Outsourcing vs Insourcing

Key Account Management

The case of Vienna International Hotels & Resorts

Master Thesis for obtaining the degree
Master of Business Administration in Tourism Management

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AFFIDAVIT

I, Andrie Künzli, hereby affirm that this Master’s Thesis “Outsourcing vs Insourcing Key Account Management” 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.

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ABSTRACT

In recent years the Austrian-based hotel group Vienna International Hotels & Resorts (VI) has been constantly opening new hotels and penetrating new markets in Europe, especially in the years between 2004 and 2009. However, in late 2008 the financial crisis affected the corporate business segment. The aftermath effects of reduced activity of business travelers were felt from 2009 at the VI hotels with a decrease in productivity.

To better react to the significant drop in revenue and the downward economic trend, the management of Vienna International revised and restructured its selling and branding strategy. Having surpassed a critical size for a hotel group with 35 hotels in 10 different European countries by the end of 2009, VI needed to reposition its brand in order to get additional bookings from every market segment but especially from the corporate market.

The restructuration included the change of sales & marketing strategy from outsourcing to insourcing, with specific regards to the management of VI’s top producing business customers (key accounts). The change involves the creation of its own internal global sales office which takes care of the selling and marketing activities of global key account management. On the other hand, the hotel group created a unique “VI” chain code in the global distribution system (GDS).

The strategic targeting, gaining new key accounts, maintaining existing ones and handling of key accounts with the insourcing strategy should result in an increase in overnight stays by corporate travelers and higher revenue from the key accounts at the hotels, but also a reduction of overall sales and marketing costs. Ultimately, the research findings will lead to recommendations to improve the business performance of Vienna International.
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**LIST OF ABBREVIATIONS**

Conf – Conference segment

Corp – Corporate segment

CRS – Central Reservation System

GBTA – Global Business Travel Association

GDS – Global Distribution System

GSO – Global Sales Office

IATA – International Air Transport Association

IBE – Internet Booking Engine

LHW – Leading Hotels of the World

MBE – Mobile Booking Engine

MICE – Meetings, Incentives, Conference/Conventions and Events

OTA – Online Travel Agency

PHG – Preferred Hotels Group

PMS – Property Management System

POS – Point of Sales

RFP – Request for Proposal

S&M – Sales and Marketing

VI – Vienna International

WBE – Web Booking Engine

WR – GDS chain code of Sterling Hotels

WTM – World Tourism Market

XL – GDS chain code of Summit Hotels
1. INTRODUCTION

1.1 BACKGROUND AND MOTIVATION FOR THE STUDY

The Austrian hotel group Vienna International Hotels & Resorts (VI) was founded in 1989. Counting only around 5 hotels at the turn of the century the Vienna based hotel group achieved constant business growth. Despite the exclusion of hotels due to the financial crisis in 2008 VI has grown into the largest Austrian hotel operator outside of Austria and a key player in the Central and Eastern European hotel markets.

Especially in the years after the inclusion of several Eastern European countries into the European Union since 2004, the hotel group could increase its portfolio significantly by opening new hotels in countries such as the Czech Republic, Slovakia, Poland and Romania, as well as tapping into already established hotel markets such as France, Germany and Russia.

Due to the increase in numbers of hotels and wider European market coverage a re-organization of sales processes towards key clients (accounts) needed to be envisaged from local client management to global sales representation.

At the beginning the different hotels of Vienna International were competing individually against local hotels. With its growth to 35 hotels by the end of 2009, VI was competing in some destinations against renowned international hotel chains such as InterContinental, Hilton, Starwood, Marriott, Accor, etc. In order to compete with these giant international chains and to protect its market share, VI decided to create a centrally organized department, which would lead the negotiations and rate distribution process with key clients on behalf of all hotels of the group.

On February 1st 2010 VI established its Global Sales Office in its head office located in Vienna as a reaction to counter the threats posed by the big chains and to satisfy the rising demand for products and services of Vienna International. Additionally the hotel group has placed further sales representatives in its key business markets such as New York (North American business market), London (UK & Ireland), Moscow (Russia) and Shanghai (China).

Before 2010 Sales & Marketing of VI was primarily outsourced by cooperating with many different partners. They were each specialized in different expertise areas such as worldwide hotel marketing, global sales representation of the different hotels depending on their star rating and more importantly technological accessibility to corporate rate distribution channels through the global distribution system (GDS), a computerized system that allows reservation processing for travel related products by travel agents and corporate clients worldwide.
1. INTRODUCTION

The creation of the Global Sales Office in early 2010 was the companywide insourcing of the internal sales & marketing processes including marketing, sales activities, sales representation, press relations, World Wide Web presence and revenue management.

The main reason to write this report is that since 2009 the author of this report has been working for the case company and was actively involved in the buildup of the Global Sales Office, therefore having a direct insight on the internal and external business developments. Thus the author has decided to dedicate this master thesis on evaluating the advantages and disadvantages between outsourcing and insourcing, with the main emphasis on the global key account management of high producing business clients (key accounts) of a midsized hotel company.

1.2 PROBLEM STATEMENT

Vienna International thrives for performance excellence in managing its different individual hotels; through fulfilling expected budgeted revenue, through cost efficiency and effectiveness in its operational business processes. The transition from outsourcing to insourcing its global sales activities shows the company’s determination to be a successful and acknowledged global hotel operator. This decision affected not only internal sales employees in the head office and every hotel of the group, but more importantly every business client.

A research timeframe of 5 years will give answers to numerous research questions\(^1\), such as:

- Which strategy benefitted VI more with regards to the bookings of business clients?
- Are there similarities of the strategy in comparison with other hotel companies?
- What are the main advantages and disadvantages of insourcing sales processes?
- What specific recommendations can be given to further improve VI’s performance?

To reach the appropriate conclusions, analysis of various internal statistics and further calculations done by the author, performance reviews through observation of internal business developments and interviews with Vienna International managers and other sales representatives of other hotel groups will be evaluated in detail.

\(^1\) All research questions listed in chapter 6
1. INTRODUCTION

1.3 RESEARCH PURPOSE

The purpose of this master thesis is not to scientifically explore, describe or generate new theories and concepts. It has a professional purpose, based on a case company which was confronted with a specific business decision, i.e. outsourcing vs. insourcing its global key account management.

The objective of this thesis is to find out whether the strategic choice to switch from outsourcing to insourcing has benefitted Vienna International or has led to business disadvantages or even worse to a loss in production of bookings. The findings of this thesis can further be taken as an example for other growing hospitality chains which face similar strategic decisions, i.e. what would be more beneficial and economically more reasonable to either outsource or to insource its companywide global sales management of key accounts.

The conclusion and recommendations summarized in this thesis are not solely targeted to the hospitality industry, but can also be applied to businesses in various other industries.
1.4 **STRUCTURE OF THE THESIS**

The thesis is divided into 5 parts:

- The first part gives an overview of the external business environment regarding the business travel industry in Europe with specific consideration on the side effects of downward economic trends due to the financial crisis in 2008. Also various significant trends for business travelers will be listed.

- The second part is an internal analysis of Vienna International Hotels & Resorts (VI) by reviewing its vision, mission, history, brands, products and services giving the reader a concise overview about the case company.

- The third part focuses on the analysis of internal sales processes with regards to the management of VI’s most important business clients (key accounts). The analysis of the key accounts management will be further divided in two periods;
  - before 2010 when an outsourcing strategy was applied,
  - after 2010 when the switch to the insourcing strategy took place.

  In addition a literature review is conducted explaining the different terms such as insourcing, outsourcing, offshoring, reshoring, nearshoring, etc. as well as further reviews on the topics of key account management, branding and sales activities performed in the hospitality industry.

- Part four outlines the research process, starting with the listing of the research questions, the definition of the research methodology and finally an extensive review of the research results.

- The last part will conclude the research findings with the answers to the problem statement which sales strategy benefitted VI more, followed by specific recommendations for Vienna International to further improve its key account management and general sales activities.
1.4.1 **Thesis Conceptual Model**

The following conceptual model will give the reader a graphical overview of the thesis:

![Conceptual Model Diagram]

**Figure 1: Master thesis conceptual model**

*VI statistics
*Author's calculations
*Interviews
*Benchmarking
*Direct observation

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1. **External Analysis**
2. **Internal Analysis** & scrutiny of sales processes
3. **Problem Statement** & literature review
4. **Research Process**
5. **Conclusion** & recommendations

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**European Business Travel Market**

**Research Process**

- **Before 2010**
  - Different locations
  - Local & partner accounting
- **After 2010**
  - Focused on partners
  - Global sales

**Literature Review**

**Research Questions**

**Research Methodology**

**Research Results**

**Conclusion**

**Recommendations:**

...
2. EXTERNAL ANALYSIS (EUROPEAN BUSINESS TRAVEL MARKET)

2.1 BUSINESS TRAVEL IN TIMES OF ECONOMIC RECESSION

A study of August 2010 by the US National Business Travel Association Foundation revealed that worldwide spending on business travel fell 8.8% in 2009, the largest drop the industry has seen since the recession in 2001 and the events of 9/11 in the same year.

The year 2010 was the third year which suffered the consequences of 2008, the year of the banking crises when many banks and other financial institutions worldwide were on the brink of bankruptcy, saved only by the intervention of different governments to avoid the collapse of the banking world. Even though the financial crises began in the USA due to the collapse of the housing bubble, its effects were strongly felt in Europe. At the same time the near bankruptcy of Greece had a domino effect on Portugal and Spain and above all on the common currency of the European Union, the Euro. The governments are still struggling with spending and deficit reducing policies, i.e. trying to have the economy gain strength by spending money on infrastructure projects to avoid recession and at the same time trying to reduce the budget deficit by cost cutting measures especially in reducing social programs to more affordable levels.

Due to the economic recession, business travel activities recorded a significant decrease towards the end of 2008 and during 2009 resulting in a considerable loss of business for hotels, especially in North America and Europe. But already towards the end of 2009 the major hotel markets showed signs of sustainable recovery. According to a report by Egencia2, average daily rates (ADR) showed strong growth in many markets in 2012. This was primarily due to the fact that the hotel supply did not grow as building activities were strongly curtailed by the financial crises. As leisure and corporate demand recovered, the limited hotel rooms supply combined with more effective yield management has contributed to rising occupancies and higher ADR’s (Amadeus, 2012).

In 2013, occupancy levels are expected to improve slightly or remain steady in almost every top business market worldwide. Accordingly, at a regional level, ADR’s are expected to rise by about 3% in North America, 2% in Europe and by 1% in Asia-Pacific. Consequently, negotiations are expected to be a lot tougher this year than during the past few years. Even though pricing power has shifted slightly in the hotel’s favor, buyers will negotiate hard to keep price increases as low as possible in order not to endanger the still precarious economic recovery (Egencia, 2012).

A side effect of the crises is a change in the corporate expectations towards hotel services. Already in the year 2009 the Economist published in its report “the austere traveler” that due

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2 Egencia is the corporate travel division of Expedia Inc, a renowned online travel agency
to economic pressures company executives now care less about luxury and instead are demanding that hotels deliver the basic requirements for business travelers at lower rates. Furthermore the financial situations at companies will lead to fewer and shorter business trips, whereby executives accept reluctantly to stay in lower class hotels. Travel buyers will take advantage of these circumstances to extract the best possible room rates. Accepting lower quality hotels business travelers will be less likely to take their chances with unknown hotel operators, preferring trusted renowned brands. The effects of corporate cutbacks on hotels will be a golden opportunity for budget chains to become more acceptable competitors to the established brands. But they will need to compete on more than just price. Despite the downturn, executives still expect a minimum level of service and facilities (Economist Intelligence Unit, 2009).

Accor, the largest European hotel operator has come to similar findings in their first European business traveler research. Accor introduced in 2012 the concept of business travelers seeking R.E.W.A.R.D. which stands for:

- **RESERVATION;** an overwhelming preference for online booking as it is practical, easy and fast with instant confirmation. It is particularly appreciated being able to check the amenities and services of the hotel, see the rooms virtually and read other customer’s comments. More than two in three European business travelers organize their hotel stays by themselves and do not delegate this choice.
- **EXPERIENCE;** most business travelers want a hotel that is close to their business destination. 66% say hotel location is of prime importance. The second most common reason for choosing a hotel is the room rate.
- **WI-FI;** complimentary wireless internet connection is no longer an ancillary service. It has become a determining factor when choosing a hotel (for one in two travelers).
- **ATTENTION;** the expected personalized services during their stay including media from home country (e.g. newspapers, TV channels) and a dedicated counter for loyalty program members.
- **RESPONSIBILITY;** having a differentiating factor by making efforts in energy saving, waste reduction and water saving as well as social issues such as local development, health and child protection.
- **DIGITAL TECHNOLOGY;** being indispensable for business travelers. The use of applications on mobile devices is becoming more common. 36% of business travelers have downloaded a hotel booking application. Though, the most frequently used applications are news, weather and travel apps (Accor, 2012).

Especially the increase in digital savvy has also been confirmed by various other reports such as from Carlson Wagonlit which also noted that 1 in 3 business travelers already posts hotel reviews in leading social review sites to hold more sway in the business travel program with the adoption of new corporate review sites (CWT, 2012).
2.2 CORPORATE BUSINESS TRAVEL

Travel management or corporate travel management (CTM) is the function of managing a company’s strategic approach to organize:

- business travel requirements of their employees,
- negotiations with all vendors (such as airlines, hotels and car rental companies),
- day to day operation of the corporate travel requirements,
- traveler safety & security,
- credit-card management and
- travel & expenses data management (T&E).

CTM should not be confused with the work of a traditional travel agency regardless whether it is an in-house travel agency or located independently. While agencies provide the day-to-day travel services to corporate clients, they are only implementing what the company has negotiated and put forth in its policy. In other words CTM decides in which class the employees are allowed to fly, to negotiate corporate fares/rates with airlines and hotels and to set forth the use of the corporate credit card. The agency on the other hand makes the actual reservation within the parameters given by the corporation.

For most companies costs of “travel & expenses” (T&E) represent the second highest controllable annual expense, exceeded only by salaries & benefits and is commonly higher than IT and/or real estate costs. T&E costs are not only limited to “direct” travel (airline, rail, hotel, car rental, ferry/boat, etc.) but also include all costs incurred during travel such as staff & client meals, taxi fares, gratuities, client gifts, suppliers (office supplies and/or service, etc.).

The management of these costs is usually handled by the “Corporate Travel Manager”, a function that can be a part of the accounting, Human Resources, procurement or administrative services department. However as this function touches on all of these areas in some form and deals with such a major corporate expense, it stands to reason that this function should have equal ranking within a corporation as any other major division.

Travel management companies use the Global Distribution Systems (GDS) to book flights, hotels and other services for their clients. This allows the travel consultant to compare different itineraries and costs by displaying availability in real-time. This allows users to access fares for air tickets, hotel rooms and rental cars simultaneously.
2.2.1 Financial crisis affecting corporate travel management

One year after the financial crisis, the demand for business travel showed for the first time a slight increase after a period of dramatic belt-tightening with rigorous cost cutting policies. By the end of 2010 the industry expected a significant recovery of the situation. However, the level for facilitating travel for frequent business travelers will not be the same as in the period before the crisis. Policies & procedures have changed, compared to the times when extensive travel expenditures were common practice. Many companies have realized that with the travel activities they incur immense costs. Low-cost carriers have recognized this opportunity and are increasingly pushing into the business market. Modern budget and mid-range hotels offering much lower rates but advertising themselves as so called life-style hotels are equally attracting more business travelers. Therefore traditional airline and hotel companies need to review and adapt their strategies. Internet service providers (online travel agencies) penetrate the market with attractive offers. Travel agencies are repositioning themselves. Many companies expect and demand substantial cost savings on their business travel expenses. Professional travel management departments are assigned to address these new business needs.

The importance of travel managers in a company with heavy business travel needs will increase in the future. But also the travel managers face new challenges. On the one hand companies face the necessity to negotiate and coordinate global contracts. On the other hand travel management needs to increase its negotiation power towards the service providers (airlines, hotels) through consolidated spending power from all their offices to become a global key account. Travel managers can achieve substantial reduction in costs, provided that the department receives full support from top management, is professionally prepared and performs efficiently and effectively its function.

2.3 Evolvement of global travel management

A factor that has evolved and gained higher importance is that professional travel management is not only very important but has become a very successful business unit in various corporations. According to the yearly German business travel report, four out of five travel managers achieve at least 10% savings on direct business travel costs. One in three even reported cutting direct costs by at least 20%. Overall business travel has substantially gained in significance for business and public-sector organizations. Executive board members review more carefully the purpose and necessity of business trips as well as the costs involved. Particularly in times of crisis, executives focus more on potential cost savings (VDR, 2012).

The travel company Expedia gave recommendations to corporate travel buyers and travel managers for negotiations with hotel chains. These include that buyers should analyze their own data in each market as the basis for the number of contracted properties. A common rule of thumb is one hotel property for every 500 room nights or USD 10,000 spent. Having fewer contracted properties will also enable buyers to use volume commitments as leverage to gain
additional discounts. For markets with high occupancies more properties may need to be added to the program. Last Room Availability (LRA) can be negotiated in top markets, meaning that hotels must provide negotiated rates even if the relevant room categories are not available anymore. For hotels this means that average daily rates (ADR) may fall even in high demand destinations or peak periods, thus hotels should try to limit LRA to key accounts and be monitored on a regular basis to ensure it is providing value.

Another way to drive costs down is to downgrade within the same hotel chain. Most international hotel chains offer hotels in different hotel categories using different brand names according to the relevant hotel category. For example Accor offers the Sofitel brand for the 5 star hotels, the Novotel brand for the 4 star hotels, the Ibis brand for the mid-range market.

Worldwide hotel development reports have indicated that there are more mid-range properties in the hotel supply pipeline than low or high end properties. Though conditions vary from market to market, negotiations for both buyers and suppliers are likely to be somewhat easier for these 3 to 4 star mid-range properties than for up-scale, 4 to 5 star hotels. Companies negotiate for all different hotel categories, such as 5-stars for top executives, 4-stars for mid-level managers and 3-stars for sales managers and support positions. The company may negotiate that their employees, regardless of which hotel category they are booked in, will receive the same benefits and earn rewards. However too many negotiated rates can be difficult to administer and track.

A simpler approach is to limit hotel selections to high volume destinations that produce results travel buyers are seeking, i.e. to reduce the travel expenditure for the company. For smaller volume destinations, consortia (or also known as travel management companies) negotiated rates can fill the gaps in a program. Apart from highly competitive rates, many of these preferred hotels also include benefits and amenities like no charge for same-day cancellations, complimentary breakfast, free wi-fi, etc.

Hotel facilities, services and amenities are important to business travelers. Like airlines, hotels are more inclined to offer additional benefits (also called added value) like complimentary shuttle services, breakfast, free internet and wi-fi, etc. as a part of the corporate package than to provide higher discounts. Having benefits included in the contract can result in considerable cost savings for corporate travel buyers (Egencia, 2012).

Ultimately business travel buyers try to minimize hotel costs by combining, managing and leveraging corporate business, meetings and hotel spend (Lanyon, 2011).
2.4 BUSINESS TRAVEL OUTLOOK FOR EUROPE

Europe’s economic problems are clearly affecting other regions, where the impact can be felt throughout the economy and especially in business travel. The reduction in business travel spend has significant implications. The Global Business Travel Association (GBTA) found out that business travel is a key economic indicator that reflects business confidence and the future outlook for GDP growth and employment. In spite of the problems in the European economy travel spending is expected to increase in 2013.

GBTA estimates total business travel spending in Germany will grow 0.6 percent during 2012, followed by a more substantial 5.4 percent increase in 2013. The United Kingdom’s figure is projected to grow 0.7 percent 2012 and 4 percent in 2013 whereas France will be down in business travel spending by 0.6 percent in 2012 and up 3.3 percent in 2013. In all cases the projected growth will be more pronounced for domestic business travel compared to international business travel. The most extreme example is France, where domestic business travel spending is expected to rise 5.1 percent in 2013 whilst international business travel will edge up by 0.3 percent only.

These forecasts are based on a wide range of economic and travel data, including GDP forecasts, unemployment figures, business and consumer confidence indices, oil prices and recent figures of air passengers and hotel guests. The forecast assumes that the European economy will start to recover from mid-2012 rather than collapse under the weight of the Eurozone crisis as predicted by some quarters.

GBTA expects business travel spending in Germany during the third quarter of 2013 to exceed its previous high recorded five years earlier. In contrast, the United Kingdom is still far from its peak recorded in the second quarter of 2007. Using the second quarter of 2005 as an index base of 100, business travel spending in the UK hits 130 in the third quarter of 2007. After retreating downwards, the index is at 111 by 2012 and will recover slightly to 117 in the third quarter of 2013. France suffered a less distinct fall during the 2008-2009 recession. Consequently, its 2012 index is 133, close to the peak of 136 recorded for the third quarter of 2008. GBTA forecasts French business travel spending to hit 140 by the end of 2013.

Spain and Italy struggle with their significant debt crises. Therefore they will see their business travel spending fall by 4.1 percent and 5 percent respectively in 2012 according to GBTA. The forecast projects a recovery of 1.9 percent in 2013 for Spain but a further fall of 0.8 percent for Italy.

According to GBTA, Germany had Europe’s largest business travel spending in 2011 reaching USD 50 billion, followed by the United Kingdom USD 40 billion, France USD 36 billion, Italy USD 35 billion and Spain USD 19 billion. These five nations account for nearly 70 percent of business travel spending in Western Europe (Rockport Analytics, 2012)
2.5 **GLOBAL BUSINESS TRAVEL OUTLOOK**

GBTA expects that business travel spending growth in developed economies is slowing compared to previous forecasts. It is expected that emerging markets continue to grow rapidly. In 2011, emerging markets such as Brazil, Russia, India and especially China experienced growth rates of over 15% in business travel spending, more than making up for the substantially slower growth rates of the US and Western Europe. Notably, China will surpass the US in total business travel spending by 2014 – one year earlier than previously forecast. This is primarily due to slower business travel spending growth in the US and continued robust spending in China.
2.6 Other Significant Trends for Business Travelers

2.6.1 Importance of Brands

The importance of different hotel brands will continue to grow in an increasingly saturated marketplace. This will be reinforced by the need to respond to consumer desire for experiences rather than product features only. To be successful hotel brands will need to differentiate more clearly their special features in the market and deliver their brand experience consistently across their portfolios.

Deloitte in its research report on the hospitality industry in 2015 expects brands to play less of a role in the large mass market segment. However, the success of lifestyle hotels demonstrate that brands can still sometimes have a significant impact within the mass market and thus it is expected that the success story of lifestyle brands will continue.

The success of branded hotels has been built on a very brand focused approach appealing to specific expectations whilst most other hotels in the mass market are typically focused on product and location appealing to a much wider audience.

This trend will pose serious challenges to the major brand owners as they seek to gain market share from their competitors, perhaps increasing the importance of other factors such as the hotel’s loyalty program.

2.6.2 Social Media

The growth of social media since 2010 has been staggering and will continue to grow dramatically until 2015 and beyond. This new form of feedback is good news for consumers and offers both threats and opportunities for hotel operators. The transparency of social media will highlight any inconsistencies in the delivery of the brand and will provide a quick and enriching communication channel between the brand and its consumers. The most successful brands will be those that embrace and learn to harness social media rather than underestimate or fight against its influence.
2.6.3 Female business travelers

A study by a global travel technology group, conducted in January 2012 revealed that the number of female business travelers across the Asia-Pacific region is expected to rise sharply over the next two decades, as corporations become more equal in their management structures, e.g. more women will become part of top management (Amadeus, 2012).

Naturally, this trend has already been noticed in Europe and North America. A London-based corporate travel specialist noticed that female executives are often interested in two specific areas: safety and internet connectivity. Women want a hotel that has security staff 24/7 and if possible card access to each floor to bring a high level of security in addition to the expected comfort (Wings Travel Management, 2012).

Around the world, the hospitality industry has responded in providing women-friendly hotel rooms. Since late 2011, a hotel near London’s Piccadilly offers rooms with “feminine touches”, such as glossy lifestyle magazines and a make-up mirror with sufficient lighting. In 2012 a luxury hotel in Houston, Texas launched its “Gal on the Go” program. When a female guest checks in on business the front desk will direct her to its women-only floor, whose rooms are equipped with extra amenities including yoga mats, jewelry boxes and a make-up kit (BBC, 2013).

2.6.4 Exploration of new technologies for meetings & events

Meetings and events held both in person and online will be explored by more companies as a way to control costs while leveraging social and other features offered by new technologies such as video conferencing and meetings held online (CWT, 2012).

2.6.5 Free WIFI impacts buying decisions

The survey conducted by a magazine during the last quarter of 2012 highlights the importance of internet connectivity being included in the room rates. The survey states that 73% of the 1,349 interviewed frequent business travelers check the availability of free Wi-Fi when selecting a hotel (Frequent Business Traveler, 2013).
3 INTERNAL ANALYSIS OF CASE COMPANY

3.1 INTRODUCING VIENNA INTERNATIONAL HOTELS & RESORTS

Vienna International Hotels & Resorts was established in 1989. At the beginning of 2013 Vienna International (VI) operates a total of 30 first-class hotels & resorts and is developing one hotel project.

The portfolio comprises 3 five-star city hotels, 15 four-star, 4 three-star city hotels and 7 four-star resorts, as well as 2 four-star superior spa and conference hotels. The hotels are located in nine European countries: Austria, the Czech Republic, Poland, Croatia, France, Germany, Romania, Slovakia and Russia. In addition to holiday and leisure destinations internationally, e.g. in Loipersdorf, Salzburg, Karlovy Vary, Disneyworld Paris and Opatija, the main focus of destinations is on business centers such as Salzburg, Munich, Berlin, Prague, Cracow, Łódź, Bucharest, Ekaterinburg and Moscow.

In 2012 the hotels managed by Vienna International welcomed slightly above 1 million arrivals registering 2.2 million bed nights, which generated approximately € 163 million in revenues from 1.3 million room nights.
3.2 HISTORY


Vienna International was established in 1989 by a group of private hotel investors. To develop its business performance and internal structures the hotel company cooperated with Austria’s largest tourism company named “Verkehrsbüro”. Vienna International was operated as an independent business division within the umbrella brand, even though “Verkehrsbüro” already had its own hotel brand called “Austria Trend Hotels & Resorts”. The focus was to manage all hotels in Austria with the “Austrian Trend” brand and to manage all hotels outside of Austria with the “Vienna International” brand. Its aim was to manage four- and five-star hotels to be located in Central and Eastern European Countries (CEE).

Throughout the years until the turn of the century Vienna International hotels were very successful in their different destinations. Until 2003 the hotel group could grow by adding 3 hotels in Prague; the opening of 2 five-star properties and the first “andel’s Hotel”, the group’s own design hotel brand. By having 5 hotels in Prague, Vienna International was the market leader in the capital of the Czech Republic. However the brand “Vienna International” has been – “kept in the background” – concentrating the main hotel recognition on the individual hotel name itself. As a consequence the brand awareness of Vienna International was very limited amongst international travel companies and on the leisure market amongst leisure travel wholesalers.

3.2.2 GROWTH EXPANSION PERIOD (2004 – 2009)

In 2004 the management of Vienna International decided to perform a management buyout by acquiring, together with other private investors, all shares of the company from the parent company. The result is that Vienna International left the “Verkehrsbüro” and continued as an independent hotel operator.

The flexibility in management and the prospering outlook in the hospitality market gave VI new opportunities for business expansion of its portfolio by adding numerous new hotels in various countries:
3.2.2.1 Czech Republic

In Prague, the capital of the Czech Republic, Vienna International operated seven hotels, including the “Diplomat” and “Savoy” hotels, the five-star hotels “Le Palais Prague” and “Palace Hotel Praha” as well as the four-star hotel “andel’s Prague”, which were added to the portfolio of Vienna International already in 2001 and 2002. The “andel’s Suites” was added in 2004 which is a popular choice among business guests looking for long-term accommodation. The “angelo Prague” was added in 2006. The three-star “Chopin Prague”, close to Wenceslas Square was added in 2008. Also the four-star “Aquapalace” hotel joined the VI hotels in Prague but left the group by the end of 2009.

Other hotels in the Czech Republic are the four-star-superior “Dvořák Spa Hotel” in Karlovy Vary, which offers a variety of spa services and the four-star “angelo Pilsen”, which opened in 2008.

3.2.2.2 Poland

In Poland, Vienna international was active on the market since 1991. In that year, Vienna International opened the four-star “Amber Baltic Hotel” in Międzyzdroje on Poland’s Amber coast. Since 2004 further hotels have joined the group, such as in Cracow the three-star “Chopin Cracow” hotel in 2004 and the four-star “andel’s Cracow” hotel in 2007, the four-star hotel “andel’s Łódź” in May 2009 and finally the four-star “angelo Katowice” in 2010. Additionally since 2006 Vienna International was represented in the Polish capital Warsaw when the four-star “Jan III Sobieski” hotel joined the group. However in 2008 the hotel owners decided to sell the hotel in Warsaw which ended the management contract of Vienna International with the hotel in Warsaw and the “Hotelship Hansa”.

3.2.2.3 Croatia

Since the summer of 2005 Vienna International has been managing and operating the four-star resort hotels “Opatija”, “Astoria” and “Bristol” in the city of Opatija on the Croatian Riviera, as well as the four-star hotel “Apoksiomen” located on the island of Mali Lošinj.

3.2.2.4 Greece

From May until September 2005 Vienna International managed the four-star “Princess” hotel, which was one of the most renowned hotels on the Greek island of Skiathos.
3.2.2.5 Romania

In 2007 the four-star “angelo Airporthotel” was opened near the main international airport of Bucharest-Otopeni adding Romania to the countries with hotels managed by Vienna International.

3.2.2.6 Slovakia

In 2008 the five-star “Arcadia” hotel in Bratislava was added to Vienna International but had to be excluded due to the selling of the property by the hotel owners in the same year. However in 2009 VI re-entered the market with the three-star hotel “Chopin Bratislava”, conveniently located near the international airport of Letisko Bratislava.

3.2.2.7 Russia

In October 2008 the three-star “Liner Airporthotel” was taken over in management at Russia’s fifth largest airport in Ekaterinburg Koltsovo signaling the entry of VI in the fast developing Russian market. Already in September 2009 the four-star “angelo Airport-hotel Ekaterinburg”, also at the airport of Ekaterinburg Koltsovo was added. The expansion in this key market will continue with the opening of the five-star “Astrum Spa & Conference Hotel” by mid of 2014. This prestigious luxury hotel will be located in Shelkovo, 30 km northeast from Russia’s capital Moscow.

3.2.2.8 Germany

In 2008 Vienna International was finally represented in the strong German market after opening the four-star “angelo Designhotel” in Munich. One year later the four-star-superior “andel’s Berlin” in the capital Berlin was opened with 557 rooms and extensive conference facilities. Due to the successful “angelo” concept in Munich, VI opened the second “angelo Hotel Munich Westpark” in January 2013.

3.2.2.9 France

VI entered the French market in 2006 after having obtained a management contract for the “Dream Castle” hotel as well as the “Magic Circus” hotel a few months later in 2007. Both hotels are located at Disneyland® Resort outside of Paris.
3.2.2.10 Austria

Even though having its headquarter in the Austrian capital, Vienna International has concentrated more on hotels outside of Austria. This approach was taken in order not to compete head-on with its former owner, the “Verkehrsbüro” and its hotel brand “Austria Trend Hotels & Resorts” which were concentrating their efforts in Austria. Nonetheless, in 1995 the four-star “Martinspark” in Dornbirn was opened. In 2004 the four-star “Loipersdorf Spa & Conference” in the Styrian Thermenland was added followed in 2005 by the four-star “Castellani Parkhotel” in Salzburg. Further in 2007 the “Fuchspalast” in St. Veit joined the group followed by the “Blumenhotel” in 2008, also located in St. Veit, not far away from the famous lake Wörthersee in Carinthia.

Also in 2008 Vienna International was finally offering a hotel in the Austrian capital Vienna with the three-star “Senator” hotel, followed in 2009 by the four-star “Rainers” hotel. Also in 2009 the four-star “Pannonia Towers” in Parndorf was added to the Austrian portfolio.

However in 2009 and 2010 Vienna International ended the management of the “Fuchspalast”, “Blumenhotel” and “Pannonia Towers” as they were not compatible with the other hotels of the group.

The significant increase of hotels, from six hotels in 2000 up to 35 hotels by the end of 2009 was a remarkable achievement by the management. The increase of room capacity from 931 rooms to 6,981 rooms, which equals an increase of 650% in only 9 years, gave Vienna International a significant public relation value but above all a higher brand awareness in both the corporate and leisure markets.
3. INTERNAL ANALYSIS OF CASE COMPANY

3.2.3 INTERNAL RESTRUCTURING OF SALES & MARKETING ACTIVITIES TO “INSOURCING” (2010 – 2012)

After the collapse of the world’s biggest investment bank in the US, Lehman Brothers, in September 2008, the financial crises hit next to other banks, investment and lending banks in the US especially the European banks as they had traditionally been closely working with American banks by providing big loans. The domino effect of this financial crisis took up speed but the European hotel industry felt its severity from early 2009 onwards. However as noticed in the graph with the overview of the development of Vienna International, a number of hotels joined the group in 2009 and even in 2010 as the construction of these new hotels was already completed or about to be completed thus in spite of the financial crisis the portfolio was still growing. Only towards the middle of 2009 Vienna International had to deal with a sizable decrease in guest arrivals in the corporate and MICE segments. Also business in the luxury segment was declining significantly.

It also had to be noted that several hotels managed by Vienna International were owned by asset owners and financial investors. They themselves were struggling with the financial crisis and the downward economical trend. But only in 2011 Vienna International lost some hotels.

It also needs to be noted that the management of Vienna International made a re-evaluation of its portfolio, resulting in cancellations of some management agreements, especially with hotels in Austria like the “Blumenhotel”.

During the crisis, VI has also taken the step to reorganize its internal sales & marketing activities to be more efficient and effective to strategically market all the hotels on the market. More specific information on this subject will be outlined in chapter 4.

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3 See graph "VI portfolio development"
<table>
<thead>
<tr>
<th>Hotel</th>
<th>Destination</th>
<th>Rooms</th>
<th>Hotel</th>
<th>Destination</th>
<th>Rooms</th>
</tr>
</thead>
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<tr>
<td>DIPLOMAT 4*</td>
<td>Prague CZ</td>
<td>398</td>
<td>PALACE 5*</td>
<td>Prague CZ</td>
<td>124</td>
</tr>
<tr>
<td>DVORAK SPA 4*</td>
<td>Karlovy Vary CZ</td>
<td>126</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AMBER BALTIC 4*</td>
<td>Miezyzdroye PL</td>
<td>191</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SAVOY 5*</td>
<td>Prague CZ</td>
<td>61</td>
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<td></td>
<td></td>
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<tr>
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<td>Hansa PL</td>
<td>57</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MARTINS PARK 4*</td>
<td>Dornbirn AT</td>
<td>98</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LE PALAIS 5*</td>
<td>Prague CZ</td>
<td>72</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ANDEL'S 4*</td>
<td>Prague CZ</td>
<td>290</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>CHOPIN 3*</td>
<td>Cracow PL</td>
<td>220</td>
<td>OPATIJA 2*</td>
<td>Opatija HR</td>
<td>200</td>
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<tr>
<td>LOIPERSDORF 4*</td>
<td>Loipersdorf AT</td>
<td>244</td>
<td>PRINCESS 4*</td>
<td>Skiathos GR</td>
<td>131</td>
</tr>
<tr>
<td>ANDEL'S Suites 4*</td>
<td>Prague CZ</td>
<td>51</td>
<td>ASTORIA 4*</td>
<td>Opatija HR</td>
<td>50</td>
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<tr>
<td>ANGEO 4*</td>
<td>Prague CZ</td>
<td>168</td>
<td>BRISTOL 4*</td>
<td>Opatija HR</td>
<td>78</td>
</tr>
<tr>
<td>JAN III SOBIESKI 4*</td>
<td>Warsaw PL</td>
<td>428</td>
<td>APOKSIOMEN 4*</td>
<td>Mali Losinj HR</td>
<td>25</td>
</tr>
<tr>
<td>DREAM CASTLE 4*</td>
<td>Paris FR</td>
<td>397</td>
<td>CASTELIANI 4*</td>
<td>Salzburg AT</td>
<td>151</td>
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<tr>
<td>ARCADIA 5*</td>
<td>Bratislava SK</td>
<td>34</td>
<td>PRINCESS 4*</td>
<td>Skiathos GR</td>
<td>131</td>
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<tr>
<td>ANGEO 4*</td>
<td>Munich DE</td>
<td>146</td>
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<td></td>
</tr>
<tr>
<td>CHOPIN 3*</td>
<td>Prague CZ</td>
<td>80</td>
<td>MAGIC CIRCUS 4*</td>
<td>Paris FR</td>
<td>396</td>
</tr>
<tr>
<td>AQUAPALACE 4*</td>
<td>Prague CZ</td>
<td>231</td>
<td>ANGEO 4*</td>
<td>Bucharest RO</td>
<td>177</td>
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<tr>
<td>ANGEO 4*</td>
<td>Pilsen CZ</td>
<td>144</td>
<td>ANDEL'S 4*</td>
<td>Cracow PL</td>
<td>159</td>
</tr>
<tr>
<td>LINER 3*</td>
<td>Ekaterinburg RU</td>
<td>151</td>
<td>FUCHSPALAST 4*</td>
<td>St. Veit AT</td>
<td>60</td>
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<tr>
<td>HOTELSHIP 4*</td>
<td>Hansa PL</td>
<td>57</td>
<td>PANNONIA 4*</td>
<td>Parndorf AT</td>
<td>118</td>
</tr>
<tr>
<td>BLUMENHOTEL 4*</td>
<td>St. Veit AT</td>
<td>110</td>
<td>ANGEO 4*</td>
<td>Ekaterinburg CZ</td>
<td>211</td>
</tr>
<tr>
<td>SENATOR 3*</td>
<td>Vienna AT</td>
<td>179</td>
<td>RAINERS 4*</td>
<td>Vienna AT</td>
<td>80</td>
</tr>
<tr>
<td>ARCADIA 5*</td>
<td>Bratislava SK</td>
<td>34</td>
<td>FUCHSPALAST 4*</td>
<td>St. Veit AT</td>
<td>60</td>
</tr>
<tr>
<td>ANGEO 4*</td>
<td>Katowice PL</td>
<td>203</td>
<td>PANNONIA 4*</td>
<td>Parndorf AT</td>
<td>118</td>
</tr>
<tr>
<td>BLUMENHOTEL 4*</td>
<td>St. Veit AT</td>
<td>110</td>
<td>ROYAL SPA 5*</td>
<td>Kitzbühel AT</td>
<td>136</td>
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</tbody>
</table>

Table 1: VI portfolio development (1989 - 2013)

Each hotel is listed with its hotel name, star rating, location and country as well as room capacity. Hotels marked in red left Vienna International according to the years listed.
3. INTERNAL ANALYSIS OF CASE COMPANY

3.3 VI BUSINESS STATEMENT

Vienna International (VI), as one of the largest Austrian hotel groups with hotels from Paris to Moscow, is continuing its growth and tapping new markets. As a competent hotel management group, Vienna International has special know-how in market observation and development. In addition VI is known as a restructuring specialist with turnaround expertise.

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Room nights (in thousands)</td>
<td>669.610</td>
<td>738.966</td>
<td>863.992</td>
<td>969.601</td>
<td>1,099.394</td>
<td>1,310.766</td>
<td>1,369.868</td>
<td>1,244.608</td>
</tr>
<tr>
<td>Revenue in mln €</td>
<td>87.0</td>
<td>96.9</td>
<td>117.5</td>
<td>135.0</td>
<td>133.9</td>
<td>164.0</td>
<td>174.8</td>
<td>163.2</td>
</tr>
</tbody>
</table>

Table 2: revenue development 2005 – 2012

3.3.1 MISSION

The mission of VI is to achieve the best economic results and ROI (return on investment) for investors and their clients. This aim is based on tailor-made management solutions covering all features of an international hotel management company including services of divisions such as operations, controlling, sales & marketing, revenue management and human resources on a high-quality service level.
3.3.2 Development

More than 15 newly built and opened properties in the last few years are evidence of the high expertise of Vienna International in hotel development. Beyond that, Vienna International also offers know-how in developing hotel brands, as success stories such as the “andel’s Hotels” and “angelo Hotels” prove.

3.3.3 Takeover & Turnaround

Apart of managing takeovers of standard hotel products, Vienna International is also a specialist in hotels with “special needs” (e.g. hotels for a niche market, difficult guest mix, etc.), distressed assets, turnarounds and projects. Due to the proven success of its management concept, Vienna International has taken over several hotels from other international hotel chains. These hotels were incorporated into the Vienna International hotel group and cost-effectively managed for the hotel owners. The dynamic VI team supports hotel owners and investors in a possible repositioning of a hotel and provides full turnaround consulting services including realization:

- Creation of turnaround concepts and possible repositioning of a hotel
- Advice and support for financial restructuring
- Support with bank appointments and feasibility studies
- Planning and support during renovation work
- Creation of contingency plans for the investment
- Development of exit scenarios
- Coordination of disposal process
- Structured acquisition of the hotel operation (also available at short notice and during operations)
- Integration in the VI hotel group (website, booking platform, Global Sales Department, etc.)
- Implementation of all VI quality standards and SOP’s
- Dispatchment of VI experts in the concerned establishment
- Review of the cost structure and renegotiation of all long-term debt agreements
- Preparation of budgets and marketing plans
3.3.4 **CORE COMPETENCE IN LONG TERM MANAGEMENT CONTRACTS**

The core competence of Vienna International is concentrated on continuous long-term management being the key for best economic outcome. Based on the management contract, Vienna International is responsible for operations, human resources, sales & marketing, revenue management and controlling. The investor’s advantage is to get all services from a single source on a reasonable and profit-related cost structure.

**3.3.4.1 Pre-opening services of Vienna International:**

<table>
<thead>
<tr>
<th>Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feasibility, market studies and concepts</td>
</tr>
<tr>
<td>Planning and construction consultation</td>
</tr>
<tr>
<td>Hotel operational functionality</td>
</tr>
<tr>
<td>Hotel operational procedures &amp; logistics</td>
</tr>
<tr>
<td>Sales &amp; marketing pre-opening activities</td>
</tr>
<tr>
<td>Pre-opening coordination</td>
</tr>
<tr>
<td>Recruiting &amp; management</td>
</tr>
<tr>
<td>Operating supplies &amp; equipment budget and handling</td>
</tr>
</tbody>
</table>

Table 3: VI pre-opening activities

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4 Listing of VI services as to investor relations brochure, stand Nov. 2012
3.3.4.2 Daily management activities of Vienna International

The daily management activities for existing properties can be divided into the following areas of business:

- **Operation & Quality Management**:
  - Definition and monitoring of quality standards
  - Remuneration and purchasing policy
  - Optimization of operational processes and implementation of guidelines
  - Interface/communication analysis
  - Process analysis from the customer’s point of view
  - Front Office (PMS) and F&B (POS) computer system training
  - Support of all departments in daily operations
  - Development and implementation of manuals and procedures respecting the local laws
  - Online reputation management

Figure 4: VI daily management activities

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*Source: Vienna International*
3. **INTERNAL ANALYSIS OF CASE COMPANY**

**Human Resources:**

- Recruitment of employees
- VI Academy: training & development for each department
- Talent management
- HR-marketing: cooperation with well-known and established European schools and universities (e.g. EHL Lausanne, MODUL University, ...)
- Employment consulting incl. legal requirements, changes and legal regulations

**Sales, Marketing & Public Relations:**

- Annual sales & marketing plan including budgets for revenue, sales & marketing
- Local and international sales teams: Global Sales Team Vienna, Prague, Warsaw, London, Moscow and Shanghai
- Key account management with RFP handling
- Web presentation incl. booking engine & online marketing strategies
- Corporate Design of VI for cost-efficiency and high brand visibility
- Support of hotels in daily work and in realization of marketing activities
- Distribution of press releases, guest newsletters, printing of high-quality guest magazine, press conferences and press trips
- Social media activities
- Own travel agency office in Vienna – VI Travel Management

**Revenue & Distribution Management**:\(^5\)

- Use of most progressive distribution system
- Local and central revenue management teams monitoring revenue development (incl. actions and recommendations) on a daily basis
- Connectivity to all international distribution systems with an own unique GDS Code “VI” and Central Reservation System through Sabre SynXis©
- Revenue Management system: EzRMS™
- Integrated environment: Central Reservation System – Revenue
- Management System – Property Management Systems for automated processes

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\(^5\) Integrated distribution & revenue management solutions figure in appendix
3. **Internal Analysis of Case Company**

**Controlling:**

- Daily reporting & pick-up forecasts, monthly reporting on profit & loss basis, quarterly reporting
- Ratio (key data) analysis
- Budgeting process
- Liquidity reporting
- Debtor monitoring

**Information Technologies:**

- IT infrastructure planning and implementation
- Supplier relations & contracting
- Infrastructure monitoring & 3rd level support for technical teams
- Technical & security audits
- Application development and consulting
- Hardware and software asset management
- Operating central data center in cooperation with Infor™
3.4 VI SUB-BRANDS

The brand strategy of Vienna International is to use the name “VI” as an umbrella brand, recognizable for hotel investors, corporate companies, leisure wholesalers as well as global electronic distribution systems. At the same time the hotels are being strategically positioned according to their individual strengths. Thus the hotels can adapt to its local business environment. A crucial strength for some properties is the unique design and lifestyle architecture, thus giving the opportunity for VI to highlight certain property’s brand awareness with the following sub-brands:

3.4.1 ANDEL’S

“andel’s” is the Czech word for angel and comes from the same part of Prague, where in June 2002 the first hotel of VI’s successful 4-star brand opened. There are already four andel’s: in addition to Prague, two in Poland (Cracow and Lodz) and one in Berlin. The clean lines and bold colors of embossed interior of all four hotels were created by the internationally renowned British architects Jestico + Whiles. Even though layout and architecture of each andel’s Hotel is significantly different the presentation of the product is unique, trendy and stylish.

3.4.2 ANGELO:

The interior of the angelo Hotels, derived from the Italian word “angel” exhibits vivid and warm colors, deliberate aesthetic furniture in white, dark grey, yellow and coral red, combined with far-eastern elements. Each angelo Hotel has a jazz bar in the lobby, complemented with black and white photographs of well-known jazz artists. Further amenities include a fireplace and light concepts held in yellow, red and orange chandeliers. Since opening of the first angelo Hotel in Prague in 2006, six more angelo branded hotels have been opened in Bucharest (Romania), Munich (2 hotels), Pilsen (Czech Republic), Yekaterinburg (Russia) and Katowice (Poland).

3.4.3 CHOPIN:

The Chopin hotels are the 3 star hotels in the VI portfolio. Located in vibrant business districts of Eastern European destinations such as Prague, Cracow and Bratislava the Chopin hotels are a good choice for business travelers, individual tourists and tour groups. The rooms are comfortable and functional. Modern conference facilities are available with state-of-the-art technology and enough space for meetings, seminars, banquets and other events.
3.5 **Usage of Social Media Representation (Web 2.0)**

Social media are websites and internet-based platforms that allow users to exchange user-generated content, publish opinions and share photos and videos online. Facebook, YouTube, Xing and Twitter are some of the best-known examples of social media websites. Social media relevant to the hotel and tourism industry include mainly Facebook, travel portals and hotel review platforms such as TripAdvisor and HolidayCheck.

Social media increasingly blur the boundaries between public, private and professional spaces. Opinions, photos or videos made in private by employees or in a professional context are publicly accessible and can be seen by customers, business partners and colleagues. This can have positive as well as negative impact depending on the content and on the employer’s interests and reputation. Furthermore, content which is published in the internet usually remains online for years, often cannot be deleted and can have legal consequences.

Social media platforms relevant for VI:

- Hotel review and travel platforms: TripAdvisor, HolidayCheck, etc.
- Social networks: Facebook, Google+, etc.
- Business networks: XING, LinkedIn, etc.
- Employee and career forums: Kununu, Jobvoting.de, etc.
- Multimedia platforms: YouTube, Flickr, Vimeo, etc.
- Blogs: VI Blogs and microblog Twitter
3.6 VI MARKET SEGMENTATION

Vienna International has in its portfolio a variety of different products:

- Upscale luxury five-star hotels,
- four-star design hotels such as the “andel’s” and “angelo”,
- mid-segment hotels like the Chopin,
- family oriented properties such as the hotels in Disneyland Paris,
- resorts in leisure oriented destinations,
- airport hotels and
- spa and wellness focused properties

This variety of different types of hotels attracting specific markets and catering for different requirements gives Vienna International broad market coverage.

A companywide evaluation of the customer base divides its customer base into the following guest segments in alphabetical order:

3.6.1 AIRLINE MARKET

This market segment is significant for hotels that are located at or near an airport. Typically these hotels have special contract rates with the main airlines operating to the airport for their airline crews and employees whereby the room rates for the airline crews tend to be significantly lower due to higher number of rooms required.

In addition these hotels are also providing special rates for room bookings from airlines for layover guests.

- Example for layover guests: passengers waiting for connecting flights early the following day or cannot leave from the airport due to unfavorable weather conditions

Due to its nature the airline market is in general a very unsteady market and the hotels catering for this market register many high, but equally low occupancies with low profitability potential as the room rates tend to be low.

Hotels with a significant number of airline customers include the “angelo Airporthotel Bucharest”, “Liner Airporthotel” and “angelo Airporthotel Ekaterinburg”. However, not only hotels located right at an airport receive guests from the airline segment but also properties such as the “Diplomat Prague”, “Chopin Bratislava” and “angelo Katowice” due to their proximity or easy access to an airport.
3.6.2 Conference market

Hotels that have conference rooms, event space and other meeting facilities are aiming specifically at the conference market. This segment is defined for a group of guests who in addition to hotel rooms also book the conference facilities and/or the event space of the hotel.

- Example: a company which does not only need guest rooms and conference facilities but also event space for a gala-dinner.

Corporate companies that regularly hold meetings and conferences in the hotel would receive special contracted meeting and conference rates. In general meetings, conferences and special events are very lucrative with high profit potential.

Almost every hotel of VI has conference facilities. However there are some properties which are very attractive for organizers of meetings and events due to their large offer of event space, different facilities and services. These hotels include the “andel’s Berlin”, “andel’s Lodz”, “andel’s Prague”, as well as the “Diplomat Prague” and “Hotel Loipersdorf Spa & Conference”.

3.6.3 Corporate market

This segment involves the typical business client who books a room at special contracted or public corporate room rate. Generally both corporate rates are lower than the public best available rate or published rate whereby the special corporate rate again is lower than the public corporate rate. This segment also includes reservations that have been made through the Global Distribution System (GDS6) or through specialized corporate travel agents (consortia) that have a special contracted corporate rate (consortia rate), which are lower than the public corporate rate.

Normally identification is needed upon check-in such as a company business card, corporate identification card, etc.

- Example: guest booked through a consortia such as Amex, BCD, Carlson Wagonlit Travel or Hogg Robinson must provide their company business card.

Hotels which are focusing on corporate clients need to be close to business areas to attract business customers. As major business areas tend to be located in larger cities, convenient accessibility through public transportation or safe parking facilities at the hotels are very important.

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6 Specific explanation on Global Distribution System (GDS) in chapter 4
Numerous hotels of Vienna International are attractive for the corporate segment including “Diplomat Prague”, “andel’s Prague”, “angelo Prague”, “angelo Pilsen”, “Chopin Bratislava”, “andel’s Lodz”, “angelo Katowice”, “Castellani Parkhotel Salzburg” and both “angelo Hotels” in Munich.

3.6.4 **FIT (Frequent Individual Traveler) Market**

The frequent individual traveler (FIT) is a guest who has booked his room through a leisure travel agent or an online travel agent (OTA) at a date and period of time of his liking and availability at the chosen hotel. The rates are in parity with the best available rates bookable through the hotel’s own channels, though it is to be noted that a commission needs to be paid to the travel agent (normally around 8%) or online reservation engines (from 10% to over 20%). A broad range of rates is being offered, as well as packages.

- Example: guest booked through an online travel agency such as Expedia or Booking.com (commission to be paid by the hotels is up to more than 20%)

Typically hotels registering guest arrivals in the FIT segment are either located in a central city location, thus being attractive for tourists visiting a city, or in coastal vacation areas at the coast or in the mountains.

Hotels of Vienna International popular with the FIT market include the centrally located properties in Prague such as “Palace”, “Le Palais”, “Chopin Prague”, in Cracow the “andel’s Cracow” and “Chopin Cracow”, all four hotels in Croatia “Opatija”, “Astoria Design”, “Bristol” and “Apoksiomen” as well as the “Amber Baltic” hotel on the Polish coast.
3.6.5 **GROUP MARKET**

A group of guests listed in the segment “group” is defined needing at least 10 rooms or counting more than 15 persons. Groups can be booked through a travel agency, a tour operator or incoming leisure business company.

- Example: large group arrivals arriving by bus organized by a bus operator or a group booking which has been reserved by a specialist tour operator for a one-time event at the hotel’s destination (sport or cultural event)

In general, hotels receiving guests from the FIT segment do also receive group bookings (depending on the size of the hotel) as both segments represent the leisure segment.

Some hotels of Vienna International receive a significant number of group bookings due to their size. These hotels include both hotels in Disneyland Paris, e.g. the “Dream Castle” and “Magic Circus”, as well as the “Hotel Opatija”, “Diplomat Prague” and the “andel’s Berlin” hotel in Berlin.

3.6.6 **INDIVIDUAL MARKET**

This market segment consists of guests who make a reservation by themselves without using a travel agent or any other third party reservation system. This market also includes the daily walk-in guests, defined as guests who stay at the hotel without having made a prior reservation.

Furthermore this segment also includes guests who would book a room through the hotel’s own internet booking engine integrated in the hotel’s/group’s website on the world wide web. Normally these guests pay the best available rate or the published rack rate (the highest published selling rate) during peak selling periods of the hotel like New Year’s Eve, international exhibitions and trade fairs such as ITB, etc.

- Example: guests booking directly at the hotel (walk-in, reservation phone call or sending of email) or through the hotel’s website

The individual market segment is represented in every hotel of Vienna International as every hotel receives direct reservations by phone or making a reservation through the online website of Vienna International. The more bookings can be generated in this segment, the more they will improve the average room rate at no additional costs, as there is no commission payment for third parties.
3.6.7 Package market

A package is considered to be a product composing of two or more components such as an overnight stay, breakfast or any other additional meal or other additional services such as airport transfers, one or two day tickets for public transport, entry tickets to cultural events, spa treatment, etc.

- Example: guests booking a room with a spa treatment and access to the fitness center of the hotel or guests booking a room and an entertainment program such as city tour or theaters

The hotels of Vienna international that enjoy a significant number of package bookings include the “Dvorak Spa Hotel” in Karlovy Vary (Czech Republic) and the Hotel “Loipersdorf Spa & Conference” in Austria. Typically guests have a longer stay period in these hotels.

3.6.8 Other

All other type of guests are bundled in “other”, which includes: promotional rates for travel agents, reduced rates for hotel owners or VI employees as well as family and friends of VI employees, complimentary rooms for guests who could contribute to the success of the hotel.

- Example: a travel agent associate who wants to get familiar with the hotel or complimentary rates for owners or hotel employees
4 **OUTSOURCING VS INSOURCING**

The analysis of the two opposing business sales strategies of outsourcing and insourcing at Vienna International will be structured as follows:

1. Specific processes in managing the customer relationship with key clients (key accounts)
2. Partners
3. Branding strategy applied
4. Rate distribution through GDS as well as the availability of an own booking engine on own internet website of Vienna International

![Sales strategies analysis framework](image-url)
4.1 “OUTSOURCING” UNTIL END OF 2009

4.1.1 SALES: KEY ACCOUNT MANAGEMENT

Key account management can be explained as the link between a hotel group and/or hotel and its most important clients (key accounts). Key accounts are the clients with which the hotel group and/or hotel achieve the highest revenue production. In the segment of corporate business the Pareto principal can be applied whereby 20% of all clients produce 80% of the total revenue of the whole group.

Due to this reason it is of utmost importance for any hotel group and/or hotel to ensure attentive management of its key accounts. In most cases a contact person is appointed (key account manager), to take primarily care of the key accounts. The key account manager ensures that the key accounts produce the expected revenue to the hotel. The key account manager is a member of the hotel’s sales & marketing department. The difference to a “sales manager” is that key account managers have a specific pool of clients for which they are responsible, whereas the sales manager is covering the broader business market.

At numerous individual hotels of Vienna International the handling of key accounts is left to each hotel’s own sales team. These local sales teams can penetrate the surrounding business market more easily to handle also the local key accounts.

During the time when each hotel of Vienna International had its own sales team, the head office in Vienna also employed a key account manager who was responsible to visit and handle important corporate companies which are located in Vienna and other nearby business destinations such as Salzburg, Graz, Linz, etc.

Many important multinational corporate companies have centralized the travel arrangements including hotel reservations for its corporate travelers of the whole company. To be included in the system of such multinational companies direct negotiations are required by the key account manager of VI on behalf of the whole group with the global travel manager working at the head office of the targeted key account.

Due to this constellation the main disadvantage of the local key account management by the local sales team is that they can only obtain corporate business when the reservation is made through the local offices of the said company in that particular city. Reservations made by their other worldwide corporate offices of the same company would be lost as the hotel is not included on the lists of the global travel managers.

For more clarifications see the “Siemens example” (chapter 4.1.1.1).
To gain access to the global travel managers Vienna International established cooperation with different partners which provide the service of global sales representation, thus outsourcing its global sales process.

Based on the branding strategy, different specialized partners were used to perform sales representation at the different multinational enterprises (MNE’s):

- the five-star hotels of Vienna International are represented by “Leading Hotels of the World (LHW)”
- The majority of four-star hotels were represented by “Preferred Hotel Group (PHG)”
- Due to the low demand of corporate bookings at the three-star properties and at the leisure dominated properties like the “Amber Baltic”, the 4 Croatian hotels and the 2 properties at Disneyland Paris there has been no specific sales representation.

It is important to note that key account management in the leisure business (large travel agencies, tour operators, wholesalers) is being done by the sales managers of the individual hotels as the decision makers for leisure business are normally not centrally situated in the headquarters but in the different regions directly. Thus a close local key account management is sufficient to manage successfully the business from the leisure segment.

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7 Large well known globally acting business enterprises
4.1.1.1 The Siemens example (part 1)

To give the reader a better understanding on how multinational enterprises make hotel reservations, a specific business situation will be explained using a multinational enterprise.

Siemens AG is a German multinational industrial conglomerate with its headquarter in Munich. It is the largest Europe-based electronics and electrical engineering company. By the end of 2012 Siemens and its subsidiaries employ approximately 360,000 people across nearly 190 countries and reported global revenue of approx. 73.5 billion Euros.

Having such an enormous number of employees Siemens operates its’ own travel management department which negotiates hotel accommodations for its approximate 3.6 million room nights around the world. Total produced revenue on hotel accommodation alone adds up to 340 million Euros. The global travel management conducts negotiations with about 5,220 hotels to satisfy its business travel needs, whereby more than half of these hotels are hotels affiliated to hotel chains.

As already outlined the major disadvantage of local key account management is that the sales manager of an individual hotel of Vienna International will only be able to visit the travel manager of the local Siemens office in his city, thus having access to potential room reservations only for those business travelers who are visiting this specific Siemens office, provided this Siemens business traveler makes his room reservation through this office and not through the global travel management department.

As the global travel management based in the Siemens headquarters in Munich needs to negotiate with 5,220 hotels to supply its business needs, this office prefers to negotiate only with sales managers who represent a whole hotel chain or with individual hotels only if these hotels have a significant amount of room production from Siemens.

On the other hand, the key account manager of Vienna International headquarter is primarily occupied with the Viennese market. The result is that Vienna International is excluded from the global hotel program of Siemens.

With the outsourcing strategy using the cooperation with various partners, some hotels of Vienna International were able to be represented at multinational enterprises (MNE’s) but not under the joint banner of Vienna International but under name of “Leading Hotels of the World” and “Preferred Hotel Group”. Both have each a consolidated large portfolio of hotels they represent, thus having the possibility and accessibility to negotiate with the global travel manager of Siemens the inclusion of some hotels of Vienna International.
4. OUTSOURCING VS INSOURCING

4.1.2 PARTNERS

For the outsourcing sales strategy, different agreements of cooperation were concluded with specialized partners who represent and promote individual hotels towards major corporate clients. These partners are:

- “Leading Hotels of the World” – for five-star hotels
- “Preferred Hotel Group” – for the majority of four-star hotels
- “Pegasus Solutions” – providing technology solutions for all other hotels

The different partners will be explained in detail below.

4.1.2.1 Leadings Hotels of the World

![Figure 6: logo of The Leading Hotels of the World, Ltd.](image)

The “Leading Hotels of the World, Ltd.” (LHW) is a hospitality consortium owned by Hotel Representative, A.G. It represents over 430 high class hotels and resorts worldwide by the end of 2012. Headquartered in New York City, the consortium maintains offices in 24 cities around the globe.

The company was established in 1928 by a group of influential and forward-thinking European hoteliers. It started as a reservation service for independent hotels. With 38 initial members, among them Hotel Negresco in Nice, the Mena House in Cairo and King David Hotel in Jerusalem, the organization was initially known as "The Luxury Hotels of Europe and Egypt" (Bloomberg, 2011). Recognizing the importance of establishing direct contact with the traveling public and travel agencies in the North American market, the founders opened an office in New York, calling this satellite operation "Hotel Representative, Inc." - or HRI.

It is now a full-service hotel consortium which supports sales & marketing, advertising and public relations, financial services, quality control, and hotel inspections for its member properties (Fyall and Garrod, 2004). LHW is not a hotel chain itself; its member hotels are typically independent luxury hotels, even though some are also part of hotel chains. Further LHW provides the services of GDS representation under the chain code “LW”.

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Requirements for becoming a member of the “Leading Hotels of the World” stipulate that a hotel must meet exacting standards of excellence in all areas affecting guest comfort, convenience and well-being. The organization does not solicit new members; hotels must apply for inclusion. Upon successful completion of a rigorous application and inspection process, only the most eminent hotels are accepted for inclusion. Each member hotel is periodically audited to ensure strict adherence to the company’s quality standards. Every two years, “Leading Hotels of the World” publishes a directory of its member hotels, which is only one of the company’s marketing endeavors. Additional services provided by the organization include extensive sales and promotional activities, advertising and public relations support, and an array of special programs for member hotels and their guests.
4.1.2.2 Preferred Hotel Group

“Preferred Hotel Group” is an international hospitality company based in Chicago, Illinois, USA which provides sales, marketing and technology solutions to over 650 independent up-market hotels and resorts in the Americas, Europe, Africa, the Middle East, Asia, Australia, New Zealand and Pacific. It services include integrated marketing and communications, loyalty programs, trade shows and events, sales support, quality assurance, group purchasing and a solution for reservation management that connects various reservation channels (Bloomberg, 2011).

Due to the wide product range and the high number of hotels, the group has divided its portfolio into different brands, some of them include:

- **“Summit Hotels & Resorts”** is a collection of distinctive hotels and resorts sharing the common approach for a specific hospitality product. The more than 115 hotels worldwide represented in the Summit Hotels and Resort brand range from city-center hubs to countryside properties (GDS chain code: “XL”).

- **“Preferred Boutique”** delivers dedicated high-performance sales, marketing and technology solutions to independent small hotels and resorts around the world. Established in 1968, the company embraces a philosophy of celebrating the distinctiveness of its member properties while uniting them through quality standards and personal service.

- **“Sterling Hotels”** is a brand with more than 20 years of experience. It includes a worldwide collection of hotels with character and distinction. Sterling offers its hotel partners a portfolio of business solutions including a wide reservations network, cutting-edge technology, a dedicated international sales team and strategic communications and marketing services (GDS chain code: “WR”).

Figure 7: brands of Preferred Hotel Group
4.1.2.3 **Pegasus Solutions**

“**Pegasus Solutions**” is the single largest processor of electronic hotel transactions, delivering advanced and affordable connectivity and distribution solutions to nearly 100,000 hotels worldwide. Pegasus connects hotels to important sources of business, facilitating almost US$16 billion for its clients annually. In addition to global distribution system (GDS) access and online connectivity, “**Pegasus Solutions**” delivers online, social marketing and booking solutions through its Open Hospitality division, industry-preferred global commission processing and powerful reservation tools to convert and capture bookings. As a trusted partner in generating guest room demand and sales, “**Pegasus**” also offers hotels active business intelligence through its “**Pegasus View Market Performance**” reports to help hotels understand and respond to changing market conditions.

“**Pegasus**” has two chain codes in the GDS, e.g. “**Utell**” and “**Unirez**”, whereby “**Utell**” was the original code which has been used by large hotel chains which were the first to get connected to the GDS. “**Utell**” was heavily promoted to travel agents and has good visibility on the network. “**Utell**” is the world’s largest representation service, offering more than 700,000 rooms worldwide. The “**Unirez**” brand is considered for the small hotels and was purchased by Pegasus in order to offer a simpler lower cost “access only” to GDS. It has become popular with smaller hotel who could not afford the fees of “**Utell**”. Recently Pegasus has consolidated the services by renaming the services of “**Utell**” and “**Unirez**” into “**Pegasus Connect Services**”.

As a pioneer in the travel technology industry, “Pegasus Solutions” has a long history of breakthroughs. With the introduction of the SWITCH technology, the world’s first electronic switch connecting travel providers and distributors, “Pegasus” opened up a new world of opportunity for the travel industry. With the goal of creating a wider, more accessible market for travel providers and distributors, “Pegasus” works to create simple solutions that lead to performance for every customer.

Further products that “Pegasus” offers include a central reservation system (CRS) technology to address reservation requirements; OpenFlex, a mobile Website design solution that allows hotels to deliver promotional offers for various mobile devices as well as various marketing services to drive hotel bookings.

Its customers include travel agencies and hotel properties. “Pegasus Solutions, Inc.” was formerly known as “Pegasus Systems” and changed its name to “Pegasus Solutions, Inc.” in 2000. The company was established in 1930 and is headquartered in Dallas, Texas with 18 additional offices in 10 countries, including regional hubs in Dallas, Frankfurt, London, Madrid, New York, Sao Paolo, Singapore and Scottsdale – Arizona (Bloomberg, 2012).
4.1.3 MARKETING (BRANDING)

The brand strategy during the outsourcing period was to keep the brand “Vienna International” in the background, primarily concentrating promotion and marketing on the name of the individual hotels. While operating less than 15 hotels by the end of 2004 it would have been too costly to implement a chain-wide brand strategy, to raise greater awareness of the name “Vienna International” in the market. Further obstacles were the difficulties in explaining hotel owners why the branding should be focused more on “Vienna International” instead of the hotel names.

Still Vienna International needed to increase its global presence and have access to corporate clients. With the already established unique identification of the brands “andel’s”, “angelo” and “Chopin” and according to star ratings, the partners have been chosen to represent the different hotels of Vienna International as follows:

- Five-star hotels such as “Savoy”, “Palace” and “Le Palais” to be promoted by the luxury hotels specialist “Leading Hotels of the World (LHW)”
- Four-star hotels to be promoted by “Preferred Hotel Group (PHG)”, whereas:
  - “andel’s hotels” will be promoted under the “Summit” sub-brand
  - “angelo hotels” will be promoted under the “Sterling” sub-brand
  - all other 4 star business hotels of VI will also be promoted by “Preferred Hotel Group (PHG)” with one of their sub-brands
- three-star properties and the leisure dominated properties (“Amber Baltic” and the 4 Croatian hotels) were not to receive specific brand promotion strategies but rather to focus on each hotel’s individualism
4.1.4 RATE DISTRIBUTION: THROUGH GLOBAL DISTRIBUTION SYSTEM (GDS)

The global distribution system (GDS) is a computerized reservation system created by the airline industry in the 1960s, which is globally being used by travel agents and corporations to search not only for airline services but also for hotel accommodations worldwide. The largest four most significant GDS are “Sabre”, “Apollo/Galileo”, “Amadeus” and “Worldspan”. Access to the GDS means that the hotel is bookable worldwide by:

- All travel agencies
- Airlines
- Consortia / Travel Management Companies
- Travel in-plants

Many hotel chains and hotel marketing companies have their own “private label chain code”. With a private label chain code marketers can focus on marketing the unique characteristics of its member’s properties to the GDS and other electronic distribution channels. Travel agents who know the GDS code often look for properties listed with it first. For example, “Special Hotels of the World” advertise and promote the “GW” chain code, a “GW” brand. Travel agents will often look for a brand they know to find hotels that fit the requirements. The GDS chain code is an important sales tool used by hotel marketing programs.

The partnership of Vienna International with “Leading Hotels of the World (LHW)” and “Preferred Hotels Group (PHG)” as well as with “Pegasus Solutions” will give hotels of Vienna International an immediate global presence via the GDS:

- Five-star VI hotels are listed in the GDS by “LHW” under the chain code “LW”
- Four-star VI hotels are listed in the GDS by “PHG”, however:
  - andel’s hotels are listed under Summit’s chain code “XL”
  - angelo hotels are listed under Sterling’s chain code “WR”
- for all other properties not having a cooperation with “LHW” or “PHG”, Vienna International established a cooperation with “Pegasus”, listing with the chain codes “UZ” or “UI”
The graph above gives a graphic explanation of the sales processes in regards to representation of the different individual hotels of Vienna International in the GDS. By outsourcing its rate distribution process to the partners, hotels of Vienna International benefit of the advantages of the extensive experience of the partners as well as their handling of the systems. The hotels of Vienna International only need to correctly coordinate the rates, control the incoming bookings without having to take care of possible technical maintenance.

One of the major disadvantages is the high costs for the first time setup and implementations as well as the costs for system maintenance performed by the partners. Even though the fees also cover basic advertising and promotion, the total operational system costs are very high. Additional costs include the rather high commissions which need to be paid depending on booking volume.

In addition to the cost factor another disadvantage is that Vienna International does not have its own private label chain code, as the different hotels are promoted in the GDS through different chain codes, in this case “LW”, “XL”, “WR”, “UI” or “UZ”. Even though the partners are recognized and renowned in their different segments, it is questionable whether this fact benefitted Vienna International.
4. Outsourcing vs Insourcing

4.2 “Insourcing” from 2010 onwards

4.2.1 Sales: Global Sales Office (GSO)

The development of Vienna International by having 40 hotels in 10 different European countries by the end of 2009 has led to the decision to insource its global sales representation by opening its own Global Sales Office (GSO) located in the headquarters in Vienna. With the partner “the Private Label Company” (PLC), Vienna International placed additional sales representatives in key markets, e.g. in New York, London, Moscow and Shanghai. With the establishment of this global sales structure Vienna International benefits of numerous advantages such as:

- Direct contact with its key customers (key accounts)
- Strengthening of the brand identity “Vienna International” (“VI”) in the market
- Strategic selling of the hotels to key accounts of Vienna International
- The specification of unique features of each hotel for the maximization of the most profitable revenue
- Processing the framework of contractual cooperation with large event agencies which normally would not negotiate with individual hotels
- Organization of own road shows, client events, familiarization trips
- Strategic representation on international trade fairs and business exhibitions

A primary focus of the Global Sales Office is the handling of large producing business customers (key accounts) for the whole Vienna International group. The development of relationship with these customers is very gradual. It is a long term process and does not happen overnight. The relationship starts with global sales managers of Vienna International and staff members of the key accounts getting familiar with each other and understanding their cultures and business methods. Key accounts need to be informed that the different properties of Vienna International are no longer promoted by the previous partners “Leading Hotels of the World (LHW)” or “Preferred Hotel Group (PHG)” or “Pegasus Solutions”. With 40 hotels in its portfolio, Vienna International is now large enough to be recognized and acknowledged by any larger business corporation. Due to the big number of corporate businesses, especially in Germany and in countries surrounding Germany, there needs to be certain criteria for the potential company to qualify as a key account of Vienna International: (Katsuri, 2008)

- These accounts have the potential to produce large volume of visitors and organise events at hotels of Vienna International
- Key accounts occupy a leading position in the market with a good image
- They have a history of stable financial performance
• Even though they demand special attention they retain their hotel partners for a long time as long as their special requirements are constantly met
• They are willing to share their business plans with their hotel partners thus enabling the partners to develop with them. This might be the case when a company opens a new branch in another country and the hotel partner might also consider to open a new hotel

Ultimately the goal of the Global Sales Office is the best possible strategic positioning of the hotels and brand of Vienna International in the market, especially within key accounts. This strategic positioning is the base for the successful business performance of Vienna International. The relevant adequate skills and operational systems need to be developed by Vienna International to manage these key accounts, including the possibility of performing the most important annual “Request for Proposal (RFP)” negotiations.
4.2.1.1 Request for Proposal (RFP) process

In E-Commerce, the technical term “request for proposal (RFP)” is explained as being a solicitation, often through a bidding process. The RFP is being made by a company, or an agency representing a company which is interested in procurement of a commodity, service or valuable asset. A RFP is directed to potential suppliers to submit business proposals (Blake & Bly, 1993). Effective RFP’s typically reflect the strategy and short/long-term business objectives, providing detailed insight upon which suppliers will be able to offer a matching perspective.

A leading provider of supply management solutions for companies and mid-sized customers (Epiq Technologies, 2008) explains the RFP process to:

- inform suppliers that an organization is searching for competitive offers
- require the company to specify what it wants to purchase
- allow for wide distribution and response
- ensure that suppliers respond factually to the identified requirements
- generally follow a structured evaluation and selection procedure, so that an organization can demonstrate impartiality

In the hospitality industry the RFP is understood as the annual rate bidding process of multinational companies as part of a tender process to compete against other hotel chains and groups and which takes normally place from September to December.

Being recognized and accepted, the Global Sales Office can now negotiate directly with the global travel manager of a multinational enterprise. For companies with headquarters outside of Europe they have usually an “EMEA Travel Manager”, who performs rate negotiations in Europe, Middle East and Africa. In such case the Global Sales Office negotiates directly with this travel manager.

Before contacting the travel managers of the business companies the Global Sales Office needs to make a thorough analysis of its key accounts. Information must be collected as to which hotels are interesting for which companies. Also the so far produced revenue and the business booking growth potential must be evaluated. The Global Sales Office must work closely with the hotels concerned to efficiently gather crucial information. This information is inserted in the relevant “company profile”. For every key account a company profile must be created.

The next step involves the establishing of the first contact between suppliers and buyers. This means that an appointment between a global sales manager from the Global Sales Office and the global travel manager of the company (key account) is made. The global travel manager will be more willing to meet the sales manager because he represents a whole chain.

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8 Process analysis of RFP process to be found in appendix
The first meeting is of crucial importance for the building of a productive business relationship, as for the first time the hotels of Vienna International are being introduced. During this meeting different information of both parties is exchanged:

- The sales manager of Vienna International introduces the hotels of Vienna International, introduces the Global Sales Office as the main contact for further business enquiries, gives an overview of revenue so far produced by the company and makes recommendations which hotels would be most suitable
- The key account’s travel manager hands over crucial information such as worldwide office locations, further contacts, booking offices, productivity demand, rate caps and expectations, company credit cards used, etc.

After this first meeting the company profile must be completed with all relevant information. The company profile is then being forwarded to all hotels for reference.

The actual rate bidding process takes place annually from September to December. The whole process takes place in an RFP tool. With Lanyon Vienna International has the partner to provide the technology of RFP process administration to all of its hotels, but the central coordination is done by the Global Sales Office.

The bidders (Global Sales Office) return a proposal of hotels and rates by a set date and time. The buyers (global travel manager of key accounts) then evaluate the different offers they have received from the different hotel companies and groups. Once both parties agree on the terms and conditions of the proposal, they can move on to the next steps such as the hotels uploading the accepted rates into the Global Distribution Systems, etc.
4.2.1.2 The Siemens example (part 2)

With the creation of the Global Sales Office, which represents all hotels of Vienna International, the GSO will be able to conduct negotiations through “Request for Proposal (RFP)” and finalize agreements with the global travel manager of Siemens.

Before the negotiations start the first point is to evaluate the productivity of Siemens in the past at different hotels of Vienna International. A relevant production report needs to be created in which all room nights at the different hotels are listed. A detailed company profile of Siemens with all necessary information about the travel management of Siemens needs to be established, such as the names of the travel managers and of contact persons, size of company, number of employees, interesting markets, booking offices, company credit cards issued, RFP tool used, etc.

After having collected all relevant information, the global sales manager of Vienna International assigned to the Siemens account will contact the global travel manager of Siemens to make an appointment for a meeting at the headquarters of Siemens. During the first meeting the assigned global sales manager of Vienna International introduces the purpose and the structure of the Global Sales Office representing every hotel of Vienna International. Part of the discussions will be to evaluate which hotels of Vienna International would suit the requirements of Siemens. The travel manager of Siemens receives an exact listing by the credit card company which issues the Siemens company credit card, therefore he knows where and how much the employees of Siemens have spent during their business trips. Together with the listing of office locations of Siemens around the world, the hotels of Vienna International which are selected as suitable properties, will be agreed upon and taken into the selection process for the RFP process taking place between September and December.

Once a global agreement has been concluded, Siemens is now a key account client of Vienna International. The hotel group assigns a permanent global sales manager to take care of the Siemens account and maintains regular contact with the travel managers of the headquarters and the offices worldwide of Siemens. Regular and effective sales contacts will ensure that the highest possible number of Siemens guests can be welcomed at the selected hotels of Vienna International.
4.2.2 PARTNERS

4.2.2.1 The Private Label Company

The Private Label Company, LLC. (The PLC), launched in January 2007, is a company providing an integrated array of online and offline sales and marketing services for hotel companies around the world. The PLC offers international private label sales, high-definition video production, marketing and distribution, reservations and distribution technology, professional copywriting and language translation as well as comprehensive consultation and training services.

Among its clients are Banyan Tree Hotels & Resorts, Langham Hotels, Baglioni Hotels, Taj Hotels, Resorts and Palaces, Six Senses Resorts & Spas, Regent Hotels & Resorts.

As part of the insourcing strategy, Vienna International agreed with the PLC to have sales representatives in key destination markets such as New York, London, Moscow and Shanghai.

4.2.2.2 Trust International

Trust International is one of the leading providers of hotel central reservation technology and distribution systems by combining the different technologies of CRS (central reservation system), GDS (global distribution system), IDS (internet distribution system), CRM (customer relationship management) and third party technology. The company supplies international hotel chains such as Dorint, Four Seasons, Iberostar, NH Hotels, Rocco Forte, Steigenberger, and many others. In addition Trust International provides its partners with following services:

- Direct interface connection to more than 55 OTA (online travel agencies)
- Over 50 PMS (property management system) interfaces
- Call center services in 22 languages
- Customized internet booking engines for individual and corporate business
- Connectivity to CRM (customer relationship management) and yield management solutions
- Commission payment services with the usage of TrustCom.
4.2.2.3 Lanyon

Vienna International has decided to choose Lanyon as the chain wide primary RFP-platform (request for proposal) for all hotels. Established by Nick Lanyon in 1984 in London, the history of Lanyon is that of a neutral vendor of technology solutions to increase the efficiency of the marketplace where corporate travel procurement departments, travel management companies, travel suppliers, such as hotel chains and the Global Distribution Systems (GDS) conduct their business. Lanyon is the world’s leading provider of content and travel spend management solutions and offers solutions for:

- Hotel brands and individual properties to capture, organize and distribute public information about their properties including descriptions, rates and pictures
- Corporate procurement departments to understand, capture and communicate the economic value of a managed hospitality rate purchase program
- Hotel chains and independent properties to capture, organize and respond to requests for proposal (RFPs)
- Travel management companies

Lanyon is used by more than 350 suppliers including many hotel brands, major car rental firms and major airlines. On the other hand it is used by more than 750 corporations, as well as 35 travel management companies, professional meeting organizers, consortia and indirect procurement providers. The database includes 95,000 hotels that are available for property searches by travelers, travel arrangers, meeting planners, etc. Lanyon’s system acts as a marketplace which processed over 1.1 million sourcing requests representing approximately 130 million annual room nights in 2012. The combined customer base represents more than 27 billion US$ in annual hospitality purchases.

Lanyon follows GBTA⁹ guidelines which allow data transfer with any other RFP platform such as Ratefinding, ProLodgic, Advito, etc.

Lanyon is privately held, self-funded and profitable during the last seven years. In addition to the corporate headquarters in Dallas (Texas) – USA, Lanyon also operates a technology, sales and support office based in London – England.

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⁹ GBTA: Global Business Travel Association
4.2.3 MARKETING (BRANDING)

The insourcing strategy highlights the brand “Vienna International (VI)” more than before therefore it needs to be promoted and marketed more strongly and aggressively. Emphasizing the individual hotel names as the main focus is not sufficient anymore to gain the needed guest reservations from global markets.

The change in brand strategy is a long term process which needs to be embedded in the mission of Vienna International and in its company philosophy. As a management company Vienna International also needed to convince the hotel owners of the necessity of the new brand strategy and to obtain their approval which proved to be rather difficult. A new brand strategy would need additional investment in costs such as new marketing campaigns, costs in revising printed materials, possible additional human resource costs for newly created positions, etc.

The greater focus on the VI brand does not mean that every hotel will be renamed into a VI-hotel, but using the brand Vienna International as part of the hotel name (e.g. Diplomat Hotel managed by Vienna International). The focus is to emphasize that these individual hotels are being managed by a competent hotel operator which offers the services of a global hotel operator like other international hotel operators such as Steigenberger, Kempinski, Sheraton, Holiday Inn, etc.

The specific changes included the amendment of cooperation agreements with LHW, or even the termination of partnerships with PHG and Utell. The next step was to establish its own Global Sales Office situated in the head office of Vienna International. Equally important was the creation of its own chain code “VI” in the GDS, which will be explained in the following paragraph.
4.2.4 RATE DISTRIBUTION: THROUGH GLOBAL DISTRIBUTION SYSTEM (GDS)

With the technology provider Trust International, Vienna International can operate an own chain code “VI” in the global distribution systems. The arrangement substitutes past agreements concerning GDS codes provided by other international partners such as Leading Hotels of the World, Preferred Hotels Group and Utell Hotels & Resorts, which in the past did not generate the expected revenue however charging high participation fees. The connectivity to the GDS is maintained by Trust International, whereas the corresponding rates and packages are loaded by the hotels directly.

A crucial advantage of having an own chain code “VI” in the GDS is that for the first time all hotels of Vienna International are promoted under the same chain code. The market can perceive the different hotels of Vienna International as one brand, which has 5 star hotels, design branded hotels such as andel’s and angelo, non-branded 4*-hotels, and finally the 3 star hotels as well as all leisure hotels.

Further advantages include standardized administration, no need for additional hardware, cost savings for the hotels and direct interface connection to the property management system of the hotels for automatic reservation delivery.
5. Literature Review

5.1 Research Results on Terminologies

5.1.1 Insourcing

- The terminology “insourcing” in the business world is defined as performing a business function internally with its own resources and staff
- Insourcing is the opposite of outsourcing
- Insourcing allows to maintain control of critical production processes or competencies
- Insourcing is widely used in production to reduce costs of taxes, labor and transportation
- Insourcing is called as such even when a third party or outsourcer is invited to work inside a company’s facility. For example an IT outsourcing provider is hired to service a company’s IT department working inside the said company’s facilities (Plunkett, 2012)

Governments are often concerned that a nation may be losing a net amount of jobs due to outsourcing, however some experts (Sirkin, Zinser and Hohner, 2011) point out that even with insourcing this situation can occur.

5.1.2 Outsourcing

- “Outsourcing” by a company, organization or government agency can be defined as using an outside company to perform a business function that otherwise would have to be performed internally. The goal of such “outsourcing” is to streamline workflow by making it more efficient
- Outsourcing contracts cover often several years
- Companies that hire outsource service providers often do so to focus on their core strengths while sending more routine tasks outside for others to perform. Typical outsourced services include the operation of human resources departments, telephone call centers, distribution centers, research needs, computer services and the design and/or engineering of components or end-products (Plunkett, 2012).

For example, in addition to selling products such as books, electronic appliances, household products, etc. via its massive online store, Amazon also offers outsourced services. It provides warehousing and shipping services to businesses, large and small, that want to rely on Amazon for handling and shipping their merchandise to end-users. Amazon also provides outsourced computer “cloud” services to firms that do not want to operate their own computer servers.
According to Plunkett Research “outsourcing” is a US$ 480 billion global industry, with significant emphasis on three broad areas:

1. Logistics, sourcing and distribution services
2. Information technology services, including the creation of software and the management of computer centers
3. Business process outsourcing (BPO) areas such as call centers, financial transaction processing and human resources management

5.1.3 BACKSOURCING

- “Backsourcing” is when a company decided to conduct all their jobs in-house which is often confused with “insourcing”.
- “Backsourcing” is a term that more precisely describes the process of bringing outsourced jobs back under the roof of the company to be performed internally.
- “Backsourcing” has been increasingly discussed because more companies decide to cease outsourcing operations due to issues and problems outsourcing agreements encounter or due to governmental pressures to bring jobs back to their home country, or simply because it has stopped being efficient to outsource a given task outside of a company (Beardsell, 2010).
- “Backsourcing” is sometimes substituted and confused with “in-sourcing”, however in-sourcing simply refers to conducting certain business activities in-house, whether or not by a third party (Plunkett, 2012), whilst “backsourcing” refers to bringing previously outsourced activities back in-house (Adams, 2004).
5.1.4 Other similar terminologies

- The prefixes to “-sourcing” and “-shoring” remain in flux: outsourcing gave rise to the term in-sourcing and offshoring resulted in “on-shoring”, which is a company’s decision to bring jobs back from overseas. However, “on-shoring” is sometimes called in-shoring. Insourcing is sometimes named “backsourcing”. Insourcing may be done by “on-shoring”, “offshoring” or just “remotely”. Insourcing delegates certain work to a different company, which come from a different country in the case of on-shoring, or from a different continent in the case of offshoring.

- The fluctuation of prefixes and names give rise to many more “cross-breeds” of insourcing. For example, “Offshore insourcing”, is “when companies set up their own “captive” process centers overseas, taking advantage of their cheaper surroundings while maintaining control of their back-office work and business processes” (Parry, 2012). Remote In-Sourcing, on the other hand, offers an opportunity to hire developers to work for in-house in virtual (remote) facilities.

5.2 Research results on “Key Account Management”

Key account management is defined as the management of large customers with high value importance through specific “key account managers”. Features of this service are a customer-focused approach, differentiated processing forms, special forms of organization, working methods and techniques. Reason for the development of key account management is primarily to achieve a foundation for growth in the markets. These include the long-term expansion of business with existing customers as well as gaining new customers and securing the local market (Belz, 2008).

Key account management is a part of customer relationship management (CRM), which is a widely implemented model for managing a company’s interactions with existing customers and prospects. It involves using technology to organize, automate and synchronize business processes – principally sales activities, but also those for marketing, customer service and technical support (Shaw, 1991). The overall goals are to find, attract and win new clients, service and retain those the company already has, entice former clients to return and reduce the costs of marketing and client service (Gartner, 2009). CRM describes a company-wide business strategy including customer-interface departments as well as other departments. Measuring and valuing customer relationships is critical to implement this strategy. Benefits of CRM include the decrease in overall costs and the increase of profitability (Shaw, 2000).

In practice the key account management is often organized on a global basis (global key account management). The establishment of a key account management is feasible when the
business client is having a high value for the company but also when the client’s structure is diverse and includes different persons (Sieck, 2009).

A professional key account management includes an extensive customer support. It is no longer limited to the distribution of goods and services but an optimization of customer processes as well as improving the results of the top customers (Droll, 2008). This will generally require individual customer development plans that need to be created (Biesel, 2009).

In general key accounts are those customers who make up at least 50% to 60% of a company’s revenue and thus for the company have a high importance value (Ebert & Lauer, 1988). In the context of customer management these customers will be given a prominent position. The entrusted key account managers should be equipped with a portfolio analysis to define who is considered as a key account or a potential future key account (Ebert, 1993).

The key account manager looks extensively at the specific needs and interests of a customer segment or a single, strategically important customer and represents the customer and its requirements in the company. The key account manager is the interface of the customer to the company and should provide a clear responsibility and a coordinated customer contact (Kueng & Toscano, 2009). A key account manager must have sufficient expertise to provide customers with expert convincing advice. The key account manager represents his company at the customer. In the usual case, a key account manager should have several years of experience in sales. Good key account managers track both the construction and the maintenance of long-term customer relationships (Kühn & Siebert, 2010).

The experienced business consultant Kasturi explains the major characteristics of key accounts:

- requiring large volumes of the product that the suppliers produce
- being in a commanding position in the market with a good image
- having a history of stable financial performance
- demanding special attention
- willing to share their business plans with suppliers, thus enabling the suppliers to develop with them.
5.3 **Research results on “Sales Activities”**

There are various sales activities that can be done by a company to promote its product to its targeted customers. In the hospitality industry, the different hotel companies undertake the following activities to promote their hotels (the product) to their potential business clients (targeted customers):

5.3.1 **Sales Trips**

Sales trips are pre-planned journeys of sales managers to specific destinations to meet different companies in order to make product presentations or even negotiations. The planning of sales trips to different companies by sales managers must be well prepared in advance to achieve the desired results. The exact listing of which companies will be visited should be communicated to other persons in the company for possible feedback and unfinished issues (McCabe, 2009).

5.3.2 **Road Shows**

The goal of a road show is to present and promote a destination (or a specific hotel) to a specific set of customers. A road show is a travelling exhibition which takes the product to the customers rather than the other way around. Road shows are useful in cases where large numbers of customers are concentrated in particular geographical areas and where many of them would not make the journey to visit a national exhibition (Blythe/Zimmerman, 2005).

A road show can be done in different ways. One example of a road show would be to choose a specific location (such as a hotel), and representatives of other hotels could be there to present themselves. If a hotel does its own roadshow it will not have competing hotels joining in but will have different departments sharing in the roadshow, like the F&B Manager, banquet manager, etc. They will invite customers, make a product presentation and provide food and beverages, either as snack or as sit down dinner.

Another road show example would be when several hotels visit different clients in different cities at the same time. This could also be organized by hotel associations, tourist organizations or location promoters. Normally, on one evening the organizers invite the clients to a cocktail and dinner at the hotel where the participants are staying. Depending on the organizer individual short hotel presentations would be given by the representatives. This type of roadshow allows the hotels to reduce the costs and increases the interest level for the visitors as they offer presentations of many hotels.
5.3.3 Sales Calls

There are different types of sales calls. First there is the “cold call”, which can be referred to as sales calls without prior arrangements or appointments. The sales manager makes a visit to the customer’s office and asks to see the contact person. Rarely does this type of sales call result in direct business. Cold calls are time consuming but they open some doors for possible future business with the client (Reid & Bojanic, 2009).

Other types of sales calls include the general sales calls that are being done to refresh the contact with the customers, whereby the visit has been arranged with the contact person ahead of the sales call. These sales calls, which are conducted on a regular basis help to strengthen the working and private relationship between the company and the client. There can also be social calls, for example to extend birthday wishes bringing along a cake, cookies or other giveaways or for other occasions like child birth, promotions, etc. These social visits foster strong personal but also business relationships.

5.3.4 Familiarization Trips

A “fam-trip” is an invitation for a group of potential customers to a specific hotel / or hotels. The purpose is to familiarize the potential customers with the hotel/hotels. The potential customers should get familiar with the hotel in order to combine special memories and authentic moments with the hotel so that they can recommend the hotel based on their own experience. A fam-trip is often highly effective because the potential customers experience something that they might need at a later stage. A fam-trip is often combined with activities in the region (e.g. city tour, entertainment and special events) to give the customers a broad over view of activities that can be done in the surroundings of the hotel (Mullin, 2010).

5.3.5 Sales Blitz

A sales blitz is an intense selling effort to existing or potential customers usually performed by a team of several persons including the sales managers, members of the management team of a hotel, etc. for maximum impact. These visits are normally short whereby cookies, cakes and other giveaways are handed out in addition to brochures, flyers and other promotional material. A sales blitz can be done due to recurring occasions (e.g. Valentine, Easter, etc.) or due to a special event (e.g. the opening of a new hotel, new rooms after renovation, additional facilities, etc.). Normally such a sales blitz is not arranged ahead of time as they are surprise visits, therefore it is like cold sales calls, but due to its impact it always leaves a strong and long lasting impression on the offices visited.
5.3.6 Client events

Client events are further activities that can be organized to strengthen customer loyalty and can be held regularly, e.g. several times a year. For this purpose all customers that bring a large volume of business are invited to an event where these customers are “spoiled” with various entertainment activities such as fine dining, musical entertainment, stage shows, theater, cinema presentations, etc.

Client events can take place in a small exclusive setting with only one or two customers or on a large scale where many different customers are invited.

During a client event the primary focus is not only to promote a specific product (hotel) but to strengthen customer loyalty and the personal relationship with the customers.

5.3.7 Direct mailing

Direct mailing is a form of advertising that allows businesses to communicate straight to the customer by sending out emails for promotional purposes. The base for the direct mailing activity is a customer database. This database can be developed from sources such as the guest database of the hotel(s), the telephone directory, chamber of commerce and local clubs and organizations (Reid & Bojanic, 2009).

5.3.8 Newsletter

While direct mailings are usually (but not exclusively) being performed due to specific events, many hotel companies provide regular business newsletter to its clients where specific hotels are promoted. Some newsletters even include a lottery to make it more appealing to be read.
5.3.9 Participation at Business Fairs

In the late 1950s the first attempts were made to establish and organize fairs. The objectives of such fairs for the tourist industry were from the very beginning the following:

- As “public fairs” to enable travel agents, tour operators, hoteliers, air carriers, cruise companies and national tourist offices to establish contact with the travelling public in order to promote their programs, products and services.
- As “trade fairs” in the more specific sense, to create opportunities for contact and business discussions, contract negotiations and exchange of information within the industry itself.

The first travel trade fair known as the International Tourism Börse (ITB) was held in the year 1967 in Berlin. Since then, there have been a number of other countries which organize travel trade fairs regularly. The enthusiastic participation in these travel trade fairs is a result of the ever-expanding travel trade industry. A large number of exhibitors participate in these fairs representing all segments of the travel industry and include travel agents, tour operators, hoteliers, airline companies, cruise companies, national tourist organizations, etc. In recent years also organizations that are promoting sustainable tourism are attracting and creating more attention for green tourism.

Other important international trade fairs include the World Trade Market (WTM) in London, the International Tourism Exchange (BTE) in Brussels and the convention of the National Business Travel Association (NBTA) which is specifically important for the business travel market and takes place in different cities in the US.

Attendance in these fairs has been very high ever since these fairs have been organized, in spite of the fact that there are also numerous other international, regional and national fairs (Bhatia, 2006).
5.4 RESEARCH RESULTS ON “BRANDING”

The term “branding” has many different definitions and variations. The scope of terminology ranges from “nation branding”, “personal branding”, “faith branding”, “accidental branding” and even “no-brand branding”.

In fact, the word “brand” comes from the Old Norse, a language that was spoken by inhabitants of Scandinavia and inhabitants of their settlements during the Viking Age, until about the years 1300 (Wayne, 2007). The Old Norse word was “brandr” which means “to burn”, explaining the early Scandinavian practice of burning insignias. In the Middle Ages, in the Wild West up to today animals especially cattle, horses, etc. have been branded with a hot iron displaying the owners insignias to ensure that the ownership of the animals is known beyond any doubts (Cox, 2013).

With mass production in the 19th century and the advent of package goods, factories would brand their mark on the barrels used for shipping. This has also led to turning the meaning of branding into the idea of trademark.

The hospitality consultant Jim Cox defines branding in modern times as collaboration between a company or any entity and the related shareholders that the entity depends upon for success. He further explains that it was in the 1940s that companies began to take note on how consumers were developing relationships with their brands in a social and psychological sense. These companies began to proactively manage their brand’s identity and define its personality. Since then the market has been introduced with different concepts that contribute to the branding discipline, including brand awareness, experience, identity, trust, parity, extensions, dilution, loyalty, equity, etc.

He concluded that every industry (including the hospitality industry, e.g. Marriott, InterContinental, Hilton Hotels, etc.) and marketplace continue to change at an accelerating rate, along with the way in which marketers communicate with consumers and consumers communicate with each other. A clear understanding of why companies should thoughtfully and proactively brand their own companies is no longer an option, it has become a necessity.

Reasons to articulate a brand are differentiation from the competition, increasing value and the fostering of customer loyalty (Cox, 2013).
6 RESEARCH QUESTIONS

This chapter will list all research questions, including the ones listed in the introduction. For easier reference the research questions will be divided into different sections:

6.1 MARKET SEGMENTATION

6.1.1 WHICH COUNTRIES ARE THE MOST IMPORTANT MARKETS FOR VI?
6.1.2 WHAT SHARE DOES BUSINESS TRAVELERS REPRESENT AT VI?
6.1.3 HAS THE EUROPEAN FINANCIAL CRISIS AFFECTED THE CORPORATE BOOKINGS AT VI?

6.2 OUTSOURCING VS INSOURCING – KEY ACCOUNT MANAGEMENT

6.2.1 COULD VI INCREASE ITS SHARE OF KEY ACCOUNTS?
6.2.2 HAS THE INSOURCING OF SALES PROCESSES BENEFIT VI TOWARDS THE PRODUCTIVITY OF ITS BUSINESS CLIENTS (KEY ACCOUNTS)?
6.2.3 IN WHICH SPECIFIC INDUSTRY DO THE KEY ACCOUNTS OF VI OPERATE?
6.2.4 ARE THERE SIMILARITIES OF SALES STRATEGY IN COMPARISON TO OTHER INTERNATIONAL HOTEL CHAINS WITH REGARDS TO...
   6.2.4.1 ... sales infrastructure?
   6.2.4.2 ... direct client visits?
   6.2.4.3 ... business fairs?
   6.2.4.4 ... request for proposals?
   6.2.4.5 ... technology for rate distribution through GDS?

6.3 OUTSOURCING VS INSOURCING – BRAND

6.3.1 HAS THE INSOURCING STRATEGY INCREASED BRAND AWARENESS OF VI?
6.4 OUTSOURCING VS INSOURCING – PARTNERS

6.4.1 Has the change to different partners reduced the expenditures for VI?

6.5 OUTSOURCING VS INSOURCING – RATE DISTRIBUTION

6.5.1 Has the insourcing strategy increased bookings from GDS?

6.6 CONCLUSION

6.6.1 What are the main advantages and disadvantages of insourcing key account management?

6.6.2 Which strategy has benefitted VI more with regards to corporate clients bookings?

6.6.3 What specific recommendations can be given to Vienna International to improve its performance in key account management and general sales promotion?
7 RESEARCH METHODOLOGY

This chapter will explain the different research tools and analysis framework that will be used to answer the aforementioned research questions. The problem statement of comparing both sales strategies “outsourcing” and “insourcing” at the case company Vienna International requires the author to compare performance results in a time frame of 5 years, from 2008 until 2012.

As an employee of the case company the author has been allowed to use internal statistical data. Therefore special statistics that are part of internal VI statistics will be used. However in order to maintain the confidentiality of some of the information the statistics will show average figures covering specific periods. Additionally the author performed various statistical calculations and graphic visualizations that are currently not being used at VI.

Further findings will be given by summarizing the replies of three different interview groups.

Once more the author would like to express his utmost gratitude to the management of Vienna International that allowed the usage of VI’s internal statistical data as well as to allow interviews of numerous employees.

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Table 4: research methodology
7.1 INTERNAL VI STATISTICS

Vienna International has different detailed statistics to analyze the performance of each hotel. Due to the standardization of the various reports, a comparison and accumulation of statistics for the whole hotel group can be done. The specific statistics for this thesis will include:

7.1.1 MARKET SEGMENTATION STATISTICS

The market segmentation statistics gives an overview on the productivity development of each specific market segment, as explained in chapter 3.6.

Measured elements include room nights, bed nights, occupancy per room (double occupancy factor), average daily rate and room revenue.

7.1.2 NATIONALITY STATISTICS

The nationality statistics summarizes the nationality of all guests staying at the hotels of Vienna International.

7.1.3 RESERVATION SYSTEMS STATISTICS

The reservation systems statistics reviews the productivity with regards to the source of bookings, such as telephone, fax, walk-in, own internet booking engine or the Global Distribution System (GDS).

For the purpose of the thesis the electronic distribution channel GDS will be further analyzed in detail. Measure elements include room nights and room sales.

7.1.4 TOP CLIENTS STATISTICS

The Global Sales Office of Vienna International has comprehensive and extensive statistics on the productivity developments of its key accounts in every hotel, thus by accumulating the data of each hotel, an overview of top producing clients for the whole hotel group can be provided.

7.2 STRUCTURED INTERVIEWS

To provide further information the author has created different surveys for structured interviews with different external interview groups:
7.2.1  **Structured Interviews for Other Hotel Companies**

Specific questions are asked to sales managers and representatives of other international hotel companies to find out how the key account management is being performed. Questions asked include:

- Infrastructure of company’s sales organization, e.g. whether being centralized or decentralized, having regional sales offices or not, etc.
- Outsourcing or insourcing of...
  - direct client visits
  - company representation at fairs and business exhibitions
  - RFP handling
  - Distribution through GDS
- Availability of a booking engine for mobile smartphones
- Brand strategy of company
- Assessment of future corporate business development
- Most important hotel trends for development of corporate business in future

7.2.2  **Structured Interviews for Key Accounts of VI**

Specific questions are asked to key accounts of Vienna International who have experienced the changes from outsourcing to insourcing and can give a feedback on which sales strategy has benefitted the cooperation between VI and the key accounts.

7.2.3  **Interviews with VI Managers in the Headquarters in Vienna, Austria**

The result findings will be discussed with different managers in the headquarters of Vienna International. The specific names and position of interviewees are listed in the appendix.

7.3  **Author’s Calculations**

Using data of various internal statistics the author has performed various calculations which are currently not part of internal VI reporting:

7.3.1  **Stage Evaluations (Quarterly)**

The “Stage Evaluation” calculation has been created by the author and is not part of internal VI reporting. The intention is to compare the actual productivity of GSO clients (key accounts) with regards to room nights and rooms revenue to the total revenue of all VI hotels in the respective business segment. The result will be reflected in percentages, which is the share of GSO managed key accounts in the business segment, compared to total bookings of all clients in the business segment.
The Stage Evaluation is performed from the start of operations of GSO (beginning of 2010) and is conducted on a quarterly basis, thus resulting in 12 performed stage evaluations done by the author. The complete data of the stage evaluations can be found in the appendix. The most important findings from the stage evaluations will be used to answer certain research questions (see chapter 6.2.1).

### 7.3.2 Cost calculations

A cost calculation will be done to compare the actual costs at Vienna International regarding the outsourcing and the insourcing strategies.

### 7.4 Other applied methodology

#### 7.4.1 Benchmarking

#### 7.4.2 Secondary research sources

#### 7.4.3 Direct observation due to author’s employment at case company
This chapter presents the research results that will be used to make conclusions for this thesis. The structure of the research results will be based on the defined research questions (chapter 6), using the explained research methodology (chapter 7) to get the needed answers.

8.1 Market Segmentation

8.1.1 Which countries are the most important markets for VI?

From 2008 until 2012 more than 10 million visitors stayed at Vienna International hotels. Reviewing the total number of customers the main country of origin is Germany with more than 1.6 million visitors with German nationality. The second place is taken by guests from France with 1.3 million visitors followed by Great Britain occupying the third place with slightly below 1 million visitors. Top 5 positions are completed with guests from Poland (777’), and Austria (776’). Countries with significant high visitor stays include Russia (almost 500’), Italy, the Netherlands (both 478’), USA (316’), Spain (300’), Japan (280’), Czech Republic (250’), Belgium (143’), Romania (110’) and Switzerland (106’).

All other visitors which have a nationality other than the above mentioned countries are categorized as “rest of world”, which accumulates more than 2.1 million visitors and includes more than 75 countries such as Slovakia, Israel, Croatia, Norway, China, Sweden, Brazil, Hungary, etc.
When reviewing the above figures, it needs to be taken into account that the three largest hotels of the whole group are located in Germany (andel’s Hotel Berlin, 557 rooms) and France (Dream Castle, 397 rooms and Magic Circus in Paris, 396 rooms). The total room count of these three hotels adds up to 1,350 rooms, which is around 24% of the total room capacity of the whole Vienna International hotel group. This will influence the statistics in regards to the question which source markets are the most important ones for the whole group. Due to the fact that Vienna International has 8 hotels in 3 different cities in the Czech Republic, the number of guests from the home country is also noted as one of the primary markets for the whole group occupying the 12th place in the overall statistics.

The status of Germany being the most important business market for Vienna International in terms of absolute guest arrivals underlines the fact that travelers from Germany have led the global ranking in terms of performed travels and spend expenditures (UNWTO, 2012). The willingness of German nationals to travel is shown in internal VI statistics not only in the business segment, but overall in every segment. Even though Germany is VI’s most important market segment now it has developed throughout the years. In 2008, Germany was only occupying the third place behind visitors from France and Great Britain. With the opening of hotels in Germany, especially the andel’s Hotel in Berlin in 2009 with its 557 rooms resulted in a significant increase of German travelers, to become the most important business market for VI.

![Figure 11: nationality statistics, base bed night statistics 2008 - 2012](image-url)
8.1.2 What share does business travelers represent at VI?

The following figure will give an overview of overall market percentage and the share of each market segment. The calculations have been based on the room night’s statistics and accumulate the production of 5 years, from 2008 until 2012:

Based on the two segments “conference” (9%) and “corporate” (16%), business travelers have a share of 25% of all room nights at Vienna International.

By evaluating the graph it is obvious that most bookings come from “FIT” (frequent individual traveler) segment followed by the “group” segment. These two segments represent primarily the whole leisure segment including bookings from 3rd party websites and OTA’s (online travel agencies) which have an enormous booking influence in the various properties.

However when analyzing the figures of this segment it needs to be taken into account the differences in hotel size. Specifically the 3 largest hotels (andel's Berlin, Dream Castle and Magic Circus) contribute 24% to the whole VI rooms capacity. These 3 hotels have a significant portion of their customers from the leisure market (FIT & group) influencing greatly the statistics in favor of the leisure market creating the impression that the leisure market is the most dominant segment for the whole VI hotel group. This might be the case in terms of absolute guest arrivals, but in terms of business spread and the high average daily rate (ADR), the business segment (corporate & conference) is of crucial importance. For some hotels it is even more important and needs more attention than the leisure market. When receiving high guest arrivals from corporate business a hotel is able to raise its average daily rate as corporate clients are ready to pay higher rates as business customers require modern amenities such as...
internet accessibility, laundry services, transportation, etc. In addition companies normally take over the bills incurred by business travelers.

### 8.1.3 Has the European financial crisis affected the corporate bookings at VI?

The following figures give an overview of the development of the two business market segments “conference” and “corporate” at all hotels during the years 2008 until 2012:

![Graph showing development of overnight stays and average daily rate (ADR) from 2008 to 2012 for conference and corporate segments at VI hotels.](image)

**Figure 13:** development overnight stays and average daily rate (ADR), 2008 - 2012

The graphs above are divided into two parts. The first part shows the development of total room night production from 2008 to 2012 of both business segments “conference” and
corporate”. The second part gives a review of average daily rate (ADR) that has been achieved in these two particular business segments.

It can be seen that the financial crisis in 2008 had a direct effect on occupancy and on revenue development for the following years. It is noted that the hotels of Vienna International enjoyed stable overnight stays in 2009 compared to 2008 and sizeable increases in 2010 and 2011. However the hotels suffered significant decrease of ADR in both business segments. Especially the corporate market registered a decline of nearly EUR 10 from EUR 69 in 2008 to the lowest point EUR 59 in 2010. ADR in “conference” segment has fallen from EUR 72 to EUR 68 in the 2 years.

The fall of ADR was due to the pressure of the majority of corporate companies in the business market to reduce the room rates as they in turn had to reduce their travel expenditures. Thus they were forcing the hotel industry to agree to lower room rates.

As Vienna International was still adding new hotels to its portfolio in 2009, it could even increase slightly its overnight stays in 2009 in absolute figures but each individual hotel had to register declining occupancies. VI could increase its overnight stays (room nights) significantly in the years 2010 and 2011. The recovery of the occupancy was also a consequence of the lower room rates agreed between corporate clients and the hotels, thus kick-starting the business segments. At the same time the European business travel market also recovered more quickly than expected from its setbacks.

In spite of losing 5 hotels in the course of 2011 the occupancy level for 2011 reached the highest level in both the corporate and conference segments. Not only the occupancies but more importantly also the ADR started to move upwards even though at a much slower pace.

The year 2012 was the first year when a drop of the overall overnight stays in both business segments had to be noted. This result however was largely influenced by the loss of some hotels from 2011 (33 hotels) to 2012 (29 hotels). Especially the loss of the Jan III Sobieski Hotel in Warsaw with its more than 400 rooms and both hotels in Vienna have led to a significant decrease of room night production by the end of the year 2012, falling even below the figures reached in 2010.

In spite of this development the hotels of Vienna International have been more successful to recover from the drop in ADR until 2010 by continuously increasing the achieved ADR in 2011 and 2012. Even though still below the record peak results of 2008, VI hotels could achieve an ADR of EUR 71 in the “conference” segment and EUR 65 in the “corporate” segment in the year 2012.
8.2 OUTSOURCING VS INSOURCING – KEY ACCOUNT MANAGEMENT:

8.2.1 COULD VI INCREASE ITS SHARE OF KEY ACCOUNTS?

When the Global Sales Office started to operate in the beginning of 2010 it managed only 36 key accounts, mostly local Austrian clients with rather small booking volume. Throughout the years until 2012 the GSO could increase the number of key accounts. At the end of 2010 the GSO has been able to increase its key accounts to 148, an increase of 112 key accounts or more than 300%. At the end of 2011 the GSO has reached a total of 245 key accounts, a further strong increase of 97 key accounts compared to the beginning of 2011. After the explosive growth of key accounts in 2010 and 2011 a performance review of all key accounts was undertaken. A number of key accounts were removed due to low productivity. 40 new key accounts were added during the year 2012. By the end of 2012, the key accounts consisted of 134 key account in the “corporate” segment and 125 key accounts in the “conference” segment. Together these accounts represent all key accounts managed by the Global Sales Office. When compared with the total production of all business clients in the business segment of all Vienna International hotels, the share of the key accounts can be traced.

The “Stage Evaluations” are calculations created by the author and are not part of internal VI reporting. There are 2 key indexes which are to be monitored:

- Quantity of key accounts which are being handled by the Global Sales Office (key accounts in both segments “corporate” and “conference”)
- Combined rooms revenue of the key accounts in relation to total rooms revenue of all business customers in the business segments “corporate” and “conference”

The stage evaluations have been performed every 3rd month since the implementation of the Global Sales Office at the beginning of 2010. All results of the stage evaluations can be found in the appendix.
The first stage evaluation has been done in April 2010, analyzing the first 3 months after implementation of the Global Sales Office of Vienna International. The Global Sales Office managed at that time a customer base of 24 “corporate” key accounts and 12 “conference” key accounts. These key accounts had a revenue share of 8%.

By the end of 2010, the stage evaluation (Q4 2010) calculated that key accounts managed by the Global Sales Office increased its share to 19% of the revenue of the total business segment of all Vienna International hotels. This appears to be a limited success in view of the explosive growth of key accounts clients during 2010, however it needs to be observed that establishing key accounts is a long term business development as described under 4.2.1.

Already 6 months later the stage evaluation (Q2 2011) showed a significant increase of business share of the key accounts to 42%, a clear indication that the key accounts started to support the hotels of VI. Unfortunately 2011 was also the year when the portfolio of Vienna International was reduced by 4 hotels during the second half of the year. By losing hotels which were very popular with business travelers especially the hotel in Warsaw and the 2 hotels in Vienna, some very active key accounts could not support Vienna International hotels in the same way as before as no replacement hotels could be added in Warsaw and Vienna. This fact has led to a decrease of clients booked through key accounts until the end of 2011, where the revenue share dropped to 32% this in spite of the fact that additional 97 key accounts were added to the key accounts client-list.
The Global Sales Office reacted to the downward trend by organizing various incentives to motivate the key accounts which have been added to the key accounts since 2010 to book Vienna International hotels. At the same time the employees of the Global Sales Office were already well known among their key accounts and built up trust and confidence with the travel managers of the key accounts. These key accounts became more committed to book Vienna International hotels.

Due to adding further key accounts into the Global Sales Office and the positive developments of its managed key accounts, the share in revenue by the key accounts could be constantly increased, reaching a share of 67% by the end of 2012.

In other words, with the established strategic cooperation with its key accounts, the Global Sales Office has contributed 67% to the total room revenue produced of all business segments at all Vienna International hotels.

8.2.2 **Has the insourcing of sales processes benefit VI towards the production of its direct business clients (key accounts)?**

This part will concentrate on the production of the most important business clients of Vienna International, the so-called key accounts. They were managed by external partners until the end of 2009 and from 2010 have been managed by the newly created Global Sales Office.

The author will use the “GSO productivity statistics” to measure the productivity of Vienna International’s key accounts. The calculations will be based on production in room nights and room revenue in absolute figures.
8. RESEARCH RESULTS

Figure 15: GSO productivity statistics from 2008 – 2012 (base 259 key accounts)
When the Global Sales Office started to operate at the beginning of 2010 it managed only 36 accounts. Throughout the years the GSO could increase the number of key accounts. By the end of 2012, the GSO managed 134 key accounts\textsuperscript{10} in the “corporate” segment and 125 key accounts in the “conference” segment. These 259 key accounts have been showing a significant increase in room nights and revenue from 2008 until 2012. Especially the key accounts in the “corporate” segment have more than doubled the room night stays from about 70,000 room overnight stays in 2008 to almost 163,000 in 2012. This marks an increase of +135% in 5 years. This proves that when key accounts are strategically being managed and maintained professionally, the production will increase.

Parallel to the development in room nights, the same positive development can be noted in the produced room revenue. In 2008 the key accounts in the “corporate” segment produced a total room revenue of EUR 5.9 million. Parallel with the increase in key accounts since 2010 these key accounts have been constantly increasing their room revenue from 8.9 million in 2010 to EUR 9.9 million in 2011 and to EUR 12.2 million in 2012, marking the highest achieved room revenue so far. The development of room revenue shows an increase of 106% over 5 years.

Similar positive developments even though on a much lower level are noted with the key accounts in the “conference” segment. In 2008 these key accounts produced 8,400 room nights, which generated room sales of almost EUR 850,000. In 2012 125 key accounts produced 13,726 room nights and generated a total room revenue of EUR 1.34 million. In 5 years the production of these key clients increased by 65% in room nights and 59% in room revenue respectively.

A special note needs to be taken in the number of hotels at VI. As explained in chapter 3.2.3 during the years 2008 – 2012 Vienna International added several hotels to its portfolio but also lost some hotels especially in 2011. The addition of 5 hotels in 2009 did not result in an increase in productivity by the key accounts, neither in “corporate” nor in “conference” segment primarily due to the strong decline of corporate business due to the financial crisis which started in late 2008 and most corporate companies were cutting back on business travels.

\textsuperscript{10} 112 direct corporate key accounts and 22 travel management companies (=consortia)
In 2010 Vienna International had one hotel less than in the previous year. In spite of this the hotels could increase the productivity in both "corporate" (+52% increase in room revenue) and "conference" segment (+61% in room revenue) due to increased travel activities by the key accounts. 2010 was also the year when the Global Sales Office was established and started its operations to promote all Vienna International hotels under one brand. The upward trend continued during the following years, even though losing one more hotel in 2010 and 5 more hotels in 2011. Still the year 2012 shows the highest achieved room revenues in both "corporate" and "conference" segment due to the strong increase in key accounts and a professional maintenance of all new and existing key accounts.

Evaluating these results a first assumption can be drawn as follows: large producing key accounts can and will produce higher room night levels and revenues when managed strategically. During 2008 and 2009 the management of key accounts at Vienna International was done by external companies, based on the strategy of outsourcing. A major disadvantage of this strategy was that there were different partners promoting different hotels of Vienna International, as described in chapter 4.1. In addition these partners did represent many other hotels and hotel groups thus their efforts in reaching the occupancy and sales targets were limited. With the creation of the Global Sales Office and having a unique GDS code "VI", all hotels of Vienna International could be represented and promoted for the first time by one department with its sales employees, who represent and follow only the goals of Vienna International.

The increase of rooms’ production by the key accounts, especially in the “corporate” segment, during the years 2010 until 2012 can be traced back to the implementation of the Global Sales Office due to more intensive sales efforts. They key accounts received more accurate and complete information about VI, thus they had a better knowledge and understanding of all Vienna International hotels. This fact is underlined by the feedback that has been given by the clients, which is a part of the survey of this thesis in chapter 8.3.
8. RESEARCH RESULTS

8.2.3  **In which specific industry do the key accounts of VI operate?**

By the end of 2012, the Global Sales Office of Vienna International was managing 134 different key accounts in the “corporate” segment, out of which 22 were travel management companies (also known as consortia) and 112 were renowned corporate companies in the business segment. The following graph will summarize the specific industries in which these 112 corporate companies operate:

![Industry Branch of GSO Clients](image_url)

“Financial Services” institutes and “Pharmaceutical” companies each are accounting for more than 10% each of total bookings of all key accounts making these two industry branches the most important ones for VI as a whole. Other important industries include companies from the “Industrial Production” with 9%, “Automotive” and “Transportation” with both 8% each.

The description “Various” include companies from the industries “Advertising”, “Photography” and “Postal Services”.

Figure 16: Industry branch of GSO clients, based on room night production end of 2012
8. RESEARCH RESULTS

8.2.4 ARE THERE SIMILARITIES OF SALES STRATEGY IN COMPARISON TO OTHER INTERNATIONAL HOTEL CHAINS WITH REGARDS TO...

To compare the insourcing strategy of Vienna International with other hotel companies, the author has conducted telephone interviews by asking the same specific set of questions\textsuperscript{11} to sales and marketing representatives of other hotel chains. The author could manage to get responses from different well known international hotel chains such as “Hyatt Hotels”, “Kempinski”, “Rocco Forte Hotels”, “Shangri-La Hotels & Resorts”, “Marriott”, “Rezidor Hotel Group”, “NH”, “Starwood Hotels & Resorts”, “Regent Hotels & Resorts”, etc.\textsuperscript{12}

The specific set of questions are separated in categories like in figure 5, which has been created by the author to analyze the internal sales strategy of Vienna International.

8.2.4.1 ... sales infrastructure?

In general, most of the interviewed hotel chains have a broad sales infrastructure within their company which includes the employment of sales managers and representatives in the headquarters, regional sales offices and sales representatives directly in the hotels.

Hotel companies which have more than 400 hotels, e.g. “NH”, “Hyatt”, Starwood” and “Marriott” are large enough to have also international sales offices in business destinations (e.g. London, Frankfurt, Singapore, New York, etc.), even if the hotel company does not have a hotel in that destination.

Some other hotel companies concentrate their sales & marketing activities in either headquarters or in regional sales offices.

With regards to Vienna International, the sales infrastructure is broadly implemented: there are sales managers and sales representatives in its headquarter, but also regional cluster offices as well as local sales representatives in every hotel. In addition, through the partnership with “PLC”, Vienna International also has sales representatives in key markets such as the US, UK, Russia and China.

\textsuperscript{11} Survey example to be found in the appendix
\textsuperscript{12} complete listing of interviewed representatives & responses to be found in the appendix
8.2.4.2  ... direct client visits?
Almost all hotel companies have chosen the strategy of insourcing when it comes to direct client visits of corporate companies and travel management companies. Some hotel companies have partners that support the hotel companies to promote the hotels at corporate companies. Similar to Vienna International, the hotel company “Regent” also cooperates with “PLC” for direct business client visits in selected business cities where own sales offices would be very expensive to maintain.

Other hotel companies which are offering luxury high end lodging products, e.g. “Kempinski” or “Rocco Forte” have some distinguished hotels that are also members of “Leading Hotels of the World” (LHW). To a certain degree this can be defined as partly insourcing and partly outsourcing.

8.2.4.3  ... business fairs?
The author asked whether the different hotel companies are represented with an own stand at the following important business fairs:

- ITB Berlin

Almost every major hotel company has its own stand at the world’s largest tourism trade fair. These stands are manned by members of their Global Sales Offices and by sales managers or even General Managers of individual properties. Due to the scarcity of appropriate location and the high costs for a stand other hotel companies, e.g. “Hyatt” decided not have an own stand but the hotel company is still represented at the fair through hotel sales representatives who have a table in the national stand of the country in which their hotel is located. The representation at ITB Berlin of the companies participating in these interviews is mostly done by own employees of the hotel companies or hotels following an insourcing strategy.

- WTM London

The World Tourism Market (WTM) in London is the largest event for the global travel industry in England. Taking pace in November the participation of American companies is much stronger than in Berlin as the contractual periods differ from the US to Europe. As the UK market is an important European travel market, most of the international hotel companies are also represented there, either with their own stand or by simply having roaming sales representatives contacting their potential clients.

Most hotel companies follow the strategy of insourcing by sending own employees to the WTM London. Only “Regent” and “Kempinski” indicated to outsource the representation at the WTM being represented by their partner companies.
8. Research Results

- GBTA Convention San Diego

The Global Business Travel Association is the world’s leading business travel and meetings organization. The GBTA Convention held annually is an event where global business travel buyers (corporate companies, travel management companies, etc.) and suppliers (hotels, airlines, car rentals, etc.) can meet. For the global business travel market the GBTA convention is one of the most important trade fairs.

Most hotel companies are either represented with an own stand or send roaming own hotel representatives to attend the GBTA convention. Vienna International, like most other hotel companies follows the strategy of insourcing by sending its own sales representatives to the GBTA convention.

8.2.4.4 ... request for proposals?

Almost every hotel company insources the handling of its request of proposal (RFP) processes. Vienna International works with the worldwide RFP-tool provider “Lanyon”, which is also the main RFP-tool for almost every other hotel company. Other RFP-tools used include “Nexus” which is used by “NH” and “Shangri-La” and the RFP-tool “SalesForce” which is being used by “Valamar”.

8.2.4.5 ... technology of rate distribution through GDS?

With regards to the Global Distribution System (GDS), almost every hotel chain has its own unique GDS code. The hotel chains “Inteco” and “Valamar” are represented in the GDS but not with an own unique chain code, which is not of primary importance because these hotel chains are receiving most of their guests from the leisure segment, thus not receiving high volume from business customers.
8.3 OUTSOURCING VS INSOURCING – BRAND:

8.3.1 HAS THE INSOURCING STRATEGY INCREASED BRAND AWARENESS OF VI?

Since the implementation in 2010 the Global Sales Office of Vienna International conducted various sales activities to promote the brand “VI” for companies in the business market. The different sales activities included not only appointments directly with the business companies, making product presentations but also cooperation negotiations were conducted. In addition various incentives to attract new business clients were undertaken such as:

- Organization of familiarization trips (“fam-trips”) including hotel site inspections, for specific destinations to be promoted, e.g. in Prague as Vienna International managed 7 hotels in the capital of the Czech Republic.
- Hosting of client events in one of the hotels of Vienna International for key accounts that have produced large business volumes
- Performing of different networking events such as roadshows, sales trips and concentrated sales blitz activities
- Participation at various trade fairs and business exhibitions with its own Vienna International stand
- Distribution of business newsletters to specific customers from the business sector, containing special offers for the email recipient when booking through the Global Sales Office directly
- Etc.

These different sales activities have raised the awareness and knowledge of the brand “Vienna International” (or “VI”) towards the business clients.

The author has directly interviewed different clients of Vienna International, who were willing to give their feedback regarding the cooperation with Vienna International. The author selected specific clients that have been working with the hotels of Vienna International since 2008 or even longer. The author asked the interviewees to compare the cooperation with Vienna International until the end of 2009 (when VI used the outsourcing strategy) and the cooperation from 2010 onwards (when VI used the insourcing strategy).

During the interview, travel management companies that support large multinational enterprises (e.g. “Bayer”, “Deutsche Bahn”, “Lufthansa”) with hotel rate negotiations gave the feedback that in general the cooperation with large hotel chains are more effective and efficient as they can communicate with one sales manager who represents the whole chain. It would take much more time when they need to communicate and negotiate with different local hotel representatives, who in many cases do not have the knowledge or authority to negotiate room rates. E.g. the local hotel sales manager may not have sufficient know-how dealing with the RFP process or must revert back to the GM of the hotel for approval of rates.
With regards to Vienna International, one client highlighted the product knowledge of the andel’s and angelo brand because the client participated in a familiarization trip to Prague, where he not only stayed at an andel’s hotel, but also had the possibility to get a site inspection.

Another client that supports large companies such as “Deutsche Telekom”, “Volkswagen” and “ZF Friedrichshafen” mentioned specifically the positive perception of the corporate newsletter which is sent regularly and which enhances brand awareness for Vienna International hotels.

An agent of a travel management company who works together with “Siemens” (an important key account for Vienna International), noted that the implementation of the Global Sales Office has now led to the acceptance of additional hotels of Vienna International which were not accepted in the past as selected hotels, thus contributing directly to the increase of produced room nights of Siemens at the hotels of Vienna International.

All clients who have been interviewed confirmed higher awareness and increased knowledge of Vienna International hotels. The creation of the Global Sales Office with a sales manager who represents all the hotels of Vienna International added to the perception of a higher level of professionalism. Furthermore the clients noticed that the centralization of information flow gave Vienna International an advantage compared to other hotels which are represented by an external hotel promoter (e.g. LHW or PHG), which need more time to handle various rate negotiation issues, e.g. during an RFP process.
8.4 OUTSOURCING VS INSOURCING – PARTNERS:

8.4.1 HAS THE CHANGE TO DIFFERENT PARTNERS REDUCED THE EXPENDITURES FOR VI?

The change from outsourcing to insourcing also impacted the costs for Vienna International hotels. During the outsourcing phase until 2009 the variable transaction costs for every booking from the GDS were around EUR 12.- per reservation. In addition the outsourcing partners also had royalty fees which amount up to 2-4% from total room’s revenue.

The insourcing strategy benefited the hotels of Vienna International with regards to:

- GDS transaction fees of EUR 7.-
- Maintenance fees for the unique “GDS” codes are for the whole chain and divided over every hotel, resulting in lower maintenance fees
- No royalty fees

The total sales and marketing expenditures are reflected and compared to the total revenue to get the percentage share. The graph below shows that overall sales & marketing expenditures were reduced from 2011 after implementing the insourcing strategy in 2010;

Figure 17: Sales & Marketing costs (% of total revenue)

During outsourcing the high membership fees of the partners “LHW”, “PHG” and “Pegasus” were one of the main reasons why the total S&M costs were 4.6% of total revenue in 2008 and 4.7% in 2009.

2010 was the first year of the change to an insourcing strategy. Total S&M costs were 4.8% of total revenue due to high implementation costs of creating the GDS code and the Global Sales Office.
In 2011 and 2012 total S&M costs were 4.3% of total revenue in both years. This trend indicates that Vienna International registers lower sales & marketing costs with the insourcing strategy. This trend is expected to continue in the years to come as many implementation costs will not occur again.

8.5 OUTSOURCING VS INSOURCING – RATE DISTRIBUTION

8.5.1 HAS THE INSOURCING STRATEGY INCREASED BOOKINGS FROM GDS?

The global distribution system (GDS) is a reservation system created by the airline industry, which is being used by airlines, travel agents, corporations and hotel companies. The representation of hotel companies in the GDS allows corporate clients worldwide to book hotel rooms and packages directly in the system. Being represented in the GDS is crucial to receive bookings from corporate clients, especially with regards to the specific business key accounts of Vienna International.

Before 2010 the hotels of Vienna International have been cooperating with international partners such as “Leading Hotels of the World”, “Preferred Hotels Group” and “Utell Hotels & Resorts”, which all provide the technology for GDS access with THEIR own unique GDS codes.

These different partners were promoting different hotels of Vienna International such as:

- Five-star VI hotels were listed in the GDS by “LHW” under the chain code “LW”
- Four-star VI hotels were listed in the GDS by “PHG”, however:
  - andel’s hotels were listed under Summit’s chain code “XL”
  - angelo hotels were listed under Sterling’s chain code “WR”
- for all other properties not having a cooperation with “LHW” or “PHG”, Vienna International established a cooperation with “Pegasus”, listing with the chain codes “UZ” or “UI”

By having different GDS codes for the Vienna International hotels, it was a challenge to promote all hotels under one brand. Furthermore Vienna International was adding more and more hotels to its portfolio, especially in the years 2008 and 2009. By the end of 2009 Vienna International had 40 hotels in its portfolio but various different promoters and marketers selling its broad portfolio.

At the beginning of 2010 Vienna International took the decision to insource the technology for GDS codes, resulting that all hotels were represented with the own unique “VI” code in the GDS.
The graph above shows the development of produced bookings in all Vienna International hotels from 2008 until 2012 by GDS. Due to data confidentiality, the figures are not shown in absolute figures but in percentage figures. The development is calculated on the first year 2008 which is the basis of 100 in the calculations.

Comparing 2009 with 2008 Vienna International could raise the total productivity from the GDS channel by 10%. This increase is in general explained by adding 5 new properties to the portfolio during the year 2009.

Since implementation of the “VI”-GDS-code in January 2010, VI hotels increased the produced revenue of GDS bookings by 57% over a period of only 3 years. The increase in GDS productivity was also maintained in 2012 but with a much reduced increase because VI had 4 hotels less in its portfolio.

The increase in GDS productivity is proof that the implementation of its own VI-GDS-code was a successful implementation.
9 CONCLUSION

Satisfying the needs of ever changing market circumstances is a constant challenge for the Austrian hotel company Vienna International. Established in 1989 as a division within Austria’s largest tourism company named “Verkehrsbüro”, the Vienna based hotel management company, was growing only moderately throughout the first 15 years. By the end of 2003 Vienna International managed nine hotels in three different countries.

In 2004 Vienna International decided to separate from “Verkehrsbüro” and continued as an independent hotel operator. The hotel company took opportunities that were created through the inclusion of several Eastern European Countries into the European Union and consequently opened new hotels in countries such as the Czech Republic, Slovakia, Poland and Romania. Furthermore Vienna International strengthened its presence in the local hotel market in Austria with new hotels. It also entered the competitive hotel markets of Croatia, France, Germany and Russia. By the end of 2008 Vienna International was managing 30 hotels and was about to become a key player in the Central and Eastern European hotel markets.

Having grown from nine to 30 hotels in only 5 years was a remarkable achievement but it also led to different challenges, especially the promotion of the hotels of Vienna International to business customers. For the hotel industry the business traveler market is an attractive market segment to target due to the higher average daily rates (ADR) achieved which ultimately leads to higher revenues and profits compared to leisure business.

In order to become more attractive for international business customers, especially in times of growing worldwide connectivity through online distribution channels, hotels and its sales representatives must do more than only performing “traditional sales activities” such as periodic telephone calls, regular sales visits, working through client lists, etc. Even though these sales activities are still necessary and important, they will most likely only reach local business companies, but not the multinational enterprises (MNE), for which a strategic partnership is very beneficial for a hotel company. The size of this business market and technology these MNEs apply forces hotel sales to become more effective and efficient.

These international business companies (usually) have structured travel management policies. Business travel needs such as airline tickets, rental car agreements and lodging at hotels are centrally negotiated by designated “Travel Managers”. The travel management structures vary in size (e.g. from only one travel manager to a whole department) as well as location, though usually they work in the headquarters of MNE’s.

Throughout the years travel management departments have gained bigger importance in most corporations due to the possibility of reducing travel costs and expenditure as well as optimization in the negotiation process with travel suppliers. It is only logical that every
CONCLUSION

international travel supplier (airlines, hotels, rental car companies, etc.) aims to sell its product to the travel managers of MNEs. Two key developments have evolved regarding negotiations between travel managers and sales representatives of hotels:

First: Due to the big number of hotels vying for business and the limited availability of time and staff, travel managers of large corporations have been reluctant to make appointments with individual hotels. Only if the hotel sales manager is a representative of a chain of hotels travel managers are prepared to meet them so that negotiations with several hotels can be concluded in one session.

Second: Multinational enterprises seek the most favorable solution for their travel needs. Therefore they collect different offers from different hotel companies and chains, resulting in the need of an orderly process to conduct the negotiations with different parties and evaluate their business proposals. These specific negotiation processes are called “Request for Proposals (RFP)”. In the past an RFP was done by sending offers and contracts back and forth by mail. Even today many RFPs are being done this way, but the majority of international companies have switched to use electronic web-based RFP-tools that collect, distribute, manage and process the RFP process between travel managers and hotel sales managers.

Another crucial factor that needs to be considered for attracting business clients is the connectivity of hotels to the Global Distribution Systems (GDS). This reservation system was created by the airline industry which is also used globally by travel agents and corporations. The GDS has become a dominant booking source in the hospitality industry.

At the beginning it was a challenge for Vienna International as the hotel company did not have the experience to react swiftly enough to changing market circumstances especially after the company split from the original owner “Verkehrsbüro” in 2004.

To overcome this problem, the management of Vienna International decided to OUTSOURCE its sales activities and to establish business partnerships with external companies that are specialized in marketing and promoting hotels to business customers. Vienna International searched for partners who were able to provide the technology for GDS access, but also sales representation to travel managers, including the ability to administer the RFP-process. In addition the partners should be able to support the hotels with various promotional and marketing activities such as representation at important trade fairs, performing roadshows, organizing fam-trips, client events, sending out regular direct mails, newsletters, etc.
CONCLUSION

Different partners were chosen to promote the different hotels of VI:

- Five-star VI hotels were represented by “LHW” (GDS chain code “LW”)
- Four-star VI hotels were represented by “PHG”, (GDS chain codes “XL” or “WR”)
- all other properties were represented by “Pegasus” (GDS chain codes “UZ” or “UI”), whereby the cooperation was limited to GDS accessibility only

For the first time, the different hotels of Vienna International were represented on a global scale at international business companies. The hotels could be included in the RFP-process and the sales managers of “LHW” or “PHG” had enough business volume to make direct visits to the travel managers as they not only represented VI-hotels but many other individual hotels and even hotel chains around the world.

With this outsourcing strategy Vienna International maintained its brand strategy of keeping the brand “Vienna International (VI)” in the background. This strategy worked quite well for Vienna International as the hotel group had less than ten hotels throughout the years before the Millennium. However this strategy proved to be insufficient when Vienna International had grown to 30 hotels by the end of 2008. At that moment Vienna International has crossed a critical size threshold where a higher brand awareness of Vienna International itself was needed.

As the international partners were promoting the different hotels of Vienna International under the hotel names and promoted the hotels with their own GDS chain codes the brand “Vienna International” was not sufficiently evident. More importantly, the performance of the partners did not generate the expected occupancy and revenue with VI facing high participation fees.

Additionally, in late 2008 the financial crisis started to affect heavily the corporate business segment. Vienna International felt the aftermath effects of reduced business travels from 2009. It was to be expected that during economically tense and difficult times the whole hotel market faced decreasing overnight stays including bookings from the different channels managed by the partners. But in the assessment of Vienna International, clearly defined strategy plans as well as concrete measure and goals to increase its market share have not been provided by the partners.

These facts led Vienna International to question not only the high membership fees of the partners but especially the effectiveness of the partners to provide acceptable occupancies and revenues for the hotels of Vienna International. The significant drop in revenue and the downward economic trends forced the management of Vienna International to revise and restructure its sales and branding strategy.
Especially regarding business travelers, higher brand awareness among the business companies was crucial if all hotels of Vienna International could be promoted successfully. However, with the outsourcing of its sales activities the partners of Vienna International did not perform an effective key account management.

Therefore the new strategy focused not only on strengthening the brand “Vienna International (VI)” but above all on INSOURCING most business processes in Sales and Marketing such as:

- Key account management
- GDS chain code
- Marketing and print materials
- IT infrastructures
- Various online distribution systems
- Customer relationship management programs
- Etc.

In February 2010, Vienna International established its own Global Sales Office (GSO), located in the headquarters in Vienna. The main objective of the GSO was to establish an effective and successful key account management, to gain new global key accounts and to handle and manage multinational enterprises (global key accounts) for all hotels of Vienna International. Additionally, various sales processes such as client visits, fair representations, VI roadshows, fam-trips, etc. were coordinated and processed.

For a broader global representation Vienna International was also considering to establish overseas sales offices. However implementing own sales offices in other countries and their capital cities proved to be challenging and only possible with large investments. Apart from legal challenges that are created with operating such offices it was also questioned whether suitable sales representatives could be found and employed. Therefore Vienna International concluded a business partnership with PLC, which provides the services of international sales representation by having sales managers in different business markets, such as New York, London, Moscow and Shanghai. These sales managers are employees of PLC but sell the products of Vienna International, reporting directly to the GSO in Vienna. This cooperation gave Vienna International flexibility as the hotel company could explore market potentials and make extensive feasibility studies in order to reduce financial risks before making any possible investments.
For Vienna International, the creation of its own Global Sales Office gave numerous benefits such as:

- Direct client visits and negotiations, especially with travel managers of MNEs
- Participation in the Request for Proposal (RFP) processes
- Strengthening of the brand awareness in the business market
- Possibility to establish agreements with large event agencies that normally only work with hotel chains
- Conducting of own VI road shows
- Hosting of client events
- Organization of fam-trips
- Representing Vienna International at different fair trades with its own stand
- Execution of direct mailing
- Regular sending out of newsletters

Vienna International could advance especially with business companies by strategically promoting all hotels of Vienna International. According to internal statistics of Vienna International, business travelers represent an average share of 25% of the room night production. This includes both bookings from individual business travelers (corporate segment) as well as bookings made for meetings, incentives, conferences and events (conference segment).

By representing all hotels, Vienna International can make appointments and negotiate with the travel managers of MNEs to be included in the request for proposal (RFP) processes. Additionally Vienna International has business cooperation with Lanyon, the world’s leading provider of automated electronic processing of RFPs. With this tool the Global Sales Office can act as an “internal agent” which promotes all hotels of Vienna International to travel managers. Positive synergies could be created because the Global Sales Office could convince the travel managers to also include other hotels of the group that so far have not been receiving room production on their lists of preferred hotels.

Additional concepts of global key account management were applied. The Global Sales Office intensified the cooperation with specific business companies that have a significant high productivity at Vienna International. Regular standardized evaluation of the productivity and special attention to these key accounts resulted in higher revenues for Vienna International.

The success of the Global Sales Office is proven as more and more companies could be convinced to strategically cooperate with Vienna International, thus the number of key accounts has increased. Corporate companies from “financial services”, “pharmaceuticals” and “industrial production” are among the highest producing key accounts.
Internal statistics show that the financial crisis has had an impact with a decrease in revenue generated by business travelers, especially in 2009. Fortunately Vienna International could recover rather quickly from the setbacks and had an increase in room night production of the key accounts from 2008 to 2012 by 135% in the corporate segment and 65% in the conference segment. The produced revenue also increased but at a slower growth rate. The key accounts showed a revenue increase of 106% in the corporate segment and 59% in the conference segment.

By the end of 2012, three years after implementation of the Global Sales Office, the key accounts represent 65% of the total business traveler production at Vienna International. Improved product knowledge of Vienna International hotels and a noticeable increase of brand awareness compared to the periods when the sales activities of VI were outsourced until the end of 2009, helped to achieve these results.

A more positive perception of Vienna International and the preference of travel managers to work with chain representatives are in accordance with the replies that the author has received while interviewing agents of travel management companies, who closely work together with the travel managers of corporate companies. All respondents stated a noticeable increase of brand awareness and product knowledge of the Vienna International hotels compared to the periods when the sales activities of VI were outsourced until the end of 2009.

Another business process that supported the positive development of room production was the productivity in GDS. Since the beginning of 2010, Vienna International provides the service with its own GDS code under the main chain code “VI”. With this unique code the hotels are worldwide recognizable as being part of Vienna International for:

- All travel agencies with an IATA code
- Corporate companies
- Travel management companies
- Private bookers (through an internet interface)

Vienna International has established a partnership with the GDS technology provider “Trust International” who was able to provide private labeled GDS chain codes to its customers. With this partnership VI did not need any additional hardware as the connectivity and its maintenance is done by Trust International. VI is responsible for the uploading of hotel content information, rate information, availability and inventory management. With the insourcing of the GDS codes, Vienna International employed an additional employee who is responsible to monitor the correct maintenance of the GDS channels. For the first time Vienna International was able to perform worldwide distribution and monitoring of productivity when specific actions are taken when needed. Other advantages of having its own GDS codes include:
9. Conclusion

- Promotion of brand identity
- Cost savings in fixed and variable expenditures
- Standardized administration
- Direct connection to hotel’s property management system through interfaces
- Market specific promotions in the GDS

According to internal statistics from 2008 until 2012, the hotels of Vienna International have been constantly increasing the booking volume generated from the GDS channels. Since implementation of the GDS codes under the chain code “VI”, the booking volume increased by 57% within only 3 years from January 2010 until end of 2012. At the same time, through the insourcing of the administration of rates and contents, the fixed and variable costs per booking were reduced.

However it needs to be mentioned that the insourcing strategy also challenged Vienna International with higher expenditure. The insourcing of GDS codes resulted in high setup fees which included system setup, further IT infrastructure such as interface to the hotel’s property management systems, etc. In order to support the hotels better Vienna International additionally employed extra employees to operate the GDS.

The implementation of the Global Sales Office brought an increase in costs as new employees had to be recruited. The focus was to recruit employees who had the necessary know how on building a global key account management structure. Also the Global Sales Office itself needed additional office space to accommodate the newly hired employees. Additional company cars were needed for the sales staff to conduct their sales visits. Existing print materials needed to be redesigned, increased promotional activities to be undertaken, trade fair representations to be created and established, the technology for the RFP tool to be finalized, etc.

An efficient and effective benchmarking of the insourcing sales strategy by Vienna International can only be made to other hotel companies that have similar number of hotels and target the same customer base. It would be rather misleading to compare Vienna International with e.g. “Marriott” which would compare 30 hotels to 3,800 hotels.

As the hotels of Vienna International are mostly hotels in the four star category it would also be misleading to compare Vienna International with premium luxury lodging companies such as “Kempinski”, “Regent” or “Shangri-La”.

Nevertheless, the comparison with other international renowned hotel companies has revealed that Vienna International, even though having only 30 hotels, is equipped with an extensive internal sales infrastructure that is also implemented in larger international hotel companies.
After taking all findings into consideration it can be concluded that in order to cope with the downward economic trends caused by the financial crisis in 2008, Vienna International had to restructure its internal business processes especially in Sales and Marketing and management of key accounts to adapt to the prevailing market needs. The decision to change from the OUTSOURCING strategy in sales and marketing to an INSOURCING strategy was daring and ambitious. Even though there has been an increase in direct costs due to the startup investment, which will level out over the years, the increase in room production and sales revenues prove that the INSOURCING strategy since 2010 has greatly benefitted Vienna International. In addition Vienna International is now much better prepared in case of future difficult economic situations as it can react much more quickly and more efficiently and effectively to promote and sell its hotels as Vienna International now operates its own Global Sales Office (GSO) with all sales and marketing tools given to the GSO.
10 LIMITATIONS

The following limitations are factors that might influence the conclusions that have been made in this thesis:

10.1 CONFIDENTIALITY

Many publications, financial figures as well as various internal statistics have been used to analyze and measure the performance of Vienna International. In order to protect the confidentiality of certain statistics some data had to be illustrated on an average basis over a certain period of time. A limitation might be that Vienna International objects that the author uses certain data which might violate the obligation of Vienna International towards its key accounts with regards to confidentiality.

10.2 LACK OF LITERATURE RESEARCH

Key account management is a business application which is being used by large companies in many different industries. Numerous literatures on the topic of “key account management” can be found. The usage of key account management in the hospitality industry, even though being commonly done by most larger hotel companies, no specific literature can be found which are best suitable to be used for this thesis. Therefore the author has used a broad range of literature to explain the different topics of “outsourcing”, “insourcing”, “key account management”, “sales activities” and “branding”.

10.3 RESEARCH QUALITY

The topic of this master thesis is more a practical than an academic topic. The research methodology has primarily been concentrated on qualitative research. Main findings have been derived from the analysis of various statistical figures (development of revenue and costs). Relying heavily on financial figures limits the real findings of the research questions as there are many other factors which need to be taken into account.

An important aspect which could not be evaluated is the real perception of the key accounts of Vienna International and its hotels. The author managed to get a response from only 2 agents working for a travel management company. This travel management company, also known as consortia, is not a direct key account but supports the key accounts.
10. LIMITATIONS

10.4 VARYING NUMBERS OF HOTELS

To compare the two different strategies of outsourcing versus insourcing, the author has analyzed statistical data from 2008 until 2012. Many findings have been derived during the research process. Nevertheless it needs to be taken into account that during these 5 years Vienna International has been adding but also losing hotels in its portfolio:

- 2008: 30 hotels
- 2009: 35 hotels
- 2010: 34 hotels
- 2011: 33 hotels
- 2012: 29 hotels

The varying number of hotels affects the correctness of certain research findings such as comparing the total cost and total revenue from year to year even though the numbers in itself are correct.

10.5 MIXTURE OF OUT- & INSOURCING

The change of strategy of Vienna International that has been labeled as “insourcing” in this thesis is not a complete insourcing process as explained in the literature review. Vienna International has terminated the agreements with PHG, LHW and Pegasus (outsourcing), and opened the Global Sales Office as well as the creation of the GDS code “VI” (insourcing). Still the operation of the Global Sales Office needed new know-how which has been supplied by other specialized external partners:

- The PLC supplied its offices and employees so Vienna International is represented in international destination markets without having to invest in new offices or labor
- Trust International supplied the GDS code “VI”. The hotels of Vienna International are responsible to manage and administer the content and rate in the GDS, but the technical connection and maintenance is being supported by Trust International
- Lanyon supplies the technology for the RFP tool
- Vienna International still upholds the cooperation with LHW for its 5* hotels even though on a lower level due to the strong image created by LHW

Therefore the current status is not yet a full insourcing concept but a mixture of out- and insourcing. If Vienna International would have followed an “insourcing only” strategy much higher investments would have been needed to achieve the technical know-how and hire the needed sales representatives in international destination markets. With more hotels in future Vienna International may reduce the use of external partners but the cooperation with Trust
International and Lanyon will most probably be maintained due to their cutting edge technologies and knowledge in a highly specialized environment which cannot be reproduced.

10.6 **SHORT TERM RESULTS FOR LONG TERM BUSINESS PROCESS**

The success of the implementation of the insourcing strategy at Vienna International cannot be fully determined after only 3 years in operation. The change of the sales & marketing strategy is a long term business decision and process. Building up a brand and measuring the increase of its brand awareness requires the review of results of further years to come. Thus the change from outsourcing to insourcing of the key accounts can be termed as successful short term results. It would be premature to term them already now as a complete success.
11 RECOMMENDATIONS

The hotel market in which Vienna International operates is a dynamic one. Constant changes are requiring hotel operators to proactively react to new developments to stay ahead of its competitors. The following recommendations have been developed by the author during the external and internal analysis of VI as well as reviewing the current known market trends. These recommendations should provide the management of Vienna International with new ideas to improve its business performance.

Figure 19: Recommendations model
11.1 CREATING UNIQUE VI BRAND IDENTITY

In its report on hospitality trends in 2015 Deloitte explains that brand perception is more often influenced by experience than by product. To be successful brands will need to differentiate themselves more clearly within the market and deliver the brand experience consistently across their hotel portfolio.

Vienna International is in the process to strengthen its brand by putting the name “Vienna International” in the forefront of marketing publications. The insourcing process in global key account management and the providing of a unique “VI” chain code in the GDS are only one part. The next process which is to start in 2013 is the linkage of each hotel name with Vienna International, by including the name and logo of VI into the banners and logos of each hotel. The direct linkage “Hotel … managed by Vienna International” will emphasize VI more strongly leading to the strengthening of VI’s brand awareness in the market.

To further increase the brand differentiation towards other hotel chains the author recommends to establish a more specific strategy to create a unique VI brand identity. The current activities regarding brand differentiation are more related to unify the design of printed material, as well as the branding of the name and logo of VI in different systems such as the Global Distribution System and various RFP tools, primarily targeted at business customers.

However how does the branding benefit the customer? Does the customer enjoy value added which will differentiate a VI hotel from its competitors? Why should a client regardless of being a corporate traveler or not stay at a VI hotel? Are there major differences such as location, price or service levels compared to the competitors? Is there a connection to the city of Vienna other than the location of its head office?

On the internet website of Vienna International the visitor can find clear and precise mission statement, but only targeted at hotel investors. Concise explanations have been created to describe the strength of VI as hotel management company, VI as a competent hotel developer and also VI being an expert in turnaround solutions.

Is it sufficient to focus the defining of a hotel brand solely to hotel investors? Wouldn’t it be more advisable to devote resources on creating a brand value around the customers who actually stay at the hotels and are the main source of income for a hotel?

The answer is twofold. As a serious and competent management company Vienna International has an obligation towards its investors. Thus the focusing of brand differentiation towards investors is a must and has been performed with excellence by Vienna International.
However the hospitality industry is a business which has as its main source of income the revenue received from the guests who stay at the hotels. The direct contact with the guests happens at the hotels, thus the success and failure of a VI hotel remains the responsibility of the hotel and its staff. Still Vienna International as the parent company is responsible to create the company culture in which the hotels can operate and excel.

The proposed vision for Vienna International should be the creation of a clear and unique brand identity which is focused towards its hotel customers. The brand identity should clearly define what sets Vienna International apart of other hotels. The message should be concise but complete and easily communicated to hotel guests, hotel employees and head office staff.

Already today Vienna International provides numerous factors which can distinct itself from other companies. These include the excellent restaurants in the hotels, prime location in leisure and city destinations, wellness holiday offers or perfect venues for business travelers as well as for individual events and conferences.

The variety of hotel offers is supplemented with further services such as having an own travel agency, best rate guarantee policy, extensive social media coverage, regular newsletters, seasonally created lifestyle magazine, own music CD collection, various image video campaigns, extensive internal career possibilities with its own VI academy, latest IT technologies for both hotel operators and hotel guests, etc.

All these products and services should be bundled into a clear concept. Vienna International could make use of the services of branding specialists like Landor Associates who have experience in creating distinctive brand images and slogans for hotel companies.
11.2 **OWN DEDICATED B2B WEBSITE**

In times of growing technological connectivity, the internet has taken an important role in being the first and primary source of information for future hotel guests. Thus the website of a company is very important to give an impression of what the company stands for.

Vienna International has an attractive website with many information and visualizations of all the hotels, as well as further information on the different activities offered such as social media, marketing, advertising and investor’s relations. Even though having a sophisticated and broad global sales infrastructure with representatives in different cities around the world, Vienna International does not have an own dedicated part for the Global Sales Office on the VI website.

While benchmarking other international hotel chains the author noticed that almost every international hotel chain has an own dedicated part on the website which gives specific contact details of the international sales representations. Some chains even explain in detail which services are offered when working directly with the hotel chain.

Currently Vienna International provides only limited contacting possibility by phone and by writing an enquiry on its website. Business companies intending to make direct contact will perceive VI as “basic and “limited”.

The author believes that the broad services currently provided by the global sales office, regional sales clusters and local hotel sales offices could be better presented. When bundling all the different sales levels together, Vienna International can form qualitative product features for the business travelers such as:

- Specialized product offers for meetings & incentives
- Ability to perform global negotiations through RFP processes
- Advantages of direct cooperation, e.g. discounts on direct bookings, etc.
- Direct booking features on own company website to save commission costs to third parties
- Detailed contact information with any sales employee
- Platform to present sales teams, e.g. with photographs, etc.
11.3 Customer Relationship Management

Customer relationship management (CRM) is an approach to manage a company’s interactions with its clients. It can involve the usage of technology to administer sales, marketing, customer service and technical support. CRM is widely used for businesses which have a large customer base such as grocery stores, retail companies, airlines, hotels and many more.

Many international hotel chains that have been benchmarked by the author provide the services of a CRM which includes the record keeping of guest profiles and past bookings which can be transferred into points which in turn can be redeemed into rewards such as a free hotel stays or other extra services. A CRM might also include regular communications (e.g. emails), e-brochures, reporting services, personalized customer portals, etc.

Currently Vienna International, even though having 30 hotels in its portfolio, does not have an own customer relationship management which is a disadvantage compared to other hotel chains which can provide the services of a CRM.

11.4 Female Business Travelers

As explained in chapter 2.6.3, the number of female business travelers across the globe is expected to increase as corporations become more equal in their management structures, e.g. more women will become part of top management.

Vienna International could concentrate on a specific “ladies offer” which includes value add-ons appreciated by female business travelers such as security features (CCTV monitors, alarm buttons, etc.), lifestyle magazines, healthy light snacks, larger make up mirrors with sufficient lighting, special toiletries, jewelry boxes, yoga mats, etc.
11.5 SUSTAINABLE TOURISM

The concept of sustainable tourism ("green business") for the tourism industry has started in the late 70s and reached its hype in the beginning of the 1990’s. Today there is an overall trend and societal awareness of the increasing importance on the preservation of natural resources. The thirst for energy, especially of industrialized as well as emerging countries with an increasing population, has heavily utilized and in some areas plundered the nature’s resources. Due to the limited availability of these resources, there is a growing awareness in being more “climate-friendly”. Many major hotel companies like Intercontinental Hotels & Resorts are implementing far reaching green business strategies. Even though implementations of green policies serve often as an alibi to excuse past or present abuses, it still provides a signal to all concerned to be more conscious of the scarcity of nature’s resources.

There are many ways nowadays to adopt green business processes which Vienna International could implement to contribute actively and show that VI is a good corporate citizen. Each hotel could form a “green team” which establishes green policies for that particular hotel, organizes “green” events for staff, the surrounding community and guests alike and proposes a yearlong plan of other activities. A hotel might have some plantations in its external building architecture or in its interior design. They are many more possibilities on how to introduce “green” business practices into an operation whereby some will need no or little investment only except time but some will require substantial financial investment.

The introduction of “green” policies must initially be driven by head office before the hotels will take over the responsibility of sustaining all “green” activities. Vienna International should be perceived by partners, the hotel guests, staff and the surrounding community as being at the forefront of the protection of the environment.
11.6 Closely monitor the airline industry

Many developments and practices in the hospitality industry such as “yield management”, “discounted early booking rates”, “customer loyalty programs”, the GDS, etc. have their origins in the airline industry. Therefore it is important to follow and implement some of the current trends that are currently shaping this particular industry, such as:

- Individual check-in using check-in machines
- Ability to pre-check in through the internet
- Electronic boarding passes in the mobile phones
- Variable pricing also for corporate companies

11.7 Emerging markets

The continuous economic growth of emerging markets paired with a growing middle class with increased spending power, are reliable drivers of business opportunities for new hotel openings and a source of outbound tourists. According to Deloitte, China and India will continue to be the key emerging (hospitality) markets.

Vienna International has made the right decision to have a direct sales representation in China, which is forecast to be the largest business travel market by 2015 according to the GBTA BTI outlook survey. Chinese companies demand a different approach of sales activities. In general Western dominated companies demand immediate results and are rate focused. In China and in most of other parts of Asia business needs a long term personal relationship with more patience requiring a longer time frame before business starts to develop. Price is an important factor but having a trusted relationship is equally an important factor for a successful business relationship.

11.8 Upgrading of reporting

Vienna International has many different comprehensive statistics. The source of information is being gathered from the different property management systems but the bundling and analyzing of data is done with excel. The extensive usage of excel as the main reporting tool allows flexible handling and processing of statistical figures. At the same time, though, it also needs high amount of working hours and labor overheads to accurately transform the data manually from the hotel management systems into understandable and presentable statistics.

Decision making in hospitality faces the growing challenge to scrutinize and process large volumes of data. Therefore the author recommends an automatic business intelligence
reporting tool which can transform all hotel data into needed reports enabling managers and analysts to focus on the actual analysis and identify important trends in real time to make better business decisions in a timely fashion.

11.9 COMPLIMENTARY WIRELESS INTERNET CONNECTION

According to many studies today’s travelers expect WIFI services not only in the public areas but also in the privacy of their hotel rooms. 70% of all travelers and 85% of business travelers expect that the WIFI connections are provided on a complimentary basis. Many business travelers have indicated that they will not reserve a room in a hotel if they have to pay for WIFI. According to a study by the online travel agency HRS, more than 67% of all European hotels offer now complimentary wireless internet connection. It is surprising to note that mostly high end hotels demand that their guests pay for WIFI services whilst most mid-range hotels include complimentary WIFI for all guests in all areas of the hotel. VI should consider including complimentary use of internet in its product range.

11.10 OPERATIONAL USAGE OF MOBILE DEVICES

Vienna International must ensure that the websites are mobile-friendly to make the best use of mobile technology. Six of the 10 questioned hotel companies by the author have stated their hotel company enables guests to make a booking through mobile phones.

Deloitte gives the recommendation of additional mobile services to include interactive maps/GPS, rewards programs, confirmation texts and pre-arrival texts. The ideas for high service quality involve post-stay surveys and promotional texts between visits. Further individual customization may be possible by enabling guests to text through specific requests.

11.11 PROMOTIONAL USAGE OF MOBILE DEVICES

The size of the mobile device market has been increasing in the last few years in leaps and bounds. By the end of 2012 a survey noted that 1.08 billion mobile phones are smartphones of the 4 billion mobile phones in use worldwide. Marketers have to understand the new types of consumer and how best to reach them.

An example of new technological solutions for advertising would be the concept of the Viennese start-up company abalo media, which provides full screen commercial banners on
11. **RECOMMENDATIONS**

the whole lock-screen of a mobile device. The mobile device user receives a maximum payment of EUR 15 per month for the intended viewing of commercials.

Vienna International should closely monitor and consider the usage of new solutions which can be used for advertising to better support the recognition of Vienna International and its hotels to mobile phone users.

### 11.12 HORIZONTAL GROWTH

According to TopHotelProjects, Europe greatly influences the level of worldwide hotel development by having more than 1,180 new four and five star hotels in the pipeline. To compare with, in Asia there are currently 1,700 new top hotels and in North America only about 450 new upscale hotels under construction. The report underlines that despite the continued weak economic performance of the Eurozone, hotel companies are taking advantage to increase the number of hotels in their portfolios by obtaining management contracts, thus the hotel companies prefer not having ownership but managing hotels through management contracts or franchising the so called “asset light” approach.

Vienna International should take the opportunity to also seek for ways to increase the number of hotels in its portfolio. With its 30 hotels Vienna International has reached a size where further growth is given not only by opening new properties one by one but also through horizontal growth by merging with or even acquiring another hotel companies.

The idea of horizontal growth explains the expansion of geographic reach of the business. As an example the author would feel a merger with Austria Trend Hotels & Resorts seems to be an obvious choice. Both companies have a common history and used to belong under the same umbrella of “Verkehrsbüro”. The hotel portfolios are not only similar in size but also in product and services. Currently Austria Trend has a significant portfolio of 29 hotels in Austria and 2 hotels outside of Austria. On the other side Vienna International has 31 hotels, whereby only 3 are in Austria. Thus both companies are offering similar hotel products but do not compete with each other as they are targeting different markets.

The joining of these two companies would not only create Austria’s largest hotel operator and a noticeable key player in the Central and Eastern European (CEE) hotel market, but also provide positive synergies as well as a tremendous image uplift as being a true “Austrian hotel company”. However it always needs to be kept in mind that a merger is always difficult to conclude successfully as there are two different corporate cultures, philosophies and operational standards to be integrated into one new culture.
**11.13 Vertical Growth**

According to STR Global, the European hotel industry opened 332 new hotels with nearly 42,000 rooms in 2012. It is noteworthy that the “economy” or “budget” segment opened the most new rooms with 11,064 rooms in 95 properties. Other segments such as “midscale segment” (52 hotels with 5,537 rooms), “Upper Midscale” (67 hotels with 8,869 rooms), “Upscale segment” (39 hotels with 6,137 rooms) and the “Luxury” segment (14 hotels with 2,276 rooms) all have shown a smaller growth rate.

This report confirms the prediction of HVS in its report of November 2010 reporting that new, trendy budget brands such as “easyHotel”, “Qbic”, “Motel 1”, etc. have emerged and offer affordable accommodation with functional design and latest technology. The report further forecasted that the number of budget hotels in the active pipeline has increased even during the crisis and this trend is expected to continue given comparatively easier access to financing, lower construction costs, shorter development time and faster return on investments (ROI).

The business opportunities of growth through budget hotels is currently also a strategy adopted by large international hotel chains such as Accor consolidating its brands “Etap” and “All Seasons” into the already existing “Ibis” brand or Marriott cooperating with furniture manufacturer IKEA to create the budget brand “Moxy”.

The majority of the properties of Vienna International are 4* hotels (upper midscale and upscale segments) located in business destinations such as Munich, Berlin, Prague, etc. Following the trend that the economy in the Eurozone leads to a more price sensitive behavior of the travel market (both leisure and business travelers), Vienna International should evaluate the possibility of growth through vertical growth, which is focusing on new product line or service to keep the existing customer base if they are forced to reduce further their traveling expenditure or more importantly to gain new business. The vertical growth would require to open hotels in the economy / budget segment.

The author would suggest to focus the vertical growth in European markets which have a stable economic situation such as Great Britain or Germany but also Poland which shows encouraging signs in its developments, Russia and the Latvian states.
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<td>andel's Hotel Lodz</td>
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<td>Angelo Hotel Katowice</td>
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<td>Dream Castle Hotel at Disneyland® Paris</td>
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<td>1,470</td>
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<tr>
<td>Apoksiomen Hotel Mali Losinj</td>
<td>Mali Losinj</td>
<td>25</td>
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<td>Anglo Hotel Munich Westpark</td>
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<td>Liner Airport Hotel Ekaterinburg</td>
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<td>309</td>
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<td>Anglo Airport Hotel Ekaterinburg</td>
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<td>422</td>
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<td><strong>New Projects</strong></td>
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<tr>
<td>Astrum Spa &amp; Conference Hotel Shelkovo / Moscow</td>
<td>Shelkovo (2014)</td>
<td>184</td>
<td>568</td>
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<td></td>
<td></td>
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<tr>
<td>Anglo Hotel Bratislava</td>
<td>Bratislava</td>
<td>174</td>
<td>364</td>
</tr>
<tr>
<td><strong>Vienna International Travel Management</strong></td>
<td>International Travel Agency, Tour Operator &amp; Destination Management Company (DMC)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX 3: PROCESS ANALYSIS OF RFP PROCESS

13 Process analysis has been created by the author
APPENDIX 4: CONTRIBUTORS (INTERVIEWEES)

The author would like to sincerely thank the following hospitality professionals who have taken the effort and time to be interviewed for the purpose of this thesis, providing feedback, comments and thoughts:

Tomislav Dumancic  
Director of Sales, Marketing & Revenue Management, Valamar Hotels & Resorts

Katarina Dvorakova  
Director of Sales & Marketing, The Augustine Hotel “Rocco Forte” Prague

Anna Shara Luckow  
Sales Manager, Hyatt Regency Düsseldorf

René Mayer  
Assistant Global Director of Sales, Regent Hotels & Resorts

Peter Götzl  
CTO, abalo media GmbH

Tomasz Piórkowski  
General Manager, angelo Hotel Katowice

Timotej Horvat  
International Sales Manager, Marriott / Vienna Sales Office

Manuela Koch  
Sales Manager EMEA, Shangri-La Hotels & Resorts

Alex Künzli  
President and Managing Director, Magic Results Hotel Auditing & Consulting

Michael Kral  
Assistant Director of Sales, NH

Johanna Weichselbaumer  
CFO, Vienna International Hotels & Resorts

Sabina Lehner  
Senior Sales Manager Austria & South East Europe, Rezidor Hotel Group

Sabine Lehner  
Reserve Manager, Inteco Hotel Management

Manuela Witt  
Director of Business Development, Vienna International Hotels & Resorts

Nicole Lüsebrink  
Reservation Manager, Inteco Hotel Management

name kept anonymous  
position kept anonymous, Hotel Adlon Kempinski Berlin
APPENDIX 5: SURVEY EXAMPLE

Master Thesis Survey

This is a survey established by the MBA student Andrei Kintzi for completing his MBA thesis to find out which strategy is most applicable in regards to global key account management of a hotel group/chain towards its corporate business clients (key accounts). The two strategies in question are “Outsourcing” (global sales by another sales representation company conducted by their employees) versus “Insourcing” (global sales activities managed, coordinated and conducted by own employees).

Your contribution is greatly appreciated. Would you wish a copy of the final thesis report the student will be happy to oblige.

The listed questions below are directed to hospitality professionals of hotel groups/chains, who have insights into internal global key account processes.

### INTRODUCTION

<table>
<thead>
<tr>
<th>Name of interviewee:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Position:</td>
<td></td>
</tr>
<tr>
<td>In company since:</td>
<td></td>
</tr>
<tr>
<td>Interviewee’s office location:</td>
<td></td>
</tr>
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</table>

### HOTEL COMPANY

<table>
<thead>
<tr>
<th>Name of hotel company:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Company website:</td>
<td></td>
</tr>
<tr>
<td>How many hotels?</td>
<td></td>
</tr>
<tr>
<td>In how many countries?</td>
<td></td>
</tr>
<tr>
<td>Total no. of rooms?</td>
<td></td>
</tr>
<tr>
<td>No. of rooms at largest hotel?</td>
<td></td>
</tr>
<tr>
<td>No. of rooms at smallest hotel?</td>
<td></td>
</tr>
<tr>
<td>City of company headquarters?</td>
<td></td>
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</tbody>
</table>

Please include a company fact sheet when sending back this survey sheet!
## Global Key Account Management

<table>
<thead>
<tr>
<th>How is your company's global sales infrastructure organized?</th>
<th>Central in HQ</th>
<th>Regional Sales Offices</th>
<th>Decentralized in Hotels</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>YES/NO</td>
<td>YES/NO</td>
<td>YES/NO</td>
<td>YES/NO</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>How do you do the following?</th>
<th>Outsourcing (by another company)</th>
<th>Insourcing (by own employees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct client visits of (global) corporate travel managers i.e. Siemens procurement in Berlin, Munich</td>
<td>YES/NO</td>
<td>YES/NO</td>
</tr>
<tr>
<td>Direct client visits of consortia and (TMC) travel management companies: i.e. Amex, ABT, CHT...</td>
<td>YES/NO</td>
<td>YES/NO</td>
</tr>
<tr>
<td>Direct client visits of booking offices</td>
<td>YES/NO</td>
<td>YES/NO</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Outsourcing</th>
<th>Insourcing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Representation at fairs (generally seen)</td>
<td>YES/NO</td>
<td>YES/NO</td>
</tr>
<tr>
<td>Representation at ITB Berlin</td>
<td>YES/NO</td>
<td>YES/NO</td>
</tr>
<tr>
<td>Representation at WTM London</td>
<td>YES/NO</td>
<td>YES/NO</td>
</tr>
<tr>
<td>Representation GETASan Diego</td>
<td>YES/NO</td>
<td>YES/NO</td>
</tr>
<tr>
<td>Handling of RFP (request for proposals)</td>
<td>YES/NO</td>
<td>YES/NO</td>
</tr>
<tr>
<td>Participation RFP kick-off meetings i.e. negotiating</td>
<td>YES/NO</td>
<td>YES/NO</td>
</tr>
<tr>
<td>Use tool to manage RFP's i.e. SAP,Travel</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Outsourcing</th>
<th>Insourcing</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is your hotel company's GDS chain code?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you have a specific partner which supports you with the GDS distribution? Please name</td>
<td>YES/NO</td>
<td></td>
</tr>
<tr>
<td>Did you self-develop your web booking engine?</td>
<td>YES/NO</td>
<td></td>
</tr>
<tr>
<td>(if no) from which partner are you using the technology to have a booking engine?</td>
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<tr>
<td>Do you have a solution for mobile bookings? (if yes)</td>
<td>YES/NO</td>
<td></td>
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</table>
## Master Thesis Survey [OUTSOURCING VS. INSOURCING OF GLOBAL KEY ACCOUNT MANAGEMENT]

<table>
<thead>
<tr>
<th>Question</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you have external partners when it comes to handling global key account management or international sales representation?</td>
<td>YES/NO</td>
</tr>
<tr>
<td>(if yes) Which partner are you working with?</td>
<td>?</td>
</tr>
<tr>
<td>What is the &quot;brand&quot; strategy of your hotel company?</td>
<td>?</td>
</tr>
<tr>
<td>How would you assess the future of corporate business development?</td>
<td>?</td>
</tr>
<tr>
<td>What are the most important hotel trends you see for development of corporate business in future?</td>
<td>?</td>
</tr>
<tr>
<td>Any additional comments?</td>
<td>?</td>
</tr>
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</table>

**Thank you,**

As a sign of gratitude, your name will be stated in the thesis, should you wish to stay anonymous, please inform the student.
### Stage Evaluation

**Quarterly Global Key Account Productivity Development in Business Segment**

**January 2010 - December 2012**

#### Accumulated VI Figures

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<td>GSO clients</td>
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<tr>
<td>Quantity strategic clients:</td>
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<td>16</td>
<td>55</td>
<td>57</td>
<td>92</td>
<td>97</td>
<td>111</td>
<td>121</td>
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<td></td>
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<tr>
<td>Produced room nights</td>
<td>15.900</td>
<td>15.221</td>
<td>18.662</td>
<td>22.015</td>
<td>26.489</td>
<td>31.911</td>
<td>35.015</td>
<td>33.176</td>
<td>31.777</td>
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<tr>
<td>Produced room revenue (in EUR)</td>
<td>375.753</td>
<td>1.069.780</td>
<td>1.207.048</td>
<td>1.157.637</td>
<td>2.111.120</td>
<td>2.516.312</td>
<td>1.890.468</td>
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<tr>
<td>Produced room revenue (in EUR)</td>
<td>78.429</td>
<td>220.843</td>
<td>156.817</td>
<td>521.951</td>
<td>432.283</td>
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<td>Total strategic clients:</td>
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<td>69</td>
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<td>245</td>
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<tr>
<td>Produced room nights</td>
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<td>17.298</td>
<td>20.244</td>
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<td>63.439</td>
<td>47.677</td>
<td>36.883</td>
<td>41.680</td>
<td>37.719</td>
<td>41.096</td>
<td>46.256</td>
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#### Key Accounts % Share on Whole VI Group

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<tr>
<td>Local accounts</td>
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#### Key Accounts % Share on Total Business Segment

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