

# Scm hotel module assignment



Performance dashboard year 2 - 3: in the chapter performance dashboard of year 2 - 3, an analysis of important figures in relation to the business SMC will be given.

The figures entail every month from every year this means 4 years are shown, year 0 until year 3. A total of 9 figures is used and will be individually explained. Total turnover Figure 1; Total revenue. The total revenue of hotel SCM can be found in figure 1 which is shown above. In the last two years, the hotel made a lot more revenue than in previous years, this can be explained by the investment of the entrepreneurs. In the last two years, more revenue can be made because of the investment in year zero and one. Due to investment the facilities and comfort of hotel SCM expanded which results in higher revenue.

Figure 2; Net income The net income over the 4 years that SCM exists is shown in figure 2. There is a lot of fluctuation within one year, especially when looking at January and December year one. In year one and a little less in year two, the tables show that the figures are low and even negative. Year 2 and 3 are a bit more constant but with a remarkable negative figure in September year 2. These negative figures are due to the investments that are made. Implementation of services, refurbishment, and investing in marketing makes the total direct costs high which influences the net income negatively.

After year one the average net income increased enormously. There were no big investments anymore and therefore no high cost which would influence the net income in a negative way. Figure 3; Total rooms sold In figure 3 an

overview of the total rooms sold is shown. The hotel opened in year zero and from that moment on the line is progressive which means on average a growth in total rooms sold can be concluded. In year 1 on average, 2797 rooms were sold on a monthly basis, in year 2 this number was 4196. Last year the total rooms sold increased again to 4699 rooms average sold on a monthly basis.

On average the hotel still improved itself every year with the number of rooms sold because the total increased every year. Figure 4; Room occupancy % In figure 4 the room occupancy in percentages is shown for the 4 years that hotel SCM exists. In year zero the occupancy percentage was the lowest and the highest for year three because of the progressive line which was also shown in total rooms sold. On yearly basis a stable line is shown within April a high percentage and a decrease in occupancy percentage at the end of the year, this is related to the high and low season so is totally understandable.

The low occupancy percentage in year zero can be explained due to the fact that the rooms weren't done so couldn't be sold. Figure 5; The average room rate (ARR) The average room rate of hotel SCM is related to figure 5. The average room rate is pretty stable and is close to the line of 100. Year one is on average around 10 \$ dollars lower and year 2 shows a relatively unstable line. The average room rate for year zero was 100. 10, for year one this is the lowest with a rate of 95. 38, year two shows an average room rate of 98. 32 and for the last year which is year three, it is the highest with 103. 5. Figure 6; Revenue per available room (RevPAR) Figure 6 gives an inside in the revenue per available room (RevPAR) of hotel SCM. The figure shows the <https://assignbuster.com/scm-hotel-module-assignment/>

influence of the high and low season again January and December are low season and show a lower RevPAR, where July, August, and September which are high season show the highest RevPAR. When comparing January year 3 40. 74 to August year 3 93. 92 this is a difference of 53. 18 in RevPAR all due to the influence of the high and low season. The RevPAR increased every year of existents of hotel SCM. Figure; 7 Public awareness

Public awareness which can be found in figure 7 was something that was very important for hotel SCM that's why a lot of investments were made in marketing. It shows how aware the public is of the existents of hotel SCM. In Year zero the hotel started with a very high public awareness, in Year 3 the public awareness was the highest which is very positive because after 4 years people are still aware of the hotel. The high public awareness can be explained by the high investment in marketing, but it shows that its contributing and has a positive effect. The average public awareness for year zero 37. 65, for year 1 28. 65, for year 2 38. 07 and for the last year which is year 3 it was 48. 08. Figure 8; Staff turnover (annual %) Figure 8 shows the staff turnover in annual % over the 4 years. The figure shows that only year 1 is relatively stable years 1 and 3 are very unstable and fluctuated every month. In year zero the staff turnover was the lowest with an average of 27. 53%, in year 1 it increased to the percentage of 43. 44%, in year 2 it increased again while the average was 64. 13% and in year 3 this was the highest with an average of 70. 34%.

## **Benchmark Internal Year 2 - 3 Using Variance Analysis**

In this chapter, the differences between the budget and the actual results from years 2 and 3 will be given. A table with the estimated budget which

was made in HOTS assignment part B will be shown and an explanation for the actual results will be given. The budget in assignment B was based on the results of year 1.

-	Year 1	Budget y2	Budget y3
Sales	-	-	-
Rooms	3. 834. 606, 00	6. 820. 937, 50	9. 695. 312, 50
Food	1. 943. 338, 00	2. 332. 005, 60	2. 681. 806, 44
Beverage	887. 156, 00	505. 689, 20	581. 542, 58
Other	328. 258, 00	393. 909, 60	452. 996, 04
-	6.	10.	13. 411.

	993. 358, 00	052. 541, 90	57, 56
-	-	-	-
Cost of Sales	-	-	-
Room	18. 321, 00	32. 589, 11	82. 397, 41
Food - Bev	1. 182. 670, 00	1. 185. 678, 72	1. 366. 999, 36
Other	62. 957, 00	75. 548, 40	104. 256, 79
-	1. 263. 948, 00	1. 293. 816, 23	1. 553. 653, 57
-	-	-	-

Payroll - Related	-	-	-
Front office	203. 371, 00	166. 799, 36	208. 499, 20
House keeping	289. 856, 00	166. 799, 36	208. 499, 20
Food - Bev	423. 309, 00	416. 998, 40	500. 398, 08
Other	52. 594, 00	109. 527, 60	153. 338, 64
-	969. 130, 00	860. 124, 72	1. 070. 735, 12
-	-	-	-
Gross	-	-	-

Profit less Wages			
Room	3. 323. 058, 00	6. 54. 749, 67	9. 195. 916, 69
Food - Bev	1. 224. 515, 00	1. 235. 017, 68	1. 395. 951, 58
Other	212. 707, 00	208. 833, 60	195. 400, 61
-	4. 760. 280, 00	7. 898. 600, 95	10. 787. 268, 87
-	-	-	-



Central adm. Payroll	320. 224, 00	250. 000, 00	240. 000, 00
Total	2.		
Other Direct Costs	347. 026, 00	1. 200. 000, 00	1. 150. 000, 00
Income before FC	2. 093. 030, 00	6. 448. 600, 95	9. 397. 268, 87
-	-	-	-
Total Fixed Costs	1. 180. 850, 00	750. 000, 00	850. 000, 00
-	-	-	-
Income before IT	912. 180, 00	5. 698. 600, 95	8. 547. 268, 87

Table 1; estimated budget year 2 +3

## **Sales**

For sales in year one the total amount 6. 993. 358, 00 the hotel expected an amount of 10. 052. 541, 90 based on the findings in table 1 out of assignment b. The actual sales income for year 2 is 12. 504. 685, 00 so the actual result is better than expected. In year 3 the entrepreneurs expected an amount of 13. 411. 657, 56 which was actually 14. 227. 255, 00 again the result is better than expected. These result can be explained because of the ARR that increased where in year 1 the figure ARR was around 90 in the 3 year it is around the 105/110.

## **Cost of Sales**

In year 2 hotel SCM expected a total of 1. 293. 16, 2 in the cost of sales but results in 2. 428. 178, 00 which is almost 2 times that high. For a year the 2 estimated amount was 1. 553. 653, 57 this was actually 2. 631. 055, 00. The big difference in the estimated budget and the actual figures can be explained due to the high marketing costs which were made as mentioned in chapter 1 figure 7. High costs in marketing resulted in a high public awareness which was good for the company.

## **Payroll and Related**

1. 362. 446, 00 is the actual total amount for year 2 for payroll and related while the estimated amount was 860. 124, 72, for year 3 the expectations were an amount of 1. 70. 735, 12 which was finally 1. 556. 499, 00. These amounts are a lot higher due to the training and employee costs which are made, hotel SCM had a high occupancy so all employees were needed and training was necessary to remain customer satisfaction and quality. Of

course, the training and salaries influence employee satisfaction and the entrepreneurs believe that happy employees do their job better.

## **Gross Profit Less Wages**

In year 2 a decrease in gross profit fewer wages is estimated to the amount of 7. 898. 600, 95 and resulted in 8. 797. 635, 00 which is a bit higher, for year 3 10. 787. 68, 87 was expected where 10. 134. 228, 00 which is a bit lower. The budget is very close to the estimated budget in year 2 the gross profit is 70, 4% and in year 3 even 71, 2% on the income statement.

## **Other Direct Costs**

3. 692. 438, 00 instead of 1. 200. 000, 00 for other direct costs in year 2, 4. 687. 714, 00 instead of 1. 150. 000, 00. These figures are tremendously higher than were estimated, this is due to investment in facilities. The strategy of hotel SCM was not to spend that much on refurbishment but to remain quality the hotel had to do it to be able to compete with the other hotels.

Therefore no hotel shop was built because otherwise, the other direct costs would be even higher.

## **Total Fixed Costs**

In year 1 the Total fixed costs percentage was 16. 9% which meant 1. 180. 850, 00\$, for year 2 and estimation of 750. 000, 00 was made and resulted in 1. 159. 593, 00 (9, 3%). In year 3 the estimated budget was 850. 000, 00 which was finally 1. 053. 443, 00 (7, 4%). The estimated budget was actually very low when looking at the percentage. The percentage for the fixed costs

has decreased which is good and is relatively low, which is positive for hotel SCM.

## **Income Before Taxes IT**

The income before IT year 2 was 3. 509. 143, 00 which is lower than the expected amount of 5. 698. 600, 95. 3. 913. 793, 00 was the income before taxes in year 3 which is a lot slower than the estimated amount of 8. 547. 268, 87. The income before taxes is a lot lower than expected which is unfortunate.

## **Benchmark Internal Year 2-3 Using DuPont Analysis**

The following Text is explained which progress the Hotel SCM did base on the DuPont analysis. As one can see in the DuPont analysis year 2 related to year 3 the net profit and total revenue increased.

That is positive but looking at the ratios like net profit margin, asset turnover, return on asset, financial leverage multiplier and return on equity it can be considered that SMC performed in year 2 better even the net profit is lower. The Profit margin is an indicator of profitability in a company. It shows how much money is made out of the total revenue in percentage. In both years it was made around 20% which is very good but in year 3 it was a bit lower. The reason was more costs which lowered the net profit. In both years is the asset turnover of around 0. 9.

That is all right because when the profit margin is high then in most cases the asset turnover is low. That doesn't mean that SCM performed badly, is just an unspoken rule in finance, because of that you have to take more than one ratio in consideration to decide which company is healthy or not.

Return on assets is in year 3 17, 03% and in year 2 18, 07%. It can be concluded that the ROA decreased by just 1%. It is interesting for new investors. A high ROA means that the company generates a lot of money out of lower investment. So actually it can be assumed that investing more money can generate more profit.

Furthermore, financial leverage multiplier is very important. In both years it is 1, 21, which is for investors a good indicator to judge the healthiness of a company. High leverage means that a Company covers the investments with foreign money. A low number means that the company uses the gained money to reinvest. The reason because SMC has low leverage is that it was no need to invest a higher amount of money like to build more rooms so SMC had not taken a higher loan or need to sell mire share which is not possible in the HOTS game.

Moreover the last and one of the most important ratios is Return on equity. A high ROE is necessary for a company to attract more shareholders which invest in the company. It decreased in year 3 but it is still more than 20 %. SMC performed in both years very well just in year 3 it was worse.

### **Benchmark Best in Competitive Set**

SMC had an end ranking of 3rd place. We are going to compare ourselves to Lilihotel which won the game. Operations SMC had the highest RevPar so it is not necessary to compare it. The gross operating profit was 34, 91 % and Lilihotel had 43, 79%.

That means Lilihotel gained more money with fewer costs. Moreover, Lilihotel had a higher room market share. The reason is that Lilihotel built more

rooms so it could be sold more as well and it was sold 7 more on average compared to SMC. Owner SMC had 29, 35% ROCE and Lilihotel 40. 85%. That ratio shows how much the companies gained back out of the investment. The Hotel SMC did not invest so much in years 2 and 3 so the performing was worse. It was no Hotel shop and no more rooms were built even that SMC had no loan anymore. Looked at the balance sheet of the company SCM, there were more the 3 million \$ on the account. On the one hand, it is positive to have saved money but so much is wrong to save because the money could be invested to generate more. Guest SMC is better than Lilihotel so it should not be compared. But SMC was not as good as Team 7 which reached 100% guest satisfaction. It can be explained because the company's image index was 109, 81 compared to SMC which just had 74, 76. The reason can be the missing Hotel shop. Staff Of both hotels is staff satisfaction the same with 70%. SMC got the lower ranking because the staff turnover was lower than at Lilihotel.

The winner in that part was Team 7. They had the lowest staff turnover. That means the company had better planning in staff hiring in busy times. Overall it can be concluded that in every part were little differences, so it cannot be told that SMC performed so much less than Lilihotel.

## Benchmark with the Industry

	Hote	Host	
	I	a	Differenc
-	SMC	2011	es
	Year	<25	
	3	0	

		rooms	
Revenue	-	-	-
Rooms	50, 7%	58%	-7, 3%
Food	30, 67%	24%	6, 67%
Beverage	12, 33%	8%	4, 33%
Other income	6, 3%	10%	-3, 7%
Total Revenues	100 %	100 %	-
Cost of Sales	-	-	-
Food	12, 1%	7%	5, 1%
Beverage	5, 0%	2%	3, 0%

Other Department s	0, 7%	1%	-0, 3%
Total Cost of Sales	17, 8%	10%	7, 8%
Payroll - Related	-	-	-
Rooms	5, 3%	10%	-4, 7%
Food - Beverage	5, 0%	14%	-9, 0%
Central Administrati on	2, 7%	4%	-1, 3%
Other department s	0, 7%	3%	-2, 3%
Total Payroll - Related	13, 7	31%	-17, 3%



Other Operating Expenses	-	-	-
Rooms	6, 9%	5%	1, 9%
Food - Beverage	1, 3%	2%	-0, 7%
Other departments	0, 6%	2%	-1, 4%
Total Other Operating Expenses	8, 8%	9%	-0, 2%
Undistributed Operating Expenses	-	-	-
Administration - General	2, 6%	3%	-0, 4%
Marketing	13, 5%	3%	10, 5%

Energy Cost	0, 3%	3%	-2, 7%
Property Operating	1, 9%	2%	-0, 1%
Total Undistribute d Expenses	18, 3%	11%	7, 3%
Total Expenses	58, 6%	61, 2%	-2, 6%
Income Before Fixed Charges	34, 9%	38, 8%	-3, 9%

In the following company, SMC is compared to the Hosta report 2011 which is a report about the industrial averages in the hospitality industry. In that case, we are just focusing on hotels with more than 250 rooms.

### **Revenue in Food**

Beverage the Hotel SMC performed better than the industrial average.

In Food 6, 67% better and in Beverage 4, 33% better. Moreover, the company is worse in rooms and in the account other income that can be because it was not implemented a Hotel shop. As well SMC did not build

more rooms. It can be concluded that SMC needs more time to run the business properly to reach the industrial average in Rooms to gain more revenue.

### **Cost of Sales**

In total SMC had 7, 8% more cost of sales than the average. That shows that a lot of improvement is necessary. The right balance between marketing, suppliers, extra services, and total revenue.

Sometimes should SMC lower the standard to gain more net profit because the cost is lower than as well?

### **Payroll - Related**

Take the Hosta report into consideration than it shows that the hotel SCM is 17, 3% lower in Payrolls as the average. First, it looks positive because that means fewer costs on the other hand when the employees know that there are underpaid related to the average then they will not work anymore at the company which makes a high turnover and bad staff satisfaction.

### **Other Operating Expenses**

The company SCM had 1, 9% more expenses in the hosta report. Moreover, the total is 0, 2% lower than the average.

It can be concluded that the expenses are relatively high because the hosta report is for hotels with more than 250 rooms. SMC has exactly 250 rooms which mean that the expenses are too high. In the next year, It should be figured out how to lower it.

**Undistributed Operating Expenses**

SMC is spending too much on marketing, 10, 5% more than the average. But overall the total expenses are 2. 6 lower the industrial average which means that SMC does a good performance in that part. But in the long term, the Hotel has to increase the income because it is 3, 9% lower than in the hosta report mentioned.

**Conclusion**

Financial Based on the findings showed in chapter 3. 3 the conclusion is drawn that the hotel is very healthy. The ROA decreased 1% which basically means when there will be more investment, the profit will increase and the financial leverage multiplier staid the same with 1, 21. Operations What we have seen before, the operations on building new facilities was not that important in year 2 - 3. The hotel did not build extra rooms or hotel show, but did, again, a lot of refurbishments. Technologyand maintenance Like said before, there were some refurbishments done in rooms, front offices, and restaurants.

This was done because of the lower guest ranking. HRM The costs of staff training was very high. This caused the mayor ' other costs' and the company did not really create a very constant amount of staff turnover. Marketing SCM hotel spent a lot of money on marketing, far more than its competitors. This resulted in very high costs, but also in a very high, constant public awareness.

**Next Year**

Next year the hotel should try to sell more rooms. This cannot be done with spending more money on advertising, but in positive experiences and mouth to mouth.

In addition, the staff needs to be well trained, although it would be recommended not to higher the staff training costs. This needs to be done with improved planning skills and a better schedule In addition, because of the opportunities in the Return on Assets, it would be wise to make some investments during year 4. There is no loan to take care of, so it could be a very big one which requires a lot of money. Moreover, there should be a good guest and staff survey, what they think about the company and what needs some attention, so the hotel can provide better service to the needs of its employees and the guests.