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Benchmarking method for quality evaluation in hotel industry

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Abstract
Benchmarking is the process of comparing one's business processes and performance metrics to industry bests and/or best practices from other industries. There is no single benchmarking process that has been universally adopted. The wide appeal and acceptance of benchmarking has led to various benchmarking methodologies emerging. Benchmarking is successfully applied in the international hotel industry. This method gives answers to questions about the quality of hotel product. This paper treats the specific application of benchmarking for assessing the quality of hotel products. It analyzes the various types of benchmarking and assessing the most suitable species for use in hospitality. By using benchmarking method hoteliers can see how the clients compare their hotel to the other hotels. Competitive benchmarking compares on the following main criteria: prices, product, level of service, location, distribution channels. Benchmarking is undertaken in order to anticipate competitors' strategies. It can give two main answers: How will their selling strategies by segments evolve? How will that impact our demand to come to our hotel?

Key words benchmarking, hotel product, quality, evaluation, competitors

INTRODUCTION

The study of management is widespread in higher education institutions around the world, so, our country is no exception. Theoretical approach to management involves different techniques and methods, with the aim of realization of the vision, mission and strategy of the companies. Benchmarking is a method that is widespread in practice of management. However, it seems that in our country benchmarking still remains at a theoretical level. This is especially true of access to benchmarking as a method of evaluating the quality of products and services.

The subject of this paper is the application of benchmarking in the hotel industry. Hotel industry is a heterogeneous and complex economic sector. It is the material basis of tourism. The level of hotel industry development directly reflects the development of tourism. In Serbia, the hotel industry still comes across as a limiting factor for the development of tourism. Therefore, the aim of this paper is to show the possibility of the benchmarking methods application in order to create, maintain and improve hotel product quality.

BENCHMARKING AS A METHOD OF MANAGEMENT

In the literature one can find numerous definitions of "benchmarking":
• External view of internal activities, functions or operations in order to achieve continuous improvement (Ahmed and Rafiq, 1998., according to McNair and Leibfreid, 1992.)

- The process by which entrepreneurs identify and are financed by the industry leaders, comparing their products, services and practices and implement procedures to improve their performance to become equal to or better than the competition (Jafari, 2000.)
- Continuous, systematic process of evaluation of products, services or business organizations that are recognized as best practice with the aim of organizing improvement (Spendolini, 1992).
- The art of determining how and why some individuals or companies do business better than others (Kotler, 1994).
- Measuring your results with others and learning from others, most direct competitors. He begins by comparing their own strategies with the strategy competitors, continues to comparison of various business processes, products, technical solutions and functions of the competitors with their own solutions and functions, and therefore to know the current shortcomings and to assess opportunities to become better than your competitors (Ferišak, 1998.)
- A systematic procedure for comparative measurements with the aim to realize a continuous improvement (Wöber, 2002.)
- Techniques and tools to improve performance and to establish quality process directed toward the best (Fong, Cheng, Ho, 1995.)

  The term benchmarking comes from the term benchmark. Benchmark is a norm or standard by which some phenomenon can be measured and assessed. Here comes to the fore the meaning of benchmarking as a method of quality evaluating. It is known that the quality of products and services is a market category that can be measured. So it is a comparison in relation to established standards that characterize the performance of products, services and processes. Benchmarking is a continuous process of identifying, understanding and adaptation of equipment, processes, products and services of organization with the best results in order to improve their own business (Kosar, Đurišić, 2010).

  There are many different types of benchmarking:

- **Process benchmarking** - the initiating firm focuses its observation and investigation of business processes with a goal of identifying and observing the best practices from one or more benchmark firms. Activity analysis will be required where the objective is to benchmark cost and efficiency; increasingly applied to back-office processes where outsourcing may be a consideration.
- **Financial benchmarking** - performing a financial analysis and comparing the results in an effort to assess your overall competitiveness and productivity.
- **Benchmarking from an investor perspective**- extending the benchmarking universe to also compare to peer companies that can be considered alternative investment opportunities from the perspective of an investor.
- **Performance benchmarking** - allows the initiator firm to assess their competitive position by comparing products and services with those of target firms.
- **Product benchmarking** - the process of designing new products or upgrades to current ones. This process can sometimes involve reverse engineering which is taking apart competitors products to find strengths and weaknesses.
- **Strategic benchmarking** - involves observing how others compete. This type is usually not industry specific, meaning it is best to look at other industries.
- **Functional benchmarking** - a company will focus its benchmarking on a single function to improve the operation of that particular function. Complex functions such as Human Resources, Finance and Accounting and Information and Communication Technology are unlikely to be directly comparable in cost and efficiency terms and may need to be disaggregated into processes to make valid comparison.
- **Best-in-class benchmarking** - involves studying the leading competitor or the company that best carries out a specific function.

- **Operational benchmarking** - embraces everything from staffing and productivity to office flow and analysis of procedures performed (Dumford, 2007).

  In business practice there are two basic types of benchmarking: internal and external. Internal benchmarking is carried out within the organization, to identify delay Strengths, Weaknesses, Opportunities and Threats (SWOT analysis). In this way, it made business insight, and conducts a kind of quality control of products, services and processes. External benchmarking is a process of comparison with other organizations. It appears in several forms: competitive, trans-industrial and sector benchmarking. When done in comparison with organizations within the same sector, then it is the competition benchmarking. When comparing the organization performs relative to the aggregate indicators concentrate on the level of sectors or industries, then it is the sector benchmarking. Sector benchmarking is territorially defined. When it comes to comparison with other organizations in the sector, thus non-competitors, then it is the trans-industrial benchmarking. Trans-industrial benchmarking can be conducted in relation to the activities of other organizations operating in the same socio-political conditions (Kosar, Đurišić, 2010).

BENCHMARKING APPLICATION IN HOTEL INDUSTRY

Benchmarking is applied in hotel management. It is often used in order to achieve business strategies, and less as a method of quality evaluation. International consulting companies use benchmarking methods in their research, to analyze the situation and to project the future development of hotel industry in a certain area. The work of these companies can be considered a sector destination benchmarking. Destination benchmarking can have a very great deal of space. It can be seen in the tabular overview that follows.

Table no. 1- Word Regions - Main Hotel Industry Results

August 2011 vs August 2010 (in Euros)									
Region	Occ %		ADR		RevPAR		% Change from 08 10		
	2011	2010	2011	2010	2011	2010	Occ	ADR	RevPAR
Asia Pacific	**68,1**	**68,0**	**98,74**	**100,24**	**67,27**	**68,21**	**0,1**	**-1,5**	**-1,4**
Central&South Asia	52,3	56,8	95,71	106,99	50,07	60,73	-7,8	-10,5	-17,6
Northeastern Asia	68,9	69,5	90,99	96,07	62,65	66,73	-0,9	-5,3	-6,1
Southeastern Asia	66,2	63,7	98,84	98,66	65,47	62,80	4,0	0,2	4,2
Australia&Oceania	74,6	72,6	122,19	111,98	91,12	81,31	2,7	9,1	12,1
Americas	**66,3**	**64,1**	**72,28**	**79,34**	**47,93**	**50,84**	**3,5**	**-8,9**	**-5,7**
North America	66,4	64,1	71,61	78,77	47,53	50,48	3,6	-9,1	-5,8
Caribbean	59,8	60,3	99,66	110,49	59,63	66,65	-0,8	-9,8	-10,5
Central America	58,4	60,9	72,93	83,03	42,57	50,55	-4,1	-12,2	-15,8

South America	68,4	67,4	99,00	93,88	67,76	63,26	1,6	5,5	7,1
Europe	**71,0**	**69,2**	**94,96**	**96,53**	**67,37**	**66,80**	**2,5**	**-1,6**	**0,9**
Eastern Europe	65,8	61,9	72,37	72,91	47,60	45,10	6,3	-0,7	5,5
Northern Europe	77,2	74,8	84,75	89,25	65,45	66,78	3,2	-5,0	-2,0
Southern Europe	68,5	66,2	111,29	110,90	76,29	73,46	3,5	0,4	3,8
Western Europe	66,3	66,3	102,26	101,05	67,83	67,04	0,0	1,2	1,2
Middle East/Africa	**48,3**	**53,4**	**103,44**	**104,35**	**49,98**	**55,71**	**-9,5**	**-0,9**	**-10,3**
Middle East	45,4	48,9	137,70	135,21	62,47	66,12	-7,2	1,8	-5,5
Northern Africa	44,1	61,6	48,38	64,41	21,36	39,70	-28,4	-24,9	-46,2
Southern Africa	56,3	53,8	90,21	97,64	50,78	52,50	4,7	-7,6	-3,3

Source: 2011 STR Global Limited, www.strglobal.com

Explanations of abbreviations:
ADR – Average Daily Rate (Room revenue divided by rooms sold);
Occ – Occupancy (Rooms sold divided by rooms available multiplied by 100);
RevPAR – Revenue Per Available Room (Room revenue divided by rooms available).

Based on data from the Table no. 1, achieved results can be compared toward regions. It is also possible to see the best relations between the presented indicators. This form of sector destination benchmarking is suitable for defining and implementing the development strategy of regional professional associations dealing with tourism and hotel industry.
The second example also applies to external, sector and destination benchmarking. This time the focus is on hotel chains which operate hotels with 4 and 5 stars in selected European cities that are famous tourist destinations. The benchmarking survey is undertaken by TRI Hospitality Consulting.

Table no. 2 - Selected European cities - Main Hotel Industry Results (December 2010, in Euros)

City	Occ %	ARR	RevPAR	TrevPAR	Payroll %	GOPPAR
Amsterdam	58,4	151,75	88,63	136,57	35,7	41,54
Barcelona	45,1	109,01	49,20	75,81	50,1	4,30
Berlin	59,4	113,11	67,21	113,33	31,3	34,27
Budapest	47,4	82,61	39,15	70,47	39,6	5,62
Frankfurt	59,0	99,50	58,68	100,45	33,3	27,26
London	76,5	177,16	135,60	205,14	24,3	108,83

Paris	69,0	173,72	119,82	192,88	44,0	47,51
Prague	58,0	80,74	46,79	92,82	25,0	23,13
Vienna	74,7	136,56	102,04	178,70	33,9	59,74
Zurich	73,7	151,14	111,39	206,67	35,1	63,52

Source:TRI Hospitality Consulting 2010, http://www.hotstats.com/Home.apx?pID=57-0

Explanations of abbreviations:
ARR – Average Room Rate (the total bedroom revenue for the period divided by the total bedrooms occupied during the period);
TrevPAR – Total Revpar (the combined total of all revenues divided by the total available rooms during the period);
Payroll - the payroll for all hotels in the sample as a percentage of total revenue;
GOP PAR - the Total Gross Operating Profit for the period divided by the total available rooms during the period.

London, Vienna and Zurich are the cities with hotel occupancy percentage above 70. The highest average room rate was achieved in London, Paris, Amsterdam and Zurich, over 150 Euros. The largest revenue per room was realized in London, Paris, Zurich and Vienna, over 100 Euros. The leading cities of the total revenue per available room are Zurich and London (over 200 Euros), as well as Paris and Vienna (over 150 Euros). The largest share of the payroll in total revenue can be seen in Barcelona and Paris, and the smallest in London and Prague. The highest Total Gross Operating Profit per available room is realized in London, over 100 Euros. It can be concluded that London is the European city with the best indicators of hotel chain business in hotels with 4 or 5 stars. London could serve as a benchmark for the development of hotel industry in European cities. According to indicators realized in London, limited standards required to achieve an adequate level of quality can be set by hotel companies and municipal tourist and hotel associations.

BENCHMARKING AS A TOOL FOR HOTEL PRODUCT QUALITY RATING

An external type of competitive benchmarking as a tool for measuring quality is usually applied in the hotel industry. Applying this type of benchmarking is widespread among international hotel chains. Each hotel chain has its own internal standards which are obligatory for all hotels under the same name. These standards apply to all the key tangible and intangible components of an integrated hotel product. They may be the subject of external competitive benchmarking. These standards are intended to perceive own position in relation to competitors who achieve the best results in the market. Comparative analysis of own and competing standards can assist in reviewing and setting new standards in those parts of the hotel where the worst results are achieved.
Customer satisfaction is an important indicator of hotel product quality that is used in benchmarking. The main indicator of customer satisfaction is the Customer Satisfaction Index (CSI). Among the best known techniques of objective measurement of customer satisfaction of products and services is the U.S. index of consumer satisfaction / ACSI - American Customer Satisfaction Index / (Gerson, 1994). ACSI model determines the degree of customer satisfaction on a particular methodology, based on measurement of customer expectations, perceived (received) and perceived quality (derived) values. Customer expectations are formed based on the perceived needs and external stimuli. For example, condition, location, layout and equipment of the tourist and hotel facilities, or conduct, professionalism, appearance of employees can have a significant impact on the formation of expectations. Perceived quality of customer experience includes the value of services carried out. Perceived value is a value that

expresses the degree of compliance of the customer's expectations and perceived quality of services implemented. The average ACSI is expressed as a percentage (of a possible 100%) and the result is derived on the basis of three key components: the degree of overall satisfaction, the degree of fulfillment of expectations and the degree of deviation from the ideal.

Modeled on the U.S., the ECSI (European index of consumer satisfaction) has developed to be based on its own methodology to objectively investigate the behavior of European consumers and their degree of satisfaction. Taking into account the variations in consumer behavior depending on the impact of ethno-sociological, socio-economic and physical-geographical factors, many countries have developed their own methodology for calculating the index of consumer satisfaction (Kosar, Đurišić, 2010).

The example of the best ranked hotels in Berlin, based on the Customer Satisfaction Index in the period from March 2010 to February 2011 is presented in Table no. 3.

Table no. 3 – The Best Hotels in Berlin according to GRI

Hotel	GRI %
The Ritz-Carlton Berlin (The Ritz-Carlton Hotel Company)	94,69
The Regent Berlin (Rezidor Hotel Group)	94,36
Casa Camper Berlin (Casa Camper)	94.02
Alma Schlosshotel im Grunewald (AlmaHotels)	93,93
The Circus Hotel (The Circus)	93,88
Grand Hyatt Berlin (Hyatt Hotels Corporation)	93,16
Adlon Kempinski Berlin (Kempinski Hotels)	92,85
Swissôtel Berlin (Swissôtel Hotels & Resorts)	92,57
Hotel de Rome (The Rocco Forte Collection)	92,47
The Mandala Hotel (The Mandala Hotel GmbH)	92,22

Source: ReviewPro. March 8, 2011, http://www.reviewpro.com/reviewpro-announces-top-10-hotels-in-berlin-according-to-online-guest-satisfaction-2238

The ranking is based on the Global Review Index (GRI), a proprietary algorithm developed by ReviewPro in conjunction with leading hotel industry experts. ReviewPro provides the analysis, customer intelligence, competitive benchmarking and reporting needed to help hotel professionals more effectively manage their organization. GRI enables hotels to know their current quality score, track their performance over time and compare their online reputation to their competitors or to other hotels within their chain with a single index. The GRI takes into account user reviews from over 70 million online reviews across 60 travel review sites and Online Travel Agencies. Currently, the Global Review Index is being used both as a key internal metric and to establish online reputation objectives for numerous hotels around the world.

The efficiency of benchmarking in the process of evaluation hotel product quality is based on the availability of necessary data and information and on their mutual comparability. Hotels that have been introduced to the QMS ISO9001 standards are at an advantage compared to others. Documentation

Management is an integral part of the QMS. It enables permanent monitoring of basic indicators of business. This ensures comparability with its competitors in the process of benchmarking.

During the introduction of the QMS in the hotel it is important to properly define all the components of hotel product quality, as well as the means of their monitoring and measurement. QMS requires constant improvement as one of eight key principles. To make these improvements contributed to the achievement of hotel strategic goals it is necessary to apply the benchmarking method.

The internal benchmarking is also applied in the hotel industry. This type of benchmarking is mostly used by international hotel chains. International hotel chains compare hotel business consisted, and measure possible deviations from established standards. However, internal benchmarking can be applied inside a hotel. It is known that the hotel product consists of different components, so it is difficult to achieve consistent quality of each. Also are known the specificities of consumption of multiple products during the hotel guest's stay at the hotel. These specificities may be authorized to inconsistency of hotel product quality. It is therefore important to build a methodology for internal benchmarking. In this way we can compare the quality of the components of different organizational units in the hotel.

For business efficiency in the hotel industry should be applied various types of benchmarking, both external, and internal.

CONCLUSION

For the successful implementation of benchmarking it is necessary to develop the activities of specialized companies that follow the main indicators of doing business in hotel industry and develop instruments for measuring quality, hiring top hotel experts. The paper demonstrates that such companies exist in developed countries. In Serbia, even in the nearest environment, the use of benchmarking in hotel industry is still at an early stage. A good idea would be to form regional associations of hotel experts who would through their consulting activities and services provide benchmarking. This means help in choosing the appropriate type of benchmarking, indicators of quality that are the subject of comparisons, as well as determining the limits of standards that guarantee the success of the business. On this way it is possible to achieve a significant contribution to increasing the quality of hotel products and to developing hotel industry by using benchmarking methods.

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