

# Hotel

# ProfitAbility

experience your  
business future

**Hotel ProfitAbility is a transparent model of the financial workings of a hotel chain. It is designed to give a global overview of how a business works, and provides an easy and enjoyable way to learn Value Based Management (VBM) concepts and the drivers of business success.**

The simulation models a hotel company operating in two market segments, and faced with the opportunity to expand into a third. Expansion can come through building new hotels, which takes time, or through buying existing properties at auction. This leads to faster expansion, but may involve paying heavily for goodwill.

Each team of participants starts in the same position, and through decisions on funding (through share issues or borrowing), marketing spend, staffing quality and levels, and pricing, they position themselves in the market.

If the marketing plan is successful, a team can retain all its current customers, and gain more. If they are unsuccessful, they may lose a significant proportion of their customer base. Teams compete separately for Rack-Rate and Discounted (agency and corporate) customers, who respond to different factors in choosing their accommodation.

The operating profitability of the hotels depends on the interaction of Price, Occupancy, Staff Costs and Other Fixed Costs. Depreciation, amortisation of goodwill, and interest charges also come into play to affect the profit before tax. By drawing Break-Even Graphs they learn how these factors interact to produce profit or loss.

Restaurants provide a second stream of income. Some of the restaurant trade comes from hotel guests, while other diners come in from the local community. The profitability of restaurants depends both on the level of occupancy of the hotel, and on the success of the restaurant in managing Price, Quality of Service, and Promotion in order to attract customers.

Teams calculate the revenue earned from their hotels and restaurants, pay expenses and complete their financials. By subtracting a Charge on Equity from their profits, they calculate Economic Profit, and learn how well they need to run the business in order to satisfy shareholders' expectations.

Business plans and Cash Flow Forecasts are introduced, so that participants can consider alternative strategies and tactics, and then put their chosen path to the test in open competition. By debriefing results against their plans, participants learn to appreciate the sensitivities of plans to operational factors such as competitor responses.

Participants calculate Operating Ratios including Occupancy Rate, Average Room Rates, Revenue per Available Room, and Gross Operating Profit per available room for their portfolio, and compare ratios both within and across the companies. They learn to relate these metrics to key financial measures such as Net Income and Economic Profit in the context of a business that they themselves are running. They make the decisions, see the results in the business, and calculate the metrics.



“This training was synonymous to relaxed reflection, learning, sharing and getting motivated for the future.”

“It gave us a broader vision ‘outside our daily framework’ and led us to question our own roles in the working of the company during a crisis period.”

“...one very positive aspect was the motivation and enthusiasm of the participants.”

“The simulation was very interesting and original, and completely adapted to the hotel business.”

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L&D Services

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## What's the result?

The program objectives are:

- Understanding the "Big Picture" (the role of Hotel Managers in the company's strategy).
- Return on Investment (performance analysis based on ROCE – Return On Capital Engaged).
- Pricing Strategy (the impact of price on sales, net results and ROI).
- Response to Market Demand (growth strategy depending on the different market segments (luxury, standard and economy) and on the strategies, tactics and actions of the competition).
- Sensibility to the concept of Cash-Flow and Cash management (on both the Hotel and Group levels)
- Annual Budgets and Market Forecasts (understanding their importance)
- Financial Ratios (understanding them and using them a management tool)
- Value Creation (how they can contribute to shareholder value and the subsequent impact on their own careers).

Contact +44 (0)1491 821900 for details of how  
Legal ProfitAbility can help you experience  
your business future

## Summary

### Who should attend?

People of all levels within a Hotel company.

### Class size

12–24.

### Duration

2 days

### Customisation

The simulation is tailored to the needs of the hotel industry, and is ready to run. We are happy to create a tailored version to suit your business, based for example on your brand identity, terminology, and business value drivers, and have already done so for clients such as Virgin and Accor.