agreement to operate the property.

- b. They are usually approached by developers, they have one person in charge with the development of the company and then they determine if they want to work with them, operate or operate and invest. The final decision is made by the head of the company, as the company is owned by a family, the family makes the final decision whether or not to operate the property. Generally, they are only looking for new built projects where they can develop from the scratch. Usually they are approached by developers, as already mentioned, or even by investors to invest and take care of the operation. The external parties are supplying all the necessary data but of course, they do their own background check. In general, there are no specific presentations or papers to be prepared.
- c. There are different ways how they get to know of new projects, there is for instance the direct way between the project owner and the developer. This is one option where the owner calls them directly and states that they have an idea and asks them to become part of this specific project. This would be the easiest way. Moreover, Motel One gets to know of new projects by talking to brokers or other local specialties, such as architects and lawyers who know the market very well. They will inform them about potential opportunities within the market. The next step involves the respective development director who is taking care of the specific region and subsequently, reviews the offers which are related to his or her area. They either meet the people or they call them to see where the project currently is and how they can manage to have a common project on the specific location. To sum up, this is the first step, namely overlooking the opportunities, starting to negotiate a project, understanding what the values needed are and determining whether or not it is feasible from an architectural perspective. If they, internally, are convinced they will take the project to the MD in a more informal way and if the MD is convinced of the project as well, he will take it to the board meeting in order to aim for an approval. After the board approval has been granted, they finalise negotiations and start exchanging contracts. This is a typical process but, as they are a small team within the company, there are also sometimes shorter ways to approve something. There is nothing 100 percent standardised referring to the procedure as it is more related to the situation and the current opportunity at hand as sometimes you need to be really fast to secure a project, however on the other hand sometimes you follow a project for years and nothing essential happens.

- d. It needs to be mentioned that it is different on a case to case basis. Sometimes, the process is very structured, especially when consultants or large brokerage companies are involved. They send you a document first, typically one page, with broad information and key facts on the property. At the same time they give you a non-disclosure agreement (NDA) and after having signed this, you are granted access to a virtual data room with all detailed information, such as floorplans, pictures, renderings and financial data on the market. Afterwards, you basically start diving in the project when you are interested. It usually starts with a site visit in order to know more about the neighbourhood and get an impression and feeling for the location, quite often it is a more emotional decision. Then, you start with the plans, meaning architectural drafts are reviewed and you check whether the space is sufficient for the concept, for instance often the kitchen area is too small and thus, the plans need to be adjusted. One also needs to consider the final number of rooms and F&B outlets, thus they sketch on the plans they are provided with to allocate space the way they are comfortable with. Based on this information, they develop some forecasts. They do market research and gather data on the history of the market, the supply and demand growth and the ADR of the overall market. It is not only about looking at the history but also the future, analysing the outlook for the demand whether it is supposed to grow, how the airport is developing, et cetera. Moreover, they break it down and look at their market segments, meaning who they are competing with. Also, they look at the competitors by getting to know the ADR and the occupancy of the competitors through official data. One can also try to get individual data which works on the basis of trust and friendship with their competitors, so they will be provided with the data from their competitors. Often it is a mix of both as you cross check the official data with the informal one you get from competitors. Next, you do assumptions for all F&B outlets. This depends on how much time you have to work on a specific project, either you only work with percentage values on the cost side to build up the model but if you have enough time, you come up with a staffing plan and benchmarks per occupied or available room basis. Finally, this results in a full business plan and a full financial forecast and on that basis you make your decision. Then you provide the package to the landlords or its consultants. You present the business plan, provide comments on the architectural plan and give a presentation on the brand, et cetera. Some owners request more information to understand your vision better, hence this really depends on whether they want to have only financial figures or a presentation as well. After having elaborated the offers received, landlords shortlist and there is a second round with the preferred candidates. The landlords will challenge you on the financial forecasts, the proposal and your bid which is also driven by the consultants. At a certain point, the landlord makes a decision to focus on a specific hotel operator. They often ask for exclusivity that the landlord only talks to them when doing more detailed contract negotiations as it can become very expensive if the owner also talks to others. Referring to the decision maker,

they usually share the heads of terms, the financial forecast, the floorplans and consequently, the shareholder board decides to approve a project or not. The decision is anonymous and all shareholders need to agree to a project in order to move forward. Moreover, the project also needs to be presented to Accor as they have just recently gained a 30 percent stake in the company. Thus, the project is presented to the Accor investment committee whenever there is a financial commitment from 25hours hotels.

- e. They do the pre-assessment, which is the first instance where the project has to go through or they even pro-actively approach someone for new projects. After having received the email, they get in touch with the corresponding person, they contact them and check the location and look if there are already hotels out of their portfolio located nearby as they aim to protect their current franchisees. If the size is suitable and one can imagine to open a hotel there, they check on the construction site, whether one can realise the number of rooms needed, what is the price of the piece of land, how is the building or do they have a building permit and whether the land can be used for constructing a hotel. If this is feasible, they do due diligence internally. They have their template to decide whether or not the project is feasible. Depending on the offer, they approach a franchisee and if there is no developer on the project, they are looking for a developer as well out of the ones with whom they have already done business with. Then they bring them together and see if all negotiations go well. There are a lot of internal procedures to go through which require an approval from the approval committee in the UK. Afterwards, everything comes back, the franchisee signs the lease contract with the owner and the franchise contract with InterContinental Hotels Managementgesellschaft mbH. Now, construction can start.
- f. In general, before they go into a city, they do a city overview which is quite an extensive research document. Here, they look at the hotel market, the development and the general economic state of the city. They also examine the neighbourhoods that might be interesting for them. They try to create a network within the city, meet a lot of people and spend a few days there. When a developer reaches out to them with different sites, they perform a so called *five minute analysis*. First, they analyse the micro location, meaning they consider the surroundings, whether there is a cool neighbourhood or not and what the other developments nearby are like, namely if they are mostly residential or office areas. Second, they look at the floorplans and they check whether the building is sufficient for their needs or not. Next, within 24 / 48 hours, they come back to the developer for the building. Thus, if the location and the building go in line with their concept and it is determined being feasible, the third step is to run the financial model. Then they come up with a rent proposal that they can achieve. If it is accepted by the developer, they enter the hot phase, meaning they discuss the head of terms. The head of terms are basically the core pillars of the final agreement, they discuss for instance the lease term, determine who is the lessor as well as the lessee, the distribution of responsibilities and how many rooms the building can fit. Once this is signed by

both parties, they go into the development and lease agreement discussion. They prefer to have two separate agreements for this as, when the building is constructed, they can focus on the fulfilment of the lease agreement. Afterwards, they enter into discussions, it can be the case that the discussions are rather long as they have a special concept with plenty of requirements which need to be fulfilled. If this is done, they go into the technical terms and the design will be developed. They have workshops on the technical aspects on a regular basis. At the beginning, the developer of the respective region works on the project. Once they perform the five minute analysis and run the financial model, the co-founder of the company signs off the high level rent before sending out the proposal. In addition, on a monthly basis they include the project in the shareholder update where they inform the shareholders of the advanced projects in the pipeline. Thus, before the lease agreement is signed (hot phase) they ask for the shareholder approval.

- g. The first step they undertake is an evaluation of the market, meaning to explore the area where the property is located, also focusing on the micro market. Additionally, they look into the target group they are facing when going on with this project. This involves the question whether the new project is within the business or leisure segment as the focus of their company is more on lean, smart business hotels. Next, they deal with the business case. This involves the expectations for this property and the KPIs with the lease coverage ratio and then, they go on by researching more details. This is the first step where they decide to go for it or not. The project is approved by Ms. Faltynek in accordance with the management team of the hotel group and they require as well the approval of the sales and controlling department.

5. Which types of contract would you accept?

Are there any differences concerning the types of contract referring to, for instance, A destinations and B-C destinations or city properties and resort properties?

- a. There is a strategy in place which allows determining the type of contract that is acceptable, however this is mostly based on the location. For example, if the project is located in the Middle East, they do not offer lease contracts at all. This is equally applicable if they enter a really new market outside of Europe as they do not have the know-how for a lease contract but rather go for a management contract or a franchise agreement. Generally speaking, they aim to balance their strategy and portfolio and thus, engage in fewer lease contracts and focus more on management and franchise contracts. Concerning resort properties, they have their brand *Steigenberger* where they aim not to apply a lease contract unless it is a top location. Currently, their strategy is definitely to focus more on management and franchise agreements, especially also with their brand *Steigenberger*. Nevertheless, the types of contract heavily depend on the project itself as well as the owner's preferences. Thus, generalisations cannot be

made as it has to be evaluated according to the specific circumstances and criteria of every project.

- b. They only have leisure destinations, thus the type of contract does not vary referring to the type of destination and the type of property. They also look for other destinations but they are a 100 percent leisure resort, so they only consider leisure destinations. Concerning the types of contract, it can be said that two out of three properties are 100 percent owned by the family and in one of them, they have 20 percent share of an investor and therefore, a management contract is applied. Currently, they are developing a resort in Switzerland where they are looking for a lease contract. Hence, they would accept a lease contract as well.
- c. Motel One is famous for long term leases, this is the most important contract type within their corporation as approximately 75 percent to 80 percent of the room stock is secured via long-term leases. The remaining room stock is within their own real estate portfolio, they are owners within these projects. As of today, they do not have a management contract in place yet and they do not consider franchising as an option to grow.
- d. Typically, they sign lease agreements, management agreements and so called *manchise agreements*. Lease agreements is where they are coming from, this is also driven by the European market as the lease agreement is the contract model which is market standard in Europe. They still sign lease agreements and out of their ten current hotels, all of them are leases. One can differentiate between different type of lease models as there are fixed leases, revenue based leases and cap and collar leases. Actually, they feel quite comfortable with lease agreements as it gives them a lot of flexibility. As long as the operator pays the rent, the owner cannot get involved on the operation side, especially if there is a fixed lease. Thus, the owner does not have a say on the products and services. There is also the result component where the owner gets a certain percentage of the gross operating profit (GOP) which they would never do as this would certainly lead to a discussion with the landlord whether or not you have too many waiters or cooks. They aim not to have this kind of discussion. Referring to management agreement, the owners get involved even more as the hotel operator manages the hotel on the behalf of the landlord. The employees are on the payroll of the owner's company and are getting paid by him or her. As the owner is typically taking the whole financial risk, he or she wants to have a say. They are opening the first hotel in Paris in 2018 which is going to be a management agreement. There are certain markets where a management agreement is more common, even within Europe, but especially if you move to the East, thus referring to countries such as Hungary, Slovakia and the Czech Republic. If you go one step further and consider, for instance, the Ukraine you will already hardly find any lease agreements but rather management agreements. Also looking outside of Europe, such as the Middle East, Africa, America and Asia Pacific, there are mainly management agreements. The last one, *manchise agreement* is a mix of a

management and a franchise agreement. This is only done with Accor. The initial idea was that 25hours hotels does not have the ideal set up and position to operate hotels on a daily basis in, for example, Dubai or Sao Paulo. However, Accor has an existing infrastructure by having the resources on site and 25hours hotels wanted to also use the resources and go into this infrastructure. Thus, 25hours hotels creates the concept, develops the narrative of a hotel, finds the right F&B or other creative partners and the day to day operation is done by Accor. Hence, 25hours hotels has a *manchise agreement* with Accor and Accor has a management agreement with the owner, basically three parties are being involved. 25hours hotels is providing the brand, doing the concept development and making the major operational decisions by picking the general manager, the F&B manager and others. They also have a quality assurance procedure in place for these long haul destinations, which are considered being located in the Middle East, South America and Asia Pacific.

- e. They are open to pretty much everything but they heavily do franchise. They are following an asset light strategy, they do a lot of Holiday Inn Hotels and Expresses Hotels which are designed for franchise contract. They also do management contract but this is usually done with more upscale brands and larger ones. There are hybrid contracts as well which imply a mix between management contracts and franchise contracts. Something they would definitely not do is to buy a piece of land and invest in all of it, they are never an owner.
  - f. In general, they do fixed or hybrid lease contracts. However, they also do management contracts, but generally speaking they are very flexible. In the US, they prefer management contracts but they are standard anyhow in the US. So far, more focus is put on Europe.
  - g. They have their focus on lease contracts but they would also accept management contracts as they are quite flexible with the types of contract. However, for instance in the central Europe area, the majority of contracts is nevertheless lease contracts whereas in the US, there are mostly management contracts.
6. Which type of financial involvement do you typically propose?  
Are there differences concerning the type of financial involvement referring to, for instance, A destinations and B-C destinations or city properties and resort properties or the type of contract offered?
- a. They give the owner keymoney as well as a contribution to, for instance, the pre-opening budget. If there is a location they really aim for, they will give away more financial involvement to become more attractive to the owner of the property. Thus, competition increases their amount of contribution. Consequently, no generalisations can be drawn but it might be said that, lease contracts never go hand in hand with

- keymoney from their company. Rather, keymoney is only given away when having management contracts in place.
- b. Currently, they do not engage in financial involvement as they have not reached this stage yet. When applying the lease contract in Switzerland for instance, they will provide financial involvement but this is not determined yet.
  - c. In general, the better the project and the location are, the more creative and flexible they become regarding the financial involvement. However, they do not favour complex and complicated financial contributions. There is FFE which is the only major topic where companies have really different approaches on that. Knowing that the future landlord would invest in FFE, Motel One asks for this investment through the rent. Typically they prefer a lower rent and invest in FFE on their own but it has to be considered that each owner as well as each project is different. Sometimes the owner prefers to invest in FFE and have a higher rent, this could be the case and it also works for Motel One, thus it always depends. At the end, it is important that the project is realised and all the involved parties agree with the conditions. Astrid Schafleitner has never seen keymoney since she was with Motel One and they are not working with a contribution to the pre-opening budget either. Rather they offer rent free options, this could be equivalent to getting a budget for the pre-opening. There are plenty of ways to structure such a project, you could work with step-up rentals or rent free options. Hence, you really have to understand what the need of your partner is and how to help both parties to realise the project. One should always keep in mind that the financial contribution depends on the specific project and only if it has not happened yet, this does not mean that it will not happen in the future either since you need to be flexible.
  - d. For management agreements, such as in Paris, they offer a gross operating profit (GOP) guarantee. Usually, they rather aim for giving guarantees than providing money on the very beginning, thus they are not really in favour of keymoney. Giving away a FFE grant has not been done yet but there are certain markets where it is common that the hotel operator is doing FFE, especially in Scandinavia. So far, it made more sense that the owner is paying for the FFE and is also taking care of the logistics and the installation of the FFE. The first reason for this is the financing as the hotel operator has way higher interest rates than the landlord as the landlord can give them the land plot as a security. Second, it makes way more sense if the landlord is taking care of the logistic as, for instance, the bed of a guestroom is FFE whereas the installation of the sockets is part of the construction but the carpenter usually needs the sockets to be installed beforehand. As one can see, there are many interfaces between the different work packages. They participate in the pre-opening expenses, especially in lease agreements they get a certain pre-opening budget from the owner.
  - e. The typical contribution could be keymoney, it does not necessarily always have to be keymoney. This is depending on the plan and strategy of the franchisee. However, keymoney is the most common contribution. They do not give a FFE grant as this would

be given by the owner. Additionally, they also do not do patronage as they do not guarantee for the franchisee, thus they do not give any corporate guarantee such as Motel One for instance does.

- f. What they are ready to do is to invest in FFE but this is not the standard scenario, it is often done to show their commitment to a project. Hence, they can do this but they do not always do it. Their ideal scenario is a turnkey scenario where everything is paid by the lessor and they, in return, pay a higher rent.
  - g. FFE grant, keymoney and a contribution to the pre-opening budget are the typical contributions they are doing whenever possible. Additionally, they also engage in a technical service fee. Due to the tourism business in the group, they have really good equity in the balance sheet, thus they focus more on investments and receive on the other hand, smaller lease payments.
7. Would you prefer receiving a fact sheet (1-2 pages) or a teaser (>5 pages)?  
Which kind of information would you like to receive and how detailed should it be?
- a. One cannot say that more or less pages are preferred, it depends significantly on the structure and content of the information. Thus, three well-structured pages are more than sufficient or even better than ten pages with even less relevant data. The information which definitely should be included is the expectation of the owner, meaning data on what they are looking for exactly, referring to the type of contract and the total GFA in order to determine the number of rooms. Moreover, data on the property is crucial, such as the size and the type, referring to being new built or a conversion. Additionally, one should be informed about the year of construction and, if the property has been a hotel before, information on previous occupancy figures as well as the average daily rate is a necessity to determine past performance. Moreover, information on the location, market, planning documents, KPIs, financial data, project specifications and requirements for potential hotel operators should be included to complement the previously mentioned information. Concerning the level of detail, it is necessary to determine an adequate balance and to present the content efficiently and effectively. There is never too much information.
  - b. Referring to the length of the information, it really depends on the project but typically it can be said that five pages are enough. Important aspects to be included are: the location, size of square meters of the building size, different kinds of building permits, total expected investment costs, costs of the land and many others. To recap this is already considered being crucial: location, market information, planning documents, financial information, project specifications and requirements for potential hotel operators. The last point is necessary as they need to know what to expect, either a lease or which kind of management agreement should be offered.

- c. For her personally, one to two pages are enough as for the first analysis they need to understand the location. It would probably be sufficient if there is solely one line with the address as they look up where it is located and determine the closest underground station, what the neighbourhood looks like, how the visibility is, how the public transportation in general is and many other factors. Next, they require information about the size of the building, whether it is too small or too big where you would need to consider mixed use, for instance. The third aspect which is essential is to gather data on the potential deal structure, namely knowing what the owner is looking for, in which stage the project is or if the owner is asking for a lease partner or not. Then, they determine whether they are interested or not. If they are interested, they would come back to the person and ask for concept plans and they would start their architectural feasibility study on the project. Generally speaking, market information is not needed as it is done in house, they already have massive data on every hotel market in Europe. It is really crucial to know the location first because if this does not work, then they do not need any further information. If the location is not according to their needs, they thank them for their offer and provide them with a brochure including exact information what Motel One is really looking for. The mind-set and perspective from a developer is totally different than the one from an owner, as they would like to attract many people within a short period of time and thus, they include as much information as possible to promote the project accordingly. However, Motel One as a developer just needs the location as first information where they base their primary decision on. Moreover, they also wish to have data on the planning documents and on the project specifications. Financial information is important but not too detailed as sometimes the direct contact between the parties is essential to know what the other party aims for. Financial information could sometimes also hinder people from getting in touch with each other. This might be the case if the expectations noted on the teaser are way too unrealistic and thus, the hotel developer would not reply. The whole process is really complex and sometimes it takes half a year or more to promote the project and to find a new partner. Astrid Schafleinter's personal opinion is to understand the project first, then ask about financial information at a later stage and discuss it. Some consultants prefer to add hotel projections for this specific project and she is not sure if this is always helpful because each hotel operator has its own operational structure behind the project. Moreover, the requirements for hotel operators should not already be included in the teaser as the various conditions might still be negotiated and even result in better conditions from the perspective of an owner as if they were prior included in the teaser.
- d. There is no preference for a teaser or a fact sheet, it highly depends on the content and how it is presented. It is crucial to have the exact location with an address. They also need to know the size of the property, how many square meters it has, the footprint and size of the landplot. Moreover, they require a typical floor, a map with the location, some pictures of the surroundings and the sights, if it is new built and if possible, ren-

derings. Additionally, they need information on the owner and the developer, what track record they have in the hotel real estate business, meaning is this their first hotel project or have they already done something similar. They also wish to have a very quick outline on the process, just a couple of words on what they are looking for, do they want a lease or management agreement, and are they aiming to keep the sight or sell it. Consequently, information on the location is crucial, receiving planning documents as well as financial information, project specifications and requirements for potential hotel operators.

- e. They would appreciate if people are changing to fact sheets and not sending teasers anymore. Teasers are often full of information which is helpful but, for instance, market information and other factors on Berlin are already available for them. They think, for instance for Germany, they have all the data for cities above 100.000 citizens and this does not need to be included in the teaser. The fact sheet should contain the address, plans, ownership structure, GFA, price, lease indication and information on what they are looking for. Moreover for example, information on the construction possibilities is necessary, thus having knowledge on the maximum height which can be built. The location is essential but the address is sufficient in times of Google Maps. Next, they need to know what are the demand drivers, meaning why it will be feasible to construct a hotel there. This should be similar to the USPs, more concrete information on the density of the hotels around, the number of companies nearby and visitors by year should be given. Planning documents and key performance indicators should also be included by, for instance, providing a five year budget. Financial information, such as investment costs and return rates are essential. They also wish for data on the project specifications by receiving information on the owner and developer which is very helpful as they already know a lot of owners and developers since they already did business with them. Moreover, the requirements for potential hotel operators are needed.
- f. They prefer receiving a fact sheet because teasers sometimes contain not the information on the project they are looking for. They aim for information on the vision of the whole building, like whether or not it is mixed use or single use. Moreover, it is essential to have knowledge of the connectivity of the building, meaning of the neighbourhood, where the next public transportation is located as well as whether they are situated in walking distance to the next sights or not. Additionally, they require data on the scale of the building in order to easily detect how many rooms the building can fit. Information which they hardly ever get but which they would highly appreciate is the floor height as they have a really specific minimum requirement for the room heights. Furthermore, they wish for market information as, although they gather it themselves, it can be included as well. Moreover, planning documents such as ground plot, renderings, etc. can be added too. Information on key performance indicators, financial data and project specification, referring explicitly to the kind of use, enhances the process by making it easier and quicker. The requirements for potential hotel operators should al-

so be included. They perceive scaled floorplans as very useful but they are mostly not included. If they have knowledge of the scales, it is way easier for them to determine the feasibility of the project.

- g. From their experience, the first step in the process is to make a term sheet, thus a fact sheet with around two pages. However, at a later stage it is better to go more into detail with a teaser, for instance. If you solely have a fact sheet and move on with the lease contract, it might happen that you have different understandings than the owner and hence, it is better to have a clear picture within the first step and obtain more information. The information they want to have included is the location. Moreover, market information could be integrated but is not 100 percent needed as they have their own data base on supply, demand and accessibility for various destinations. This is similar for the financial information as it is good to see the expectations of the owner but nevertheless, they do their own business plan which states what is possible for them and so it is not 100 percent necessary. Planning documents are also essential, such as a ground plot, renderings and pictures. They wish to have data on the project specifications, such as type of project and information on the owner and the property, as well as on the requirements for potential hotel operators. They do not need information on the KPIs to be included as they do this completely on their own.

8. Would you like to be approached via phone before receiving the documents?

Please briefly explain your answer.

- a. Yes, they would appreciate it but it is easier if you send the information before, then follow-up later after having gone through the information.
- b. No, it is not important to be approached via phone beforehand. However, when having received and analysed the documents, a personal phone call would be a good idea.
- c. Yes, she wants to be approached via phone beforehand. Sending a teaser is fine as well but for different project partners she always asks them to ring her up. Usually this allows discussing the project in a few minutes and you already establish a direct contact. This allows also for a personal connection which is important.
- d. There is no real preference, both is fine as some consultants like to call you up and brief you but others do not. However, if the teaser is well done, it should be self-explaining.
- e. Yes, they would like to be approached via phone before receiving the documents as sometimes you can directly tell whether or not you are interested in this specific project.
- f. There is no preference from their side whether or not to be approached via phone before receiving the documents.
- g. The company does not necessarily need to be approached via phone before receiving the documents. For the first step, a teaser is sufficient and if the project appears being of interest, there will be phone calls and meetings anyway.

9. Please describe the landscape of the hospitality industry.

In particular, what are challenges the hospitality industry has to face, especially referring to the role of hotel operators in general?

- a. Airbnb is seen as a core disruptor of the hospitality industry. It is said that the concept of Airbnb always existed but due to technology, people are now easily connected throughout the whole world. Technology is one of the global trends that is affecting changes in the industry and also has implications upon the company. They already invest in technology but it becomes redundant so quickly, that you have to renovate rooms more often and invest more often as well. As the investment costs rise, this also affects the return rate at the end. They admit not being the leaders when it comes to technology, not only referring to their company in specific but having talked to other hotel operators as well who share this point of view. The challenge for the industry is to always keep up with new technological changes and still somehow manage to balance the investment costs, in order to avoid that they rise rapidly.
- b. The most important challenge is the current crisis of finding well educated employees, especially in leisure destinations where they are currently located. It is difficult to have employees who are educated enough to work in operating departments, like service, F&B, and the kitchen. They think that Airbnb and technology are threats to the entire hospitality industry but not to their specific concept.
- c. The hospitality industry has a colourful landscape, they have many niche products in the market today. There are big international hotel chains, there are medium sized hotel chains like Motel One and there are smaller chains which are coming up in the market. This allows them to satisfy different needs of the customers and to put them in a really good situation. Generally speaking, they experience continuous growth on tourism and overnights. The industry is very, very positive in general. Where there are many players involved, you also have different competitors arising. Motel One is not the only one looking for this specific location, thus one needs to strengthen the brand, the USPs, develop and improve the product and find the right people to deal with. This is truly challenging but on the other side, also absolutely interesting. Referring to the challenges, they see especially in Germany many markets which show very strong pipelines with a huge growth in supply within the next few years. Today's hotel market seems not to be demand driven, but investment driven. They are cautious on the further market development as another financial crisis or terroristic acts could lead to regression and a decrease in overnight stays which would foster competition. Therefore, if the market is too hot, they only invest or enter if the location is absolutely prime and the project is based on sustainable fundamentals.
- d. One challenge is finding new projects and getting them off the ground. There is tough competition with others, often you are not competitive with office rents or residential

use as it has been the case in London but when office rents came down, there were way more opportunities for hotels. Another challenge is bureaucracy, especially in markets like Italy, France, and Brasil. There are so many factors that need to be considered, for instance in London they know that there will be a change in legislation, where it will be more difficult to get an alcohol license. Hence, they already applied now even though they do not have a signed contract and the property will only open in three years or even later.

- e. They are not a hotel operator but rather, they give away the brand and the brand name to franchisees. They see a lot of competition coming up or already being there. Currently, the development prices go up as well as the prices of land and the prices per square meter of constructing a hotel. Hence, building companies request higher prices and consequently, constructing hotels becomes more expensive. There is a lot of pressure on the market. Although construction costs rise, consumers are not willing to pay more. Usually as competition increases, this decreases the prices although the construction prices rise and this results in a severe gap.
- f. What they see is that they started to compete with offices or co-working areas as they are, apart from their USP product, also looking into accommodation options. Thus, they are not only competing with hotels but also with others. Especially A destinations are really hot markets currently and consequently, everybody asks enormously high prices which results in, at some point, insanely high competition and rents paid. In addition to that, a lot of international investors, especially in China, are buying plenty of real estate and hence, they are pushing prices which makes it really difficult for smaller companies. Moreover, there is the challenge for competing against large brands which can easily launch a new brand like for instance Marriott has done with its young brand Moxy and additionally, have a much better covenant strength where they cannot hold up. Another positive aspect is that bleisure travelling, a mix between business and leisure travelling, is on rise. Moreover, it is said that more than 60 percent of young professionals want to work abroad once in their life, not forever but for a limited time span. This fits the concept they have, meaning a long stay product where the previously mentioned professionals could stay for three to six months while working abroad.
- g. A challenge is to do good investments in times where the industry reaches a peak in order to be fit for tougher times. On the other side, one also has to look for opportunities when the market is not doing so well. There could always be good possibilities which should not be forgotten. So far, they are not that much affected by Airbnb and technological changes.

10. Can you name relevant future trends within the hospitality industry and elaborate on the implications that these trends might have on you?
- a. As previously said, technology has a big influence on hotel operators and the development of hotel properties. Some of the other factors that influence future trends are the increasing demographics as well as the speed to go and travel. They will be requiring more products and also with the increasing number of low cost airlines, travellers will have a need for different mid-scale products and hotels. Imagine paying 50€ for your flight, it is relatively unlikely you will be staying in a pricey hotel in the city. The future will hold room for more products in the mid-scale market. Deutsche Hospitality disposes of *Jaz in the City* which is a relatively young, modern and affordable brand and already seems to address these increasing trends. Thus, they are trying to diversify as well even though they do not have that many brands on the market, as opposed to some of their competitors.
  - b. It could happen that certain destinations where there have been recent terror attacks and now, experience a lack of tourism (Egypt, Tunisia, Turkey, etc.) become stable again in the future. Thus, all tourists that did not go there and stayed in “safe” Europe, like Austria and Germany, they will go there again, especially with the current low prices. Thus, this will become a threat to the regional tourism. Referring to the future trends in general, the booking and payment processes will get way easier and the entire industry needs to adapt to standards and technologies like being applied by companies such as PayPal and booking.com. There, the process is very easy, fast and transparent. This is an area where they are lacking behind, but it is not only them, rather the entire industry.
  - c. There is one big trend named *lifestyle* as many brands and hotel operators would like to become a more lifestyle oriented brand. This implies being cool and reaching out to millennials as their customers. The other trend is *digitisation*, namely the effect digitisation will have on the hospitality industry. One has to think about the ways and options to integrate the digital improvements into the daily life and ways how to satisfy customers.
  - d. There is a certain trend towards a more individual products, such as a lifestyle sector. The aim is towards a more authentic local experience, that you get the sense of place by the design, the narrative, et cetera. Every new brand that pops up in the industry is heading into the same direction. It is interesting to see where hotel chains combine this with scaling the products as they do not work together. Either you make something unique, create a lifestyle, or you standardise something to grow quickly. Typically big hotel chains have a lot of pressure from the shareholders to grow as they are listed on the stock market, however now all come up with lifestyle brands and use the exact same wording, such as *creating neighbourhood as a living room* and on the other hand, open 50 hotels in five years which usually does not go hand in hand. The demand from

the guest for this authentic experience is there, but another player already filled this gap, namely Airbnb. Hotel groups already missed the opportunity to fill up this space. Especially in the digitisation, the scope of services will change as, for instance, the concierge should talk to you and give recommendations and not ask for your credit card or run administrative services but rather focus on the services that really are of value. This will be facilitated by the sophistication of the devices and this allows people to provide a better service to their guests. Finally, one will be more efficient and can concentrate on the guests more than ever.

- e. Digitisation is an ongoing trend that they have to look at. It means that, especially in Germany it used to be a market where the majority of hotels were private hotels where you could book a room by contacting them directly and getting feedback after a few days. Nowadays, probably every generation is expecting instant feedback as they want to talk to the hotel, see pictures of the room, instantly check the availability and receive feedback. Thus, everything is very transparent and the expectations are rising. Nevertheless, the landscape of the hospitality industry needs to take care of the protection of the data since they have plenty of knowledge about the guests which needs to be protected by security systems and physical security barriers.
- f. As already mentioned, a positive future trend is the rise in international travel. Moreover, it is increasingly common to exchange employees of a company where the employees go somewhere else for a project for a limited time. Additionally, the internet of things is also something they are already testing in terms of data collection. What they experience is that the sense of community is becoming more important again, especially when travelling for business reasons, where people are looking for social engagement and networking.
- g. Of course, there are technology trends and they have an innovation department which is looking for these trends and scouting them. Moreover, the innovation department tries to watch out for the trends that the customers will pay for this might involve the check in and check out process as there is a significant trend towards automatisations. Furthermore, it is necessary to integrate social media as well as to have healthy and organic products which could result in an adaptation of their F&B concept. There is always an area for improvement to be up to date with the trends. In addition, they experience the trend that booking.com scores are more important nowadays than the classical star ranking. Hence, it is very important for the company to have a good rating on these platforms where, for example, their first goal is to have a rating of 9.0 for their group. The hotel itself is taking care of the social media accounts and booking platforms. Also, there are meetings where they discuss the tracked performance of their properties on a regular basis as it is perceived as a highly important reporting tool.

11. How crowded is the market with offers to bid for the operation of a property, is there currently though competition on the market?

Do you have indications for future trends concerning the competition?

- a. The challenge now is that they do not have a large portfolio of brands and their competitors, such as Marriott, Hilton and Accor, they do. All of these big players have brands to offer and for them it is sometimes a bit challenging to find a location. Their brands are very well detailed in the strategy, for example Inter City Hotels are not allowed to be more than 500-700 meters away from the station, solely this fact would lead to a rejection of the project. This is very challenging as other hotel operators do not have such strict and clear strategies. In the future there are more brands coming in as well and thus, the competition will increase at some point.
- b. It has to be said that competition is always there but they have a very special concept, thus not a lot of competition. Their concept is that they are totally dedicated to children, their target groups are families with children only, they do not even accept guests without children to stay at their properties. On average, they have about 250 children in every property which also carries a big responsibility, they have dedicated and trained personnel to take care of them and look after them. It also requires a lot of experience and training. For big hotel chains this is not common and thus, they are not afraid of any competition in the near future.
- c. Yes, there is competition in the market but it is good for all of them to improve the product. Their assumption is that competition will stay as strong as it is today or probably it will even increase. It is essential to focus on the core values, for instance *credibility* and *financial strength* are core values of Motel One. In an economic situation as today where everything is optimistic and blooming, people probably do not see the importance of the financial strengths as short term returns might blind oneself. But there are many owners and investors in the market who exactly know that times will change and the market will not always rise. Especially when you sign a project for 25 years, Motel One is probably the preferred partner as others might not be able to offer the same level of credibility.
- d. Obviously, there is a lot of competition out there however, 25hours hotels found their niche in the market with a very specific offer. There are not too many competitors within that specific niche. However, quite often they compete with local hoteliers having two or three hotels that are well-developed, such as Florian Weitzer (Hotel Daniel, Grand Ferdinand) and Bernd Wiesental (Hotel Altstadt). The interviewee thinks that these local players will be more and more relevant because these days it is so easy to get your hotel on a platform where it is visible for the entire world. Of course, the distribution via those platforms is expensive as they charge a high price but at the same time you can reach a lot of people. Guests are looking for this experience which is out-

side the box and large hotel companies are not putting so much focus on developing this product, hence there might be a shift towards more individual hotels and brands.

- e. As already mentioned, yes, the market is very crowded with competition. Every single major hotel chain is launching more and more brands, hence more brands are coming to the market, often lifestyle oriented ones. Everyone wants to have their share which increases the pressure on the market. Competition is expected to rise, there are still many hotel companies announcing new brands and they all want their market share at the end.
- f. There is currently tough competition and they expect competition in general to keep rising but competition in terms of the amount of brands will decrease again at some point as some brands will probably not survive.
- g. They think that right now, the market is recovering which one can also see in the offers. There are typically plenty of hotel operators that are bidding for one property, which is driving the prices really high. They try to invest in their portfolio to have money for investments in recession or recovery. They expect competition to increase in the next few years which is also supported by their numbers, for instance by a continuous rise in ADR.

12. Where do you see strengths of your company, referring to your role within the hotel property development process?

Where could you detect areas for improvement?

- a. Their strengths are that they are easily accessible as they are not such a big company. They are approached easily, also from the top management. In addition, they are very much open to changes and to new trends. She has already been with the company for three and a half years and there is a huge difference from the first day. The company is actually growing, going forward and open to new ideas. Moreover, as already mentioned, Deutsche Hospitality is not such a huge company and thus, they have some empowerment in terms of deal structure with some space for creativity which allows them to be flexible with the contracts. The number of brands is limited and consequently, is their scope of operation. They could improve efficiency process as they need some time to prepare the reports and presentations for the advisory board and this may sometimes even be too late. So they always need to work on the time management and manage the expectations of the property owner as well as of the owner of Deutsche Hospitality.
- b. One strength is that they are not operating under the same terms and conditions as big hotel brands are. Additionally, there are no big hotel brands in the leisure industry in Austria, for instance Hilton and Kempinski tried it but they all failed. There is no big hotel competitor stepping in the market. Their concept is also seen as a strength since it is unique and there is currently no other competitor with the same specialisation in the

market, who is focused on the same target group and who is already that big with owning and operating three properties. Thus, their strengths are clearly their business access and USP. One potential area for improvement might be that within their development process, they do not have the structure or knowledge like big hotel brands but this is not needed as they are still a family owned company. Of course, there are always areas for improvement within the process, structure and presentation.

- c. As already mentioned, they are perceived as being highly credible and having good financial strengths. Moreover, they are fast within the hotel property development process. On the other side, they are also able to do own developments which is perceived being a USP and additionally, they are quite flexible on the deal structure. This means that they try to understand the needs of their partners, landlords and development partners and work with respect and a high partnership approach for each other. The interviewee sees an importance to have a clear focus on digital development and improvement, for instance within the development process but also product wise. Based on her opinion, a better management of project related data could make lives easier. Product wise, *Sepp*, their first robot moved into their hotel in Munich, Parkstadt Schwabing, smart television with concierge function is now available in Motel One Berlin Upper West and they just recently launched *beONE* their Motel One loyalty program. Nevertheless, there are plenty of further elements not only digital natives will ask for in the future and where they need to be prepared.
- d. Usually, 25hours hotels is really driven by the project itself and they are quite flexible when it comes to the project as they can, for instance, do all kinds of lease agreements and management agreements. They will do whatever it takes when they find a project they like. However, they are not so flexible referring to the public space where they put their focus on public areas because a lot of income comes from F&B and this is also where they create the experience for the guests. They would not accept a product with only a lobby and a lobby bar. The company is now moving from a startup in Germany to operating hotels on several continents. This year again, they add a couple of hundred people to their payroll and have a lot of new employees now, summing up to more than 1.000 employees. The ways you manage such a big company are quite different from where they started as a small startup which results in a really complex transition.
- e. Their strength as a franchisor is that they have a *one stop shop mentality*, meaning that in the development department they actually look for sites and find them themselves, they are not dependent on people to approach them. They have contracts with multiple development partners which have umbrella contracts from five to 30 hotels where they want to work together with them. The whole process is very fast, as they have a few partnerships and regularly work with them, they have knowledge of their strengths, et cetera. This is a huge benefit as they can react very fast. The areas for improvement will not be disclosed.

- f. One aspect that they do very well is the space efficiency as their core concept is that the back is not the center of the room, meaning one can store away all the personal belongings in the bedroom and more attention is drawn to the table and kitchenette. This kind of hybrid space is very special, it allows guests to host meetings there as well as to make dinner parties in the main area and store the belongings somewhere else. Another aspect which could be really interesting for owners is that they never rent out the groundfloor, thus the owner is able to rent it out to retailers and others. Apart from that, also once the lease is expired, it is possible to use the loft for residential purposes. This implies that the owner can rent the lofts, for instance, to students and subsequently has more options afterwards. They also impact the development of the neighbourhood as several supermarkets and coffee shops are opening up and this results in the area of the aparthotel becoming a hip area. They are also opened to the public, a lot of locals come to this property to work there or meet others. Thus, they do not have the issue of neighbours being against the construction of the hotel as they are happy about the opening in their neighbourhood. They have a lot of events at their property, such as jam sessions with locals who also use the public space at the property for their purposes. A possible area for improvement is the covenant strength, which results in investors being careful as they do not want to take such a high risk by investing in a young company. Moreover, the flexibility of the rooms can be enhanced as they require a certain height and shape of the building to make the best out of it.
- g. They have a very diverse portfolio which is, on one side an advantage, as they have a lot of products to serve the whole market. Moreover, they have a lot of expertise in operating business, this is their absolute advantage as they really know how to do hotel business. They are the biggest Austrian player and consequently, have a lot of expertise and know the market pretty well. On the other side, they do not have this one particular product which they can simply multiply like other hotel chains have. Multiple other hotel chains may have typical standards which need to be met but they have to define these standards themselves every time. This is one aspect which is maybe sometimes limiting their flexibility.

13. Referring to the hotel property development process, does a network exist?

Could you visualise or briefly describe the various relationships you hold with other associated companies?

Is there some kind of a gatekeeper embedded within this network?

- a. Yes, definitely a network exists within the hospitality industry. They have regular networking events, basically hoteliers, analysts, investors, consultants meet up and exchange ideas. It is a very strong network. In Berlin, for example there is the international hotel investment forum with consultants, traders, other companies and hoteliers. There you get to know consultants, external colleagues, etc. and you can easily support

each other. In their specific case, they are working closely together with development companies and real estate developers. Thus, they hold a good relationship with GBI (Gesellschaft für Beteiligungen und Immobilienentwicklungen) and others which are good partners of them. They do not regularly work together with consulting companies but sometimes they are approached by either consultants or the project developers with information on a new project.

- b. They are in touch with certain developers and investors but there is not such kind of network, there are no specific contacts.
- c. There are no formal networks but there are networks within different markets, knowing the people who are active in the industry is absolutely essential. It is really important to know what is happening and who the main players are. There are so many people involved, such as owners, lawyers, architects, brokers, consultants, et cetera. You also have to network and socialise in order to get new projects coming in as you cannot always wait for someone to approach you but also have to be pro-actively yourself.
- d. After all, hotel real estate is still a small industry but there are typical events, such as the international hotel investment forum in Berlin, where you meet everybody and socialise as well as network. There is not a network but a typical platform, it is a rather loose structure. They try to have good relationships with people who are close to the projects who are, amongst others, consultants, architects and lawyers. Especially if they try to enter new markets, they look for someone who is active on the law firm site, etc. and they try to build up a new network there.
- e. Yes, the hospitality is a people's business. There is a network. Here, it is all about networks and relationships. They have contacts and partnerships with developers or construction companies but they do not have umbrella partnership with others. As the market gets very dense, developers tend to have the option with whom to work. Very often, they select to work with them. It is important to keep your own network, choose your partners wisely and maintain a good relationship with them. The circle of hotel real estate development is quite small, so you need to know your people and work quickly as well as reliably and honestly.
- f. They are in contact with developers, owners and brokers. Often, they also communicate with municipalities because they sometimes work on a new approach to accommodation. In addition to that, they have local heroes working for them who bring them into contact with developers and owners to find suitable sites for the company.
- g. They have Motel One as one of their companies (49 percent) and they have a good relationship with them where Motel One is coming to them to talk about the projects. Moreover, they have a good relationship with certain consulting companies such as MRP hotels and PKF hotelexperts, where they are approached with different projects. Additionally, they also receive information from investors if something is for sale or for lease.

14. Please feel free to elaborate on other related topics or indicate any further comments you may have.

None of the experts wished to contribute with additional information as they perceived the interview as being rather comprehensive.