



Lighthouse

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Hotel Reservation Center Can't Answer The Call

In This Issue

Good ideas don't spontaneously generate successful businesses. Organization, execution, and financial controls are the foundations of a profitable operation. Feedback, continuous skills improvement and change management keep the promise of a good business plan going forward.

In this case, restructuring the operations of a failing enterprise created a dramatic turnaround. The Change Management focus maintained the momentum.



An association of resort hotels, located in a popular sea-side travel destination, created a centralized reservation center. The reservation center was organized as an independent business. The owner-operators of the hotels capitalized the business. In return, the owners wanted the benefits of a captive supplier. This was a good idea with a great deal of promise. The win-win concept was sweetened with tax benefits and grant monies that were received from participation in government job training programs. Unfortunately, the execution ran aground. Chesapeake Bay Associates was brought in when the enterprise got into trouble. We engineered a swift restructuring and a dramatic turn-around. We joined a team of managers, owners and staff, who worked together and guided this business to sustainable profitability with first-class hotel guest satisfaction.

Goal Analysis

The idea for the centralized reservation business is an excellent concept with numerous benefits to owners, operators and hotel guests. The consolidation of reservation systems into one enterprise was intended to eliminate overhead and streamline costs at the hotels. Owner's compensation was accordingly expected to grow. The assets on the balance sheet of each hotel were beneficially increased by the capital investment. Job creation programs afforded tax breaks and training grant monies that could increase net profits and benefit the community. From there, things went downhill

quickly. When Chesapeake Bay Associates was brought in we found a financial disaster:

- ¶ Reservations records were frequently not found when travelers arrived for check-in.
- ¶ Customer credit card information had been stolen; there were numerous instances of fraudulent charges.
- ¶ Bookings were not aligned with hotel capacity; some hotels were overbooked and others were severely underutilized.
- ¶ Travelers were rarely given available rooms with the features they wanted at the hotels they requested.
- ¶ Payments and collections were nearly impossible to verify and cross reference to the participating hotels, which was creating financial complications for the hotels and lack of trust among the owner-operators. Bank balances were unverifiable.

Tax exemptions and cash grants had been approved by a government job creation program. The original 200 reservation center jobs authorized by the program had expanded to 400 jobs with corresponding tax exemptions. The tax authorities wanted to know why the original 200-job estimate had been overrun by more than 100%. The reservation call center was no longer able to show a net profit including the grants and tax exemptions. It was clear that hundreds of thousands of dollars in reservation center capital investment was in jeopardy. Chesapeake Bay Associates determined that the prompt achievement of three

goals would resolve these serious problems as follows:

1. Create a system of financial controls using accepted standards of accounting.
2. Implement a continuous performance improvement system for the enterprise.
3. Test and verify the capabilities of the enterprise management software.

Strategy

It was agreed that the mission-critical goals of the enterprise would be achieved using a seven point strategy as follows:

1. Pay suppliers and the participating hotels promptly.
2. Empower the accounting and management processes with the professional scheduling and bookkeeping software tools that had been purchased with the integrated enterprise reservation and relationship management system.
3. Implement a system of electronic records that reestablished the audit trail
4. Convert the participating hotels to the enterprise reservation and relationship management system. Implement each hotel as a client of the reservation center.
5. Train all reservation center and hotel staff in their respective uses of the enterprise reservation and relationship management system.
6. Establish and enforce performance goals and metrics for all business processes.

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* ... compressed 6 steps into 1 step for reservation system operators ... *

A Good Idea Gone Bad Is Good Again

7. Eliminate unnecessary cost and waste across the enterprise using a system of continuous process improvement.

Solutions

Working with management and staff Chesapeake Bay Associates implemented nine solutions as follows:

1. Developed the Corporate Mission Statement and The Goals of the Company to meet the needs, aims and objectives of hotel guests and the investors.

2. Established enterprise profitability and operational goals along with the aligned goals for each department.

3. Established a set of measurement guides for management to control the company on a weekly basis and ownership to know the current state of the company on a monthly basis.

4. Streamlined the reservation data design, which compressed 6 steps into 1-step for reservation system operators. Rewrote scripts and prompts to the stated needs of the operators.

5. The revised reservation system implementation simultaneously completed the reservation sale according to a set of rules prompts based upon the customer’s wants and needs (ex. Suite vs. Room, Restaurant in Hotel, Pool, etc.). Available rooms matching the guest requirements were automatically presented for guest approval. Accordingly, a transaction record was created, the guest’s credit card was charged, the transaction was posted to the hotel, and a confirmation transmitted to the customer via email, fax, or U.S. mail.

6. Owner-operator trust programming the reservation system to randomly assign available rooms from participating hotels when guests did not call to make a reservation at a specific hotel eliminated issues

with reservation center management.

7. The computer software manufacturer assisted by creating Spanish to English and English to Spanish training guides to assist the employees in the use of the system.

8. Personnel guidelines were created to inform them of their individual responsibilities and tasks. Training in “how to work” and “how to exist in the workplace” was included. Personnel Guidelines also specifically prohibited all forms of discrimination and harassment based on race, creed, color and national origin.

9. Evaluated all supervisory and managerial positions. Promoted some and demoted others to emphasize the best person for the position to expand the goals.

Change Management

The rapid implementation of solutions forced an immediate restructuring of the company, which achieved the mission critical goals. Change Management kept this promise going forward as follows:

¶ The reservation center’s cost of operations was reduced by 35% after 6 months. The continuous improvement program generated further cost savings of 15%.

¶ Credit card fraud was reduced by 95%. False transactions decreased to less than 1 in 1000.

¶ Reservation duplications were totally eliminated.

¶ E-mail enabled the sending of completed sales notices in more than 80% of the reservations, reducing transaction time, reduced labor cost per transaction and the cost of customer and hotel notifications.

¶ Streamlined transaction processing reduced reservation call time to fewer than 2 minutes.

Customer surveys revealed dramatic improvement in satisfaction.

¶ Continuous improvement programs reduced the cost of transaction processing errors to less than 2%.