



EATSA
Euro-Asia Tourism
Studies Association

A PATHWAY FOR THE NEW GENERATION OF TOURISM RESEARCH

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Grácio
EDITOR

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A PATHWAY FOR THE NEW GENERATION OF TOURISM RESEARCH

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WELCOME MESSAGES



Welcome to the 2nd Annual Conference of the Euro-Asia Tourism Studies Association!

Welcome to Portugal!

On behalf of the EATSA Direction Board, I would like to thank IGOT - University of Lisbon, CiTUR - Polytechnic Institute of Leiria and CEGOT - University of Coimbra for the competent organization of this international meeting and for supporting EATSA efforts to connect tourism researchers from many countries of Europe and Asia.

In a global world, the networking cooperation among researchers is the first necessary step for embracing global phenomena. Tourism stands as one of more complex and globalized industry and it is also a highly globalized sociocultural phenomenon. Its scientific study required the implementation of more broaden and holistic approaches that only can be achieved through the international cooperation of academia.

EATSA's mission consists of creating the more appropriate context in tourism research community leading the following outcomes:

1. Promoting research and education in the field of tourism, hospitality and recreation in Asia and Europe, with special focus on the comparative international studies.
2. Promote the dialogue among scholars of all scientific disciplines engaged in the tourism studies, in order to move from the current multi-disciplinary approach to a more integrated and trans-disciplinary one.
3. Foster more close connections between tourism academia and tourism industry.
4. Encourage the exchange of research results, practical experience, and ideas by organising conferences, meetings and developing research networks among members and institutions.
5. Promote a more intensive cooperation between European and Asian scholars in the fields of Tourism, Hospitality and Recreation.
6. Disseminate research results through various channels.

The annual conferences of EATSA, that go side-by-side with the General Assembly, is a high spot of this volunteer and enthusiastic dynamic that is ruled by a common will of constructing a new world in tourism research academy.

In our conferences we are paving a new pathway for encouraging and consolidating new international projects. Since the EATSA Inaugural Conference, last year in Taiwan, EATSA gave its patronage to the following multinational or worldwide) projects:

- The Commonwealth Research Project, coordinated by Ch-Jen Su, from Taiwan;
- The Tower of Babel Project, coordinated by Francisco Dias, from Portugal;
- The Conference Attractiveness Project, coordinated by Viktorija Grigaliūnaitė and Lina Pilelienė, from Lithuania.

16 | To encourage new networking projects, we created in our conferences a specific forum – the International Collaborative Forum (ICF) - where participants can share their innovative projects with other participants. In the EATSA Conference 2016 two interesting projects will be presented at the ITC, namely:

- Coastal and maritime destinations: between attractiveness and preservation, by Patrick Bouchet, from France;
- Performance evaluation of small independent hotels, by a team of Portuguese researcher coordinated by Luís Lima Santos.

In the very short period of its existence, EATSA networking approach has been demonstrated its effectiveness, that consists of (1) discuss and co-create common research methodologies at global level; (2) carrying out international studies based on common methodologies; (3) coordinating efforts to make more credible the voice of tourism research community inside the academia and in relationship with the industry.

Those above facts that are aligned with the EATSA's mission make EATSA members much more confident in the international cooperation and are the main motivational driver of its Direction Board.

Francisco Dias

President of Direction Board of EATSA

Welcome to EATSA Conference

The promotion of international scientific meetings is itself an asset. Not only the exchange of experiences as well as by the approach of people and institutions, fostering partnerships, projects and essentially communication and friendship to both institutional and personal. The EATSA has this virtue and brings together people, institutions, countries, cultures and continents and congratulations to the entire organization and to all participants.

The Polytechnic of Leiria (IPLeiria), and specifically its School of Tourism and Maritime Technology (ESTM), as a partner of this organization, see the institutional and international partnerships as a strategic option for sustainability and growth. The universality that the genesis of a higher education institution must have, based perfectly in the strategy that IPLeiria has followed in the field of training, research and extension, demonstrating their visionary capacity for future and involvement.

In terms of educational offer, currently IPLeiria offers a hundred Portuguese courses, undergraduate, masters and Tesp, directed not only to national students but also to the Portuguese-speaking countries. It also offers nine specific masters in English, looking for other international student's want of Europe and the rest of the world. Specifically we are one of the few national institutions that have a degree of Portuguese-Chinese and Chinese-Portuguese, in partnership with higher education institutions in China and Macau. This year the IPLeiria has close to a thousand international students in its various schools, either in educational offer or in research and the future goal is to grow and through strategic partnerships.

The tourism industry is extremely important to Portugal and ESTM attentive to this opportunity based part of their educational offer in tourism, hospitality and catering. About 60% of teachers are PhD and this has allowed the development of applied research in the area, based on the CITUR-Applied tourism Research Center. Partnerships with several countries such as Oman, China, Macau, Brazil, Cape Verde, Lithuania, Italy, Poland, Taiwan, Spain, among others, have allowed the ESTM is internationally involved with mobility of teachers and students, organizing conferences and international meetings and development international research projects.

Thus, it is for the IPLeiria and particularly for ESTM an honor to receive such an important conference and as distinguished speakers, presenting, discussing and promoting new ideas, new cultures and innovative methodologies that foster more research in tourism, en-

courage participation and sharing skills, promote knowledge and establish friendly professional relations, institutional partnerships and creative relationships making tourism the industry of friendship. As lovers of this fantastic area that is tourism, and interested in creating science, we are available to find out more and available to embark on new challenges, so challenge us!

18 | Be Welcome to Portugal, experience the Portuguese culture and I hope you have a good time in this Western Region and be happy in the ESTM.

Paulo Almeida

Dean ESTM

Dear EATSA 2016 delegates,

Contemporary society is structured upon change, everything happens very fast. Distances are measured in hours rather than in kilometres, allowing the concept of tourist destination to expand and consolidate new development models as leverage of economic benefits for beneficiary communities.

The relevance of tourism activity is usually measured by the impact on exports, by the weight of revenues in GDP and also by their contribution in creating jobs, benefiting countries, business dynamics and family economy. These are the main reasons that support the importance of tourism in countries' economies. For these reasons, in the early XXI century it is fair to praise the tourism activity that, because of its multidisciplinary, interdisciplinary and consequently transversal nature in its social dynamics, presents itself as leverage for the sustainable development of many countries, particularly those considered to be developing.

However, the importance of tourism to a country's economy cannot be dissociated from its geopolitical reality, which states the economic and financial sovereignty and guides the establishment of major strategic axes for the tourism sector. In this particular case, there cannot be doubts that one of the strategic priorities for the tourism sector should go through applied research on tourism as an economic and social phenomenon, by the suppression of regional needs at national level or by the understanding of global scale phenomena.

The Polytechnic of Leiria, through the Centre of Tourism Applied Research (CiTUR), seeks to position itself as an applied research key partner by participating on scientific research projects involving the training of 2nd and 3rd cycles, by publishing scientific papers in national and international peer-reviewed journals and by presenting papers at scientific meetings. For these reasons, CiTUR adopts applied research, production and transfer of scientific knowledge in tourism as its mission and develops studies and work oriented to meet the needs of the academic, corporate and national institutional community.

To motivate highly qualified researchers in multidisciplinary areas for international cooperation is essential, particularly in association with tourism knowledge dissemination projects in cooperation with other international research units. The global dimension of tourism as a study object requires a worldwide response from researchers, grounded in knowledge networks.

CiTUR welcomes the three research units for their joint organization, and for promoting EATSA 2016 as an event which will allow the tourism phenomenon to be discussed with

global partners, structured in thematic areas such as regional development and planning, hotel management, tourism marketing, cultural heritage and leisure, practices of sustainable tourism, ecology and innovation, among others.

Serious work and networking research is the chosen path by many of those who will attend this great meeting between researchers and international experts.

20 |

Just as Portugal is committed to tourism development, Leiria Polytechnic teachers and CiTUR researchers are seriously dedicated to advanced training and to quality tourism research as an essential phenomenon of social sciences for the individual's well-being, the companies' competitiveness and the nations' prosperity.

Luís Lima Santos
CiTUR Coordinator



Institute of Geography and Spatial Planning (<http://www.igot.ulisboa.pt/>)

IGOT is an organic unity of education and research at the University of Lisbon in the fields of Geography and Spatial Planning. It was established in 2009, following an institutional reform of Portuguese higher education system, as a new autonomous body of the University of Lisbon, incorporating a teaching and training unit - the Geography Department (created in the 50's) and a research unit - the Centre for Geographical Studies (created in 1943), of the same university.

The IGOT mission is to ensure higher education, conduct research, disseminate knowledge and provide technical and specialized scientific consulting to the community in the fields of geography, spatial planning and management, development and territorial cohesion policies, urban planning, environment, resources and risks, the dynamics and socio-spatial organization. Thus, the mission of IGOT articulates the three functions of universities - Education, Research and Connection to society - in order to stimulate innovation, disseminate knowledge and contribute to development. The IGOT has approximately 750 students, considering all levels of education, a full-time teaching staff of 43 people (80% with a PhD) and 180 researchers (40% with a PhD).

In nowadays the IGOT is the leading Portuguese institution in geographical research and teaching developing diverse projects, either coordinated by its professors and researchers or in partnership with others, which include in their teams many PhD and Master students as well as young undergraduates who benefit from the applied research, very often working closely with policy makers both at the municipal and central level. The international reputation of the IGOT's professors and researchers is furthermore highlighted by a number of invitations for visiting professors at other institutions; present lectures at leading institutions, keynote speakers at international conferences and memberships of editorial boards and boards of directors.

Benefiting from the beginning of a close cooperation relationship with the Geography Department, the IGOT offers actually 2 Bachelor degree programs: "Geography"; and "Spatial Planning". In addition to this, it actively cooperates in the degrees of "European, African and Asian Studies" offered by the Faculty of Letters, University of Lisbon. Regarding to post-graduate education, IGOT has 5 Master degree programs ("Physical Geography and Spatial Planning"; "Urban Management and Urbanism"; "Population, Society and Territory"; "European Policies"; "Geographical Information Systems Applied to Spatial Planning and Management") and is institutionally involved in the joint Master degree of "Demography"; "History and Geography Teaching"; and "Tourism and Communication". In addition to this, it also conducts

a PhD program in “Geography”, which is open to the various disciplinary fields, and a PhD program in “Tourism” (with the collaboration of the Higher Institute of Hospitality and Tourism Studies of Estoril); and is also partner of 2 other PhD programs: “Migrations”; and “Territory, Risk and Public Policies”.

22 | IGOT comprises the CEG - Centre for Geographical Studies, (<http://www.ceg.ul.pt/>), the most important center of R&D within the Portuguese Geography and rated internationally as a center of excellence.

The CEG was founded in 1943 by Professor Orlando Ribeiro. For over seven years, the CEG has been the main Portuguese institution carrying out research on Geography and promoting the progress of the geographical science in Portugal, achieving a remarkable position in the international geographical context. The CEG received the highest classification of “Excellent” in the last 3 evaluation periods by the official panels of international experts nominated by the Portuguese Foundation for Science and Technology.

The scientific activity of CEG is being now developed by 180 researchers (40% PhD graduates), and is focused on the development of the geographical science and on the application of geographical knowledge in Portugal, Europe and other territories. It is also often visited by researchers from other countries and all its senior researchers have been invited to cooperate in international teams, as well as to teach and give lectures in foreign universities.

The CEG is now organized in 7 Research Groups: MIGRARE - Migration, Spaces and Societies; MOPT - Modelling, Urban and Regional Planning; RISKam - Environmental Hazard and Risk Assessment and Management; SLIF - Coastal and Fluvial Systems: Dynamics, Environmental Changes and Management ; TERRITUR - Tourism, Culture and Space; ZEPHYRUS - Climate Change and Environmental Systems; and ZOE - Urban and Regional Change and Policies.

The CEGOT (Centre of Studies on Geography and Spatial Planning) brings together the majority of researchers/teachers of Portuguese Geography based on the universities of the North and Center of Portugal (Coimbra, Porto and Minho), as well as a large number of researchers associated with research projects, completing PhD or post-doctoral projects in these universities.

Thus, this R&D unit, approved for funding by the Science and Technology Foundation, corresponds to a large space of collaboration, in which individual interests of scientific research are articulated with collective goals, gathered around the geography, both in its theoretical approaches and in its articulation with the spatial planning. CEGOT research is structured around three main groups:

- Group 1 – Nature and environmental dynamics
- Group 2 – Cities, competitiveness and well-being
- Group 3 – Cultural landscapes, tourism and development

In addition to the research that is developed internally, CEGOT is open to cooperation with other scientific disciplines of the earth and social sciences, as well as with colleagues from all relevant institutions of geographical research in the country and from abroad, notably from Brazil and other Portuguese-speaking countries, also electing as priority relations with Spain and other European countries.

In Group 3 we try to give value to the use of space and of time, assuming that they play a decisive role in the organization of our society. The demand for territorial identities and the marketing of places gain special importance and intersect the value of development at different scales with the activities associated with leisure and tourism.

This multidimensionality projects a territorial cohesion requiring depth knowledge of local and regional resources, on its tangible and intangible aspects, and provide special expression to researches on competitiveness, innovation, positioning, and destinations management. The processes of monitoring and diagnosis are invariably present and are seen as fundamental methodology in scientific research of mobility, leisure activities and tourism, cultural landscapes and the processes of development. Considering tourism as a strategic domain, to which natural and built heritage, material and immaterial culture and development are associated, this group privileges the study of two areas articulated among themselves, for which several objectives and research strategic guidelines have been established for the next years:

TOURISM: Heritage(s), culture and innovation in the construction of touristic territories; Environmental, economic, social and cultural sustainability in tourism; Tourism and culture as strategic factors to local/regional development. SPACE DYNAMICS AND DEVELOPMENT Leisure and promotion of well-being in populations; Social inequalities in low density territories; Cultural landscapes and development.

24 | The CEGOT welcomes the EATSA 2016 delegates and wishes everyone a great scientific work that contributes to a better scientific understanding of tourism, promoting its development and sustainability.

Lúcio Cunha
Scientific Co-ordinator of CEGOT

PERFORMANCE EVALUATION OF SMALL INDEPENDENT HOTELS THROUGH MANAGEMENT ACCOUNTING INDICATORS AND RATIOS

Nuno Casqueira¹, Conceição Gomes¹, Luís Lima Santos¹,
Cátia Malheiros¹, and Raúl Ribeiro Ferreira²

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ABSTRACT

In order to succeed in a competitive tourism world, several management accounting techniques have been used by hoteliers. Management accounting techniques are connected with the decision-making process. Prior studies related to the characterization of management accounting in the lodging industry in several countries have recognised the ratio and indicators analysis as one of the management accounting techniques. Hotel chains use performance ratios and indicators, because their management is accordingly with global rules. As in many other European countries, the Portuguese corporate structure is composed by micro and small enterprises. So, this fact has directed us to build a set of suitable ratios and indicators to be used on the management accounting of the small independent hotels. A survey directed to the independent hotel managers was conducted to obtain data, and has been submitted to a statistical analysis. In order to characterize the ratios and indicators it was used descriptive statistics. The conclusion shows that despite the importance of some of the operational ratios and indicators they are not being used, which allows some expectations relating to the proposal of a “tableau de bord” adapted to small independent hotels management.

KEYWORDS

Ratios and indicators; small independent hotels; performance; management accounting.

Introduction

The lodging industry is a crucial contributor to Portuguese global tourism revenues. Similarly to other European countries, Portugal has many small independent hotels that have to compete in a global scale. In order to obtain success, hospitality managers need to optimize the decision making process. To this aim, management accounting provides useful information. In lodging industry some operational indicators and ratios are commonly used, namely occupancy rate, ADR and RevPAR.

However, there are many others operational indicators and ratios that can be useful to measure the performance through management accounting, either in rooms department or in F&B department. Traditionally, these two departments represent the most important operational hotel's departments. To evaluate the operational performance in rooms department, managers can use, for example, cost per occupied room (CPOR), total revenue per available room (TRevPAR) or the revenue per available customer (RevPAC). In F&B department, beyond traditional food cost (FCP) and beverage cost (BCP), the average total check per guest (ATCG), average sales per guest (ASG), or average food cost per guest (AFCG) can also be very helpful to the decision making process.

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The fact of hoteliers do not use a large number of operational indicators and ratios could be explained by the lack of knowledge about them.

This research focus on the usage and the importance of operational ratios in the case of Portugal. Thus, the aim of this study is to identify the ratios and indicators that are being used and the importance of them for the small independent hospitality units.

640 | This article is structured as follows: first, there is a literature review about the operational ratios and indicators. Then, it is described the methodology used on the research. The last part is dedicated to detailed analysis of research findings and to conclusions.

Literature review

The Portuguese hotel industry has undergone major changes in recent years, in part due to technological advances, particularly with regard to the online distribution of hotel services. In fact, online partners – online travel agencies (OTA's) – have been allowing an international distribution that was not possible before. However, this scenario requires hotel companies to develop strategies that make them internationally competitive. There are, in Portugal, several Portuguese hotel chains with international dimension, though most of the Portuguese hotel companies, as in the rest of Europe (PORDATA 2015), are micro and small independent management structures (Deloitte, 2015).

To maintain competitiveness and to achieve satisfactory results, thus become important challenges for these hotels. This study was conducted with hotels' managers, considering that 55% of the supply of accommodation units (309 195 beds, in 2014) are hotels (Turismo de Portugal I. P., 2015). In this scenario, the operation of these companies requires a dedicated management and should be monitored closely. Operating indicators and ratios provide, in this sense, very useful information for performance evaluation and monitoring of the operating results of these companies.

The hotels' flexibility is an important factor given macroeconomic changes and customer preferences changes with the emergence of new products, thus require a management considering the change as a constant. Managers have to develop the ability to monitor these changes in order to avoid financial decline.

Phillips (1999: 179) considers that "Hotels consume inputs and through its' processes produces a variety of products and services. Obviously, the precise nature of the outputs will depend upon the strategic and competitive position of the hotel".

Anderson et al. (1999) refer that the lodging industry has many enterprises that offer similar and differentiated services at the same time. Hoteliers are inside a dynamic and complex environment (Phillips, 1999).

According to Knutson et al. (1995) and Phillips (1999), the main purpose of a business in hotel industry is to provide satisfaction to its stakeholders, thus it is necessary to ensure profits. In other words, revenues have to be higher than expenses.

Consequently, managers have to improve their managerial accounting abilities. In a study conducting in Romania investigating the perception and attitude of managers in hospitality, most of them (almost 66%) considered the information produced by managerial accounting very important to the decision making process (Briciu et al., 2013). In the same way, Damitio & Schmidgall (2006) mentioned that managerial accounting skills are required for

hospitality managers. In their study, they measured the importance managers gave to managerial accounting skills and “ratio analysis” was considered important by the inquired. The performance evaluation is relevant and crucial for the manager decision making. There are several performance evaluation indicators and they are multidimensional (Chen, 2009).

Phillips (1996) refers that for a superior performance process it is important to have an inter-functional relationship between marketing and finance. It was found a positive relationship between planning participation and business performance. Furthermore, Phillips (1999) maintains that hotels’ performance evaluation involves analysing three categories: financial factors, marketing factors and factors controlled by the managers. This author defends the importance of financial management and strategy control system for performance measurement system. Performance measurement always has to be improved, as changes in hotel market implies alterations on performance measurement.

Kuo & Chen (2008) construct performance evaluation indicators and their findings showed that the best three indicators are: cost control, profit growth, and sales growth.

Through a financial perspective, Phillips (1999) indicates: earning per share (EPS), return on investment (ROI), return on capital employed (ROCE) and market share. This author also refers that balanced scorecard has been implemented but it presents several shortcomings.

Cvelbar and Dwyer (2013) stated the need of employing indicators to measure the performance. These indicators are organized in three sets: economic, environmental and social. On the other hand, hotels should identify their own indicators and use them in their internal report. In this study, with respect to operational indicators, the average occupancy rate was the most valued indicator in terms of importance. Nevertheless, Phillips (1999) criticize the highlighting on occupancy percentage, profit indicator and return on investment.

Hospitality manager use more frequently financial indicators (Atkinson & Brander-Brown, 2000 and Haktanir & Harris, 2005, cited by Melia & Robinson, 2010) but, in their study, Sainaghi et al. (2013) conclude that this is necessary to use both kind of ratios: financial and non-financial. This need is more important when the hotel does not belong to a chain, in fact, those are more able to reach higher profitability efficiency (Chiu & Huang, 2011).

In an increasingly competitive environment, each company inserted in the hotel industry needs to constantly evaluate their performances, transversely to the organization. In this sense, the performance evaluation based on operating ratios appears to be a useful tool for day-to-day operation of companies seeking success and future expansion. Schmidgall (2011) refers that operations ratios aid hotel manager in appraisal of the operational activities of a hotel.

Anderson et al. (1999) state that managers have been using performance indicators with the objective of attaining efficiency, like average occupancy rates and average room rates. Other indicators are revenue/wage cost, gross profit/revenue, net profit/revenue, accordingly to Baker and Riley (1994) cited by Anderson et. al. (1999). Wijesinghe (1993) cited by Anderson et al. (1999) and Chen (2009) refer breakeven room occupancy highlighting that indicator is accurate in its results. Kimes (1989) cited by Anderson et al. (1999) introduces a basic concept Perishable Asset Revenue Management (PARM) which has the aim of finding out an optimal point between average daily rates and occupancy rates. Wassenaar and Stafford (1991) cited by Anderson et al. (1999) recommend a lodging index - average revenue per room (vacant or occupied).

As well as Chin and Barney (1995) refer some indicators that should be used by hotels for a best performance: room or bed occupancy, average room rate, revenue per available room, sales per employee hour worked, average spend per head and seat turnover.

642 | More specifically, the most commonly used ratios in the studies of the operating performance of hotels are occupancy rate, ADR and RevPAR (Tuță and Micu, 2013; Sainaghi et al., 2013; Hua et al., 2015; Lamelas & Filipe, 2012; O'Neill & Carlback, 2011; Phillips, 1996; Chin e Barney, 1995).

This ratios are, on the one hand, commonly used by public entities (for example, the Portuguese tourism office, Turismo de Portugal, I.P.) and, on the other hand, used to make comparisons between the hospitality performance of different countries (see travel research of Hotel and Motel Management – H&MM- studies, for example: Lomanno, 2004). Sainaghi et al. (2013) also mentioned in their literature review the total revenue per available room (TrevPar) and the gross operating profit per available room (GOPPAR).

At this moment, the Uniform System of Accounts for the Lodging Industry (USALI) has reached the 11th edition. USALI is divided into five parts: I) Operating Statements; II) Financial Statements; III) Financial Ratios and Operating Metrics; IV) Revenue and Expense Guide; V) Gross vs. Net Reporting (HANYC, 2014). In Part III it is provided several financial ratios and operating metrics. It is not a complete list, but even so is the most widespread. The objective of USALI is to provide a uniform list and a definition of ratios and metrics (HANYC, 2014).

Moreover, accordingly with HANYC (2014), ratios and metrics are a way to simplify the huge statement and schedule's data.

There is a huge number of ratios useful in analysis (Schmidgall, 2011; HANYC, 2014). Schmidgall (1989) cited by Schmidgall (2011) conducted a research with the objective of getting ratios to be more useful for hotel general managers. Operating ratios were considered the most useful, including: Profit margin, Occupancy percentage, cost of labour percentage, daily occupancy percentage, ADR, Total revenue percentage change from budget, cost of food sold percentage, cost of beverage percentage, room sales to total sales, operating efficiency ratio.

Phillips (1996) refers that strategic planning and decision making depend of the hotel's size. In fact, small hotels have features which should be taken into account on the analysis. Advantages: preserving traditions and higher quality service. Disadvantages: competition of hotel chains (Barros e Mascarenhas, 2005).

Small hotels have not got economies of scale and scope that influence turnover and profitability. The characteristics of small hotels should be considered in a benchmark of indicators (Barros e Mascarenhas, 2005). According to Wanhill (1997) cited by Barros e Mascarenhas (2005), some weaknesses of small hotels are: family business, lack of commercial force and initiative and limited skills.

The case of small independent hotels is specific, as we can see in a study similar to this one developed in Ireland. Its findings indicated that small and medium-size independent hotels need an adapted structure to measure their performance. It was also concluded "that there is a need for these hotel operators to adopt a more structured formal approach to performance measurement" (Melia & Robinson, 2010:2). In that study, a model for this kind of hotels was proposed and, regarding operational ratios, the following indicators were suggested: wage percentage, labour cost, food cost, beverage cost, occupancy rate, RevPAR, RevPas, average room rates, budget variances and waste management measures.

In a study dedicated to the club industry, Schmidgall & DeFranco (2004) identified three operational ratios considered important and adopted by the inquired (controllers and financial officers): payroll, food and beverage cost percentages. These three ratios are also used in hotel industry in the F&B department. It seems clear that the type of activity influences the results.

The F&B department is frequently considered less profitable than rooms department (Moser, 2002). In fact, the weight of contribution margins is lower and most of the costs are variable. Thus, these kind of operations requires a closed control to reduce wastage, to make a good pricing, to buy at right price and quality, in order to obtain a higher profit (Louise, 2004).

Food, beverage and labour cost are the most regularly used by hospitality and restaurant managers (Miller et al., 2002; Dittmer, 2003), but there are other relevant ratios and indicators that can be very useful to improve the operational result, such as seat turnover, average check (average meal price) and techniques like menu analysis (for example, menu engineering, that uses contribution margin and sales percentages of each items of the menu) (Jagels & Coltman, 2004). Besides these, there are other lesser-known and underused, like RevPASH (Otto, 2012).

The use of ratios is imperative to measure the performance of hotels. Nevertheless, there are some principles that have to be assumed: ratios have to be carefully chosen; managers have to understand what kind of number originated the ratios; they have to allow corrective actions; they have to be analysed periodically (Schmidgall & DeFranco, 2004).

As this paper is the first step to a wider research, and as there is not many studies in this area, particularly about small independent hotels, it was necessary to identify all the operational ratios and indicators that are being used and considered important for Portuguese hospitality managers (in this first stage). The ratios were separated in three categories, the first (table 1) lists those concerning rooms department.

Table 1: Operational ratios and indicators - rooms

Description	Formula
Room occupancy percentage	$\frac{\text{rooms sold}}{\text{rooms available}} \times 100$
Average daily rate (ADR)	$\frac{\text{total rooms revenue}}{\text{rooms sold}}$
Revenue per available room (RevPAR)	$\frac{\text{total rooms revenue}}{\text{rooms available}}$
Average occupancy per room	$\frac{\text{number of customers}}{\text{number of rooms sold}}$
Multiple occupancy	$\frac{n.^{\circ} \text{ rooms sold to 2 or more clients}}{\text{number of rooms sold}} \times 100$
Total revenue per available room (TRevPAR)	$\frac{\text{total operating revenue}}{\text{rooms available}}$
Revenue per available customer (RevPAC)	$\frac{\text{revenue of customers}}{\text{number of customers}}$
Cost per occupied room (CPOR)	$\frac{\text{rooms cost}}{\text{rooms sold}}$
Gross operating profit per available room (GOPPAR)	$\frac{\text{gross operating profit}}{\text{number of rooms available}}$

Source: Adapted from HANYC (2014); Schmidgall (2011); Dopson & Hayes (2009); Jagels & Coltman (2004);

The second one, listed on table 2, shows F&B ratios and indicators.

Table 2: Operational ratios and indicators – F&B

Description	Formula
Food inventory turnover	$\frac{\text{cost of food sold}}{\text{average inventory during the period}}$
Beverage inventory turnover	$\frac{\text{cost of beverage sold}}{\text{average inventory during the period}}$
Food cost percentage	$\frac{\text{cost of food sold}}{\text{food revenue}} \times 100$
Beverage cost percentage	$\frac{\text{cost of beverage sold}}{\text{beverage revenue}} \times 100$
Number of guest per employee	$\frac{\text{Guest served}}{\text{no. of employees}}$
Sales revenue per employee	$\frac{\text{Meal period sales revenue}}{\text{Meal periods employees}}$
Seat turnover ratio	$\frac{\text{number of guests}}{\text{seats available}}$
Revenue per available seat (RevPAS)	$\frac{\text{total F\&B revenue}}{\text{no. of available seats}}$
Revenue per available seat hour (RevPASH)	$\frac{\text{daily F\&B revenue}}{\text{no. of available seats} \times \text{no. of working hours}}$
Percentage of Beverage Revenue to Food Revenue	$\frac{\text{beverage revenue}}{\text{food revenue}}$
Average total check per guest (ATCG)	$\frac{\text{total revenue}}{\text{number of guests}}$
Average sales per guest (ASG)	$\frac{\text{food revenue}}{\text{number of guests}}$
Average food cost per guest (AFCG)	$\frac{\text{food cost}}{\text{number of guests}}$
Average cost per guest (ACG)	$\frac{\text{total cost}}{\text{number of guests}}$
Average operating income per guest (AOIG)	$\frac{\text{operating income}}{\text{number of guests}}$

Source: Adapted from HANYC (2014); Schmidgall (2011); Dopson & Hayes (2009); Jagels & Coltman (2004); Schmidgall & DeFranco (2004)

The last one, in table 3, indicates those that can be used to measure operational performance in any operational department.

Table 3: Operational ratios and indicators – all operational departments

Description	Formula
Efficiency Ratio	$\frac{\text{department cost}}{\text{department revenue}} \times 100$
Labor cost percentage	$\frac{\text{salaries \& wages + employee benef.}}{\text{total sales revenue}} \times 100$
Wage cost percentage	$\frac{\text{wages cost}}{\text{total revenue}}$

Source: Adapted from HANYC (2014); Schmidgall (2011); Dopson & Hayes (2009); Jagels & Coltman (2004);

Methods

A quantitative approach was adopted. The study covers the period until the year of 2016. It was developed a structured survey to serve as main data for this study. The survey was elaborated on an online platform and was conducted between March and April of 2016. Afterwards, in collaboration with Portuguese Hotel Managers Association (Associação dos Diretores dos Hóteis de Portugal - ADHP), an email was sent to the CEO of small independent hotels of Portugal containing a link to the online survey. It was asked to fill out the surveys properly. The hoteliers who answered will receive the study's results on this first phase.

The survey was divided in three parts. In the first one, the CEOs were asked to provide information about the hotel unit description (management type, number of stars, employees, rooms and available F&B seats, last available year turnover, existing departments) and they also were asked to indicate the significant revenue and expenses topics, normally used in the USALI.

In the second part, the CEOs were asked about the use of operational indicators and ratios. First they had to answer if they use or not each indicators and ratios. After that they had to rate their importance to the hotel unit management, using a 5 point Likert scale with "1" being "not important", "2" being "less important", "3" being "important", "4" being "very important" and "5" being "extremely important".

In the third part, the CEOs were asked about the use of financial indicators and ratios, namely: liquidity, solvency, profitability and turnover indicators and ratios. Likewise, first they had to answer if they use or not each indicators and ratios, after that they had to rate their importance to the hotel unit management, using a 5 point Likert scale with "1" being "not important", "2" being "less important", "3" being "important", "4" being "very important" and "5" being "extremely important".

The results of the second part were used in this study and the results of the first and third parts were used in independent papers.

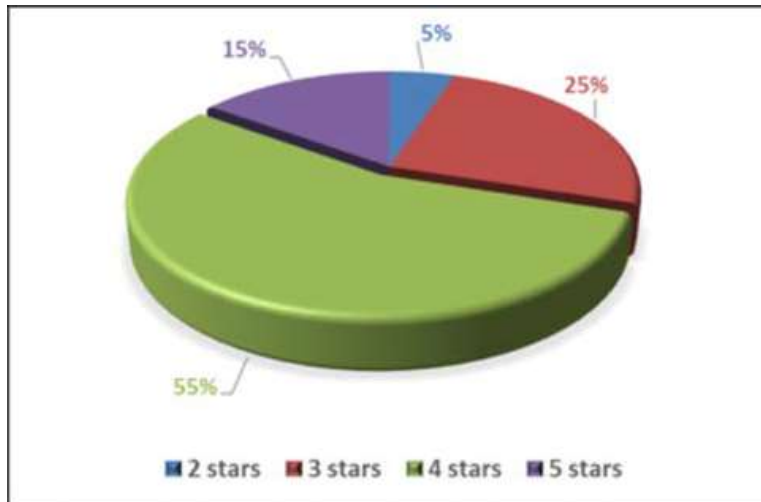
A total of 25 surveys were collected, of which 21 were usable. The data was processed using SPSS. It was used descriptive statistics in order to determine operational indicators and ratios that are being used by hoteliers.

Results

For this study 21 hotels of Portugal were analysed. The sample is featured according to the rate one to five stars.

It was found that most hotels in the study (55%) are classified with four stars (Figure 1). The number of rooms varies from 17 to 240 and the sample's mean of hotels rooms is 65 rooms.

Figure 1: Hotels classification

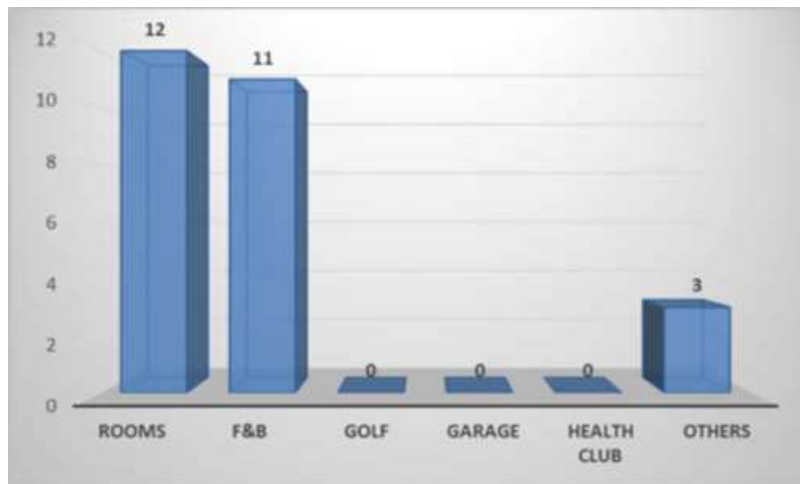


Source: prepared by authors

Relatively to the number of employees, the sample is featured with a mean of 30 employees. The turnover confirms this profile (small enterprise), with a mean of 2.3 EUR millions. Regarding the F&B component, there is a mean of 54 seats, considering that 3 of the hotels do not have restaurant.

Considering departmental management, 57% of hoteliers replied that their units were organized by departments. As shown in the chart below, the two traditional major operating departments are the two most often common departments: “Rooms” and “Food & Beverage” (F&B).

Figure 2- Hotels departments



Source: prepared by authors

In relation to other mentioned departments, three of the hoteliers mentioned four others departments: “Maintenance”, “Housekeeping” (floors), “Conferences and Banquets” and “Surf”.

To analyse the results about the use of the operational ratios and indicators, two groups were created: rooms and F&B ratios and indicators. As we can see in table 4, eight of the twelve room’s ratios are being used by more than half of hospitality managers. This half includes ratios that were found in literature review as the most used, namely “occupancy room rate”, “ADR”, “RevPAR”, “average occupancy room”, “labor cost”, “TrevPAR”, “GOPPAR” and “multiple occupancy rate”.

Table 4: Usage rate of operational ratios - rooms

Ratios/indicators	Rate
Room occupancy (%)	100%
ADR	100%
RevPAR	100%
Average occupancy per room	95%
Labor Cost (%)	81%
TrevPAR	62%
GOPPAR	62%
Multiple Occupancy (%)	52%
RevPAC	48%
CPOR	33%
Efficiency ratio	29%
Wage cost (%)	24%

Source: prepared by authors

Regarding the F&B ratios and indicators the same scenario can be observed in table 5. Indeed, seven of the eighteen F&B ratios and indicators are being used by more than half of hospitality managers. Once again, the results of this study confirmed what was found in literature review, as labour cost, food cost and beverage cost are included in this situation. In fact, the most used indicators are “labour cost”, “food cost”, “beverage cost”, beverage inventory turnover”, “beverage revenue to food revenue”, “food inventory turnover” and “number guest per employee”.

Corresponding to the findings in the literature review, RevPASH is used only by 29% of the CEOs of the hotels participating in this study and seat turnover only by 19%. This means that, for example, these two ratios are being underused.

Table 5: Usage rate of operational ratios – F&B

Ratios/indicators	Rate
Labor Cost (%)	81%
Food Cost (%)	71%
Beverage Cost (%)	71%
Beverage Inventory Turnover	67%
Beverage revenue to food revenue (%)	62%
Food Inventory Turnover	57%
Number guest per employee	57%
Sales revenue per employee	43%
Efficiency ratio	29%
RevPAS	29%
RevPASH	24%
ATCG	24%
Wage cost (%)	24%
Seat turnover	19%
AFCG	19%
AOIG	19%
ASG	14%
ACG	14%

Source: prepared by authors

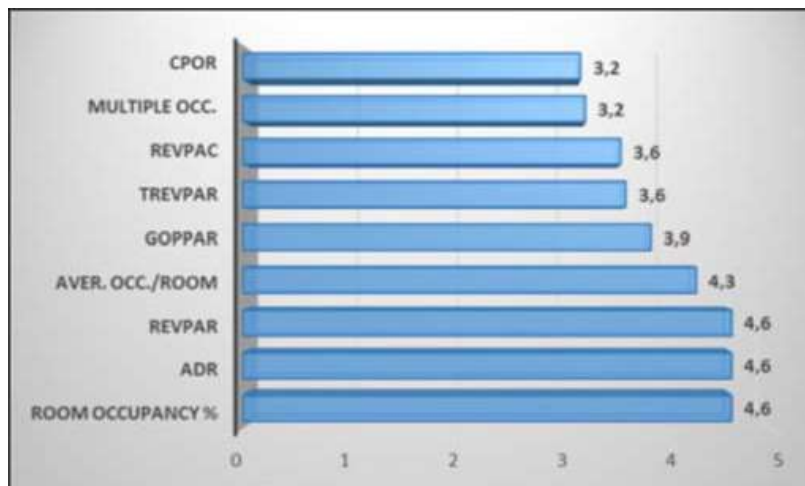
The second part of the survey concerning the operational ratios measured the importance rate of all the ratios for the decision making process, independently of the use. All the ratios and indicators that reached a mean equal or higher than 3 were presented in the figures 2, 4 and 5. These three figures correspond to the three groups that were created to evidence the results. Similarly to the previous analysis, rooms and F&B ratios and indicators were separated, but a third groups were extracted from the results which correspond to the ratios and indicators that can be used in all operational departments existing in a hotel.

Comparing room ratios and F&B ratios, as observed in tables 3 and 4, the first group reached higher means. That is also consistent with the literature review and with the characteristics of this activity, where the rooms department is traditionally the department that generates more revenue.

Figure 3 shows that “room occupancy”, “ADR”, “RevPAR” and “average occupancy room” are the four ratios with the higher means of importance (higher than 4). Compared to the result obtained in the usage analysis there is a correspondence, since these ratios have also obtained the highest percentage. That means they are used and considered important too. This is also the case of “TrevPar”, “GOPPAR” and “multiple occupancy”.

However, it is interesting to mention the case of the indicators “RevPac” and “CPOR” that obtained low results in the usage analysis but reached means higher than three in this analysis of importance.

Figure 3: Importance of the operational ratios - rooms



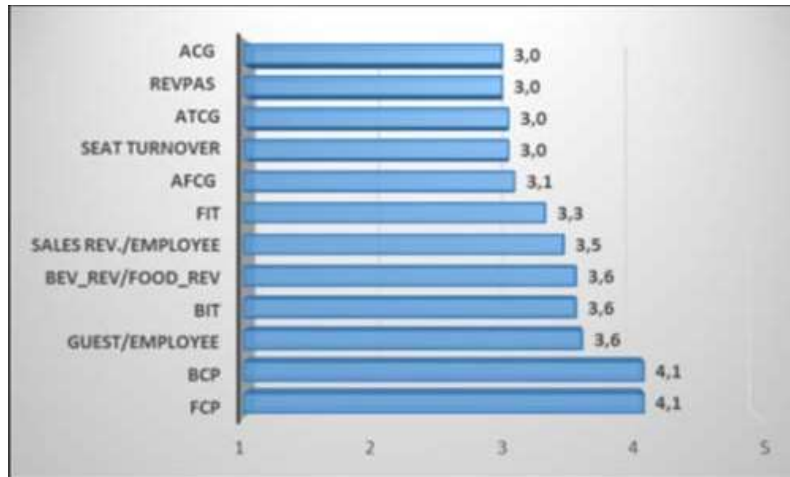
Source: prepared by authors

The results of F&B ratios and indicators importance can be observed separately in figure 4. In this group, only two ratios obtained a mean higher than 4: “food cost percentage” and “beverage cost percentage”. Once again, the results are similar to the previous analysis, since this two ratios were identified as being used mostly by hospitality managers inquired.

However, while in the analysis about the utilization percentage only seven ratios obtained high scores, in the analysis of the importance fourteen ratios obtained means higher than three. Two situations can be highlighted in this analysis, on the one hand, the ratios and indicators that reached high results in both analysis (usage and importance), namely “food cost percentage”, “beverage cost percentage”, “beverage inventory turnover”, “beverage revenue to food revenue percentage”, “food inventory turnover” and “number of guest per employee”.

On the other hand, the ones that, despite the low usage percentage, obtained means higher than three in the importance analysis: “sales revenue per employee”, “AFCG”, “seat turnover”, “ATCG”, “RevPas” and “ACG”.

Figure 4: Importance of the operational ratios - F&B



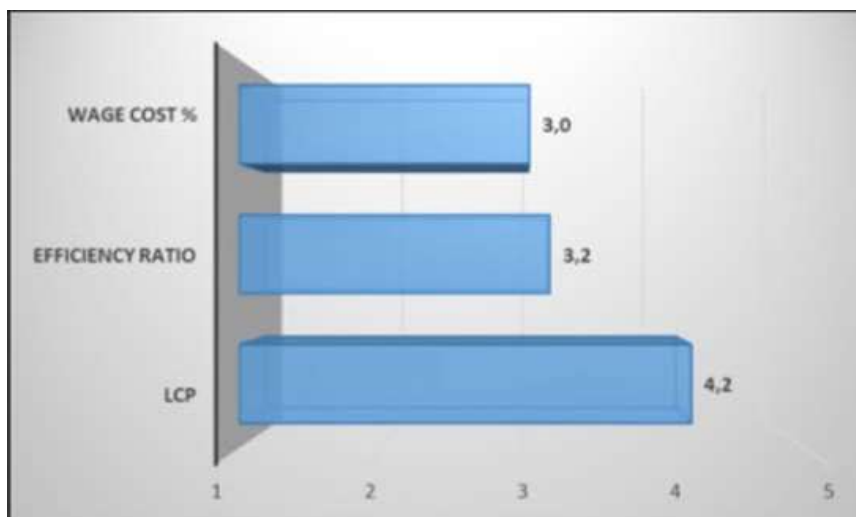
Source: prepared by authors

Figure 5 gathers the operational ratios that can be used in any operational department. As it was evidenced in the usage analysis, “labour cost percentage” was found in the first position with a mean higher than 4.

It is possible to verify that one of the three ratios that reached a mean higher than three have also obtained a high usage percentage, specifically “labour cost percentage”, which is in line with the literature review. In other words, “wage cost percentage” and “efficiency ratio” were considered important (means higher or equal to three) to the operational performance measurement, despite the low usage percentage of utilization.

Findings of this research show that small independent hoteliers use the best known operational indicators and ratios, but demonstrate also that they consider important others that they are not using. This gap can represent an opportunity to the research in this field.

Figure 5: Importance of the operational ratios – all operational departments



Source: prepared by authors

Conclusions

Most of the results of this study are in accordance to the literature review. The main ratios and indicators related to rooms department are the occupancy rate, the average daily rate and the revenue per available room. They are the most used and the most important rates.

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Regarding the importance analysis, the results show that F&B ratios and indicators reached lower means than rooms group. Since we find in literature review that F&B activities needs a very dedicated control to improve its operational performance, it would be important that CEOs improve their knowledge about the F&B operational ratios and indicators and not only in rooms department, in spite of its higher importance.

Some ratios and indicators reached an interesting mean in the importance analysis despite the low results in the usage percentage. It is the case of “RevPac” and “CPOR” in rooms group. This is also the case of “sales revenue per employee”, “AFCG”, “seat turnover”, “ATCG”, “RevPas” and “ACG” in F&B group and of “wage cost percentage” and “efficiency ratio” in the group of ratios and indicators that can be used in any operational department management.

This can be a sign of the identified problem in the literature review related to the unfamiliarity of these ratios and indicators for the hospitality managers. Indeed, the low percentage of ratios and indicators usage can be related to the fact that these are not well-known by managers and not to the fact they are not useful for measurement of operational performance evaluation.

Limitations and future research

This study has some limitations such as low response rate. This is mainly due to the fact the surveys have been presented to the hotel’s CEOs. Despite our efforts in order to obtain a major number of usable surveys on the ADHP’s XII Nacional Congress, it seemed that the CEOs have not got enough information to answer the questions or that they were not familiarized with all the operational indicators and ratios that exist.

On the other hand, the survey took place only in Portugal, showing just the reality of a country. However, it cannot be forgotten that the situation of small independent hotel is a reality all over the world.

In the future, this survey should be addressed to CFOs, considering that they will be the right people with adequate knowledge to answer. This survey has been translated into English and Spanish so it will be applied in other countries. For that, we wish to be successful building partnerships on international collaboration forum.

An opportunity was created to start a partnership with hoteliers’ management associations in order to provide professional training related operational ratios and indicators and their usefulness, both in decision making process as in performance evaluation. It is our aim to add the results of the third part of this survey, related to financial ratios and indicators, in order to create an integrated “tableau de bord”.

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