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**The impact of KPIs on profits and customer satisfaction in luxury hospitality:  
the Hyatt Regency Lisbon perspective**

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Master in International Management

Supervisors:

PhD Alexandra Etelvina Martins Marques Fernandes, Assistant Professor,  
ISCTE Business School

October 2023



**BUSINESS  
SCHOOL**

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Department of Marketing, Strategy and Operations

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*Esta é para ti, mãe.*



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## **Resumo**

*Key Performance Indicator* [KPI] é uma medida de performance e desempenho utilizada por várias indústrias com o intuito de atingir um objetivo.

A indústria do turismo representa uma grande percentagem de contribuição para o PIB mundial, sendo que a hotelaria de luxo contribui bastante para este peso significativo.

Procura-se com este trabalho acrescentar valor à área e da hotelaria de luxo, podendo ser um auxílio e fonte de conhecimento às equipas de decisão e gestão das unidades hoteleiras de luxo.

Assim, através da análise bibliográfica pretendeu-se dar um enquadramento do que efetivamente são hotéis de luxo, qual a definição de KPI e como podem ser aplicado na indústria hoteleira. Posto isto, para entender qual a performance de um hotel de luxo é importante que os hotéis de luxo tenham definidos os seus KPI, por forma a atingirem as suas metas. Desta forma, surge a questão de como é que os KPI são operacionalizados num hotel de luxo, para que os lucros aumentem e os clientes se mantenham satisfeitos. Para dar resposta a esta pergunta optou-se pela execução de uma entrevista ao general manager do Hyatt Regency Lisbon. Com esta entrevista, a intenção é dar a perspetiva que um hotel de luxo detém sobre os seus KPI. Deste modo, entendeu-se, então, quais os KPI que a unidade hoteleira de luxo aplica, a maneira como são medidos e de que forma impactam nos lucros e na satisfação do cliente.

**Palavras-chave:** KPI; Hotelaria de luxo; Hotelaria; *Performance*

**Classificação JEL:** M16 International Business Administration; M54 Labor Management





## **Abstract**

A Key Performance Indicator [KPI] is a measure of performance used by various industries to achieve a goal.

The tourism industry accounts for a large percentage of the world's gross domestic product [GDP], and the luxury hotel industry contributes a great deal to this significant weight.

The aim of this work is to add value to the area of luxury hotels, and to be an aid and source of knowledge for the decision-making and management teams of luxury hotels.

By analysing the literature, the aim was to provide a framework for what luxury hotels are, what the definition of KPIs is and how they can be applied in the hotel industry. That said, in order to understand the performance of a luxury hotel, it is important for luxury hotels to define their KPIs to achieve their goals. This raises the question of how KPIs are operationalised in a luxury hotel so that profits increase, and customers remain satisfied. To answer this question, we decided to interview the general manager of the Hyatt Regency Lisbon. The purpose of this interview was to give the perspective that a luxury hotel has on its KPIs. The aim was to understand which KPIs the luxury hotel applies, how they are measured and how they impact on profits and customer satisfaction.

**Keywords:** KPI; Luxury Hospitality; Hospitality; Performance

**JEL Classification:** M16 International Business Administration; M54 Labor Management



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## **List of Abbreviations**

ADR – Average Daily Rate

ESG – Environmental, Social and Governance

F&B – Food and Beverage

GDP – Gross Domestic Product

GOP – Gross Operating Profit

KPI – Key Performance Indicators

MICE – Meetings, Incentives, Conferences and Exhibitions

P&L – Profit and Loss

PMS – Hotel Property Management System

POS – Point of Sale Software

RevPAR – Revenue Per Available Room

RGA – Residential Guest Accommodation

UIP – United Investments Portugal

UNWTO – World Tourism Organisation

WTTC – World Travel and Tourism Council





## Chapter 1 – Introduction

The tourism industry is currently one of the largest industries in the world and has been increasing its contribution to the global economy over time. According to the World Travel & Tourism Council [WTTC], in 2022, travel and tourism contributed a total of 7,71 trillion USD to the world's GDP, and the forecast for 2023 is 9,5 trillion USD. This 7,6 per cent contribution to global GDP in 2022 is the result of investment in tourism policies by countries around the world. However, the GDP most impacted by the total contribution of travel and tourism was that of the USA, with tourism contributing 2018,3 billion USD, with China being the second most impacted market, with a value of 582,8 billion USD<sup>1</sup>.

Tourism has a strong impact on the economic climate, mainly because of the number of people who travel to a place other than their home and want to visit it for pleasure, the so-called tourist. That said, international tourist arrivals globally have been on the rise, except for the pandemic period which has severely affected the tourism sector and its adjacent industries. According to the World Tourism Organisation [UNWTO], 963 million international tourist arrivals were recorded worldwide in 2022, with Europe contributing the most to this figure since 2005, with 595 million, followed by the American region, which contributed 156 million<sup>2</sup>.

Since there isn't just one product associated with tourism, it encompasses multiple industries, such as hotels, transport, and attractions, to satisfy its consumers. This joint effort means new jobs will have to be created to keep up with the growth of this sector of activity. In 2022, the number of jobs in the travel and tourism sector will be 295 million worldwide, although this is still below pre-pandemic levels. However, the WTTC expects this figure to grow to 320 million jobs in tourism and travel by 2023<sup>3</sup>.

It is therefore understood that tourism offers great opportunities for emerging economies and developing countries, as it contributes to the development of infrastructures, enables the conservation of the environment, the traditions, and strengthens the local economy. In addition, hotels and hotel chains realise that, due to their status in the locality in which they operate, they have a huge social responsibility, as they can help to combat poverty and inequality. Examples of social actions include the Serve360 programme of the famous Marriot chain, which focuses on four strands: Nurture, Sustain, Empower and Welcome, based on the Sustainability and Social Impact Goals for 2025, as well as the United Nations Sustainable Development Goals<sup>4</sup>;

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<sup>1</sup> <https://www.statista.com/statistics/233223/travel-and-tourism--total-economic-contribution-worldwide/>

<sup>2</sup> <https://www.unwto.org/tourism-data/global-and-regional-tourism-performance>

<sup>3</sup> <https://www.statista.com/statistics/1268465/number-of-travel-and-tourism-jobs-worldwide/>

<sup>4</sup> <https://serve360.marriott.com/>

and the implementation of objectives by the Hilton chain, based on the three fields of Environment, Social and Governance [ESG], also based on the United Nations Sustainable Development Goals<sup>5</sup>.

The hospitality industry is one of the industries that is included in the tourism sector and represents a large part of it (Ali et al., 2021). It is dedicated to accommodating and welcoming tourists from different segments, so there are several types of hotels catering for diverse needs. These hotels are differentiated by the type of service they offer their consumers, namely the quality of that service, which is why there are hotels with the best rankings worldwide and which are characterised by five stars, when framed in the world-renowned star scale, the Mobil Travel Guide (Arzaghi et al., 2023).

Representing a large part of tourism, the market size of the hotel and resort industry worldwide represents 1,06 trillion dollars, and the WTTC expects it to continue growing and reach 1,21 trillion dollars this year. In 2022, 1.842 hotels were opened, with 2.480 expected to open in 2023. It is therefore recognisable that the hotel industry has a major impact on the economy and development of regions.

According to a study conducted by Fortune Business Insights<sup>6</sup>, the size of the global luxury hotel market is valued at 128,5 billion USD in 2022, with growth in the current year expected to reach 140,2 billion USD. This growth has been accentuated by the increase in personal and pleasure travel, as well as business travel, the elevated expectations of consumers and their increased demands, and due to the use of new technologies (such as the creation of mobile applications for hotels). In the same study, the different market shares between luxury hotel chains and independent luxury hotels were highlighted, with the chains having a larger share. This is because the location of chain hotels is widely distributed around the world, reinforcing their presence in all regions.

The luxury hospitality market represents the third largest market share in the global luxury goods industry (Peng & Chen, 2019). The rise of experiential luxury has been a trend in recent times (Amatulli et al., 2020), which contributes to the increase in this market share. Thus, academic interest in luxury experiences (Holmqvist et al., 2020) and luxury tourism (Iloranta, 2022) has been growing, given that there was a research gap regarding luxury services (Wirtz et al., 2020), as opposed to luxury products (Farmaki et al., 2021).

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<sup>5</sup> <https://esg.hilton.com/2030-goals/>

<sup>6</sup> <https://www.fortunebusinessinsights.com/luxury-hotel-market-104408>

Therefore, given the importance of the luxury hotel segment in tourism and its weight in the tourism sector both economically and socially, in a region or globally, it is important to understand how this segment works and achieves its results, objectives and success.

All hotels or hotel chains want to make as much profit as possible and be a success among consumers by satisfying their needs and desires. This position of success depends directly on the hotel's performance during the consumer's stay or use of the products on offer, such as the restaurant or spa, promoting the profitability of the business. For this to be possible, hotels must set a set of objectives and devise a strategy that will enable them to achieve their goals, always considering the competition and market opportunities and threats (Almeida, 2015).

The need therefore arose for a system capable of measuring and evaluating the fulfilment of the stipulated objectives, so that there could be continuous monitoring of the targets set and the possibility of improving them during the process in which they were being conducted. As a result, in the mid-1990s a mostly quantitative method of analysing industry processes emerged: Key Performance Indicators. Today, this method has been extended to other sectors, such as tourism, and has gained immense importance for managers, as they are great tools for planning and controlling a company (Meier et al., 2013).

In the case of the hotel industry, KPIs allow decision-makers to assess the hotel's performance and measure the results of the stipulated objectives. In this way, it is easier for managers to ensure efficient and effective management of their resources, so that they can achieve the main objective: profit maximisation through stakeholder satisfaction (Kala & Bagri, 2014). The interest in KPIs is an interconnection between the results of the indicators, their interpretation by managers and the way they are used in decision-making. In the hotel industry, performance is measured and scrutinised, and quantitative results are analysed and evaluated, with some examples of measures implemented being occupancy, revenue, or efficiency ratios. This analysis becomes relevant for companies since their main objective is to plan future levels of profitability (Dutescu, 2014).

In this way, the combination of these themes, which are so relevant today, form the objective of this study: KPIs in the luxury hotel industry. How KPIs are implemented in a specific luxury hotel chain, Hyatt, is the specific objective that emerges from this work, and which is therefore attempted to be clarified through an interview with the hotel chain. This study is consequently centred on answering the different dimensions related to the hotels of the Hyatt Hotels Corporation, namely which KPIs are implemented and what their defined strategy is.

This dissertation sets out to answer the question: How can KPIs be operationalised in a luxury hotel, to increase profits and keep customers satisfied? It was therefore deemed necessary to conduct an interview to recognise the reality of a luxury hotel. The purpose of this interview is to understand how the Hyatt Regency Lisbon, a 5-star superior hotel, defines, values, manages and measures its KPI, with a view to maintaining or increasing its profit, aware of the efforts required to maintain customer satisfaction. Its general manager then made himself available to explain how KPIs are applied at the Hyatt Regency Lisbon, and how they contribute to profit and customer satisfaction.

That said, this work is made up of a theoretical part and a practical part, which together result in a total of 4 chapters.

The first chapter provides a theoretical framework to clarify some concepts relating to the problem under study. The following topics are covered in this chapter: hotel concepts, hotel chains and tourism; what luxury hospitality consists of; and finally, what KPIs are and how they can be applied to the hotel sector.

The methodology chapter then describes the nature of the study and the hotel unit studied, in this case the Hyatt Regency Lisbon. Finally, the method used to answer the research question is presented.

The results and discussion, the third chapter of this work, set out the findings of the research and discuss the results obtained from the interview. This chapter is subdivided according to the dimensions used in the interview script. Alongside the results are the contributions to theory and the implications for practice.

The last chapter answers the research question and summarises the conclusions drawn from the research. Recommendations for future research and the limitations of this study are also mentioned in this chapter.

## **Chapter 2 – Literature Review**

### **2.1. KPIs in the Luxury Hospitality Industry**

This chapter discusses the concepts of hotels and tourism with a focus on luxury hospitality and the KPIs used in hotels.

#### **2.1.1. Hotels, Hotel Chains and Tourism**

The hotel industry, which is part of the tourism sector, is a highly developed market where competition is intense, forcing hotels to constantly adapt to new market trends and consumer demands and to become more efficient to maintain their position in a market that is sometimes saturated. This saturation (Holverson & Revaz, 2006) means that hotels feel pressure to keep up with the market, looking for alternative ways to preserve or improve their positioning, for example through new forms of accommodation or by affiliating with a more powerful partner, such as a hotel chain (Ivanova & Ivanov, 2015).

When hotels make the strategic decision to join a hotel chain with a view to their long-term development (Chathoth & Olsen, 2003), they give up their complete and total freedom and independence and must abide by the chain's rules and management models. That said, there are some disadvantages, but it also has its positive aspects. These are the possibility of development, the resources that hotels have access to, possible technical innovations, the associated marketing and consequently their sales, which leads to an increase in profits and the value of the hotel (Ivanova et al., 2016). Depending on the will of the hotels, there is a *priori* analysis of the various factors that influence the decision to affiliate on the part of hotel owners/managers, to understand what their perspectives and wishes are at the time of affiliation, what the location is, the size of the chain or its category (Ivanova & Ivanov, 2015).

Because a hotel chain is not just a collection of several hotels, many critics have studied what a hotel chain is over the years. Contractor and Kundu (1998) defined a hotel chain as a company “[...] that either has an equity stake in a foreign property, or operates the hotel under a management service agreement, or is a franchiser to the foreign hotel property. Thus, a company could be a global firm without any ownership of a foreign company.”. However, in Ivanova (2013) already understood that the chain is a group of hotels with the aim of obtaining a better position in the market through a combination of resources, activities, and relationships, and which share a common brand, having operations at national and/or international level.

Since the world has been evolving persistently and extremely quickly in recent years because of globalisation, definitions have also been updated and adapted to better describe what

a hotel chain is in today's world. Associated with these definitions, their authors understand that there are essential requirements that become relevant when analysing them. These requirements vary according to the author, such as several properties and their geographical distribution (Jafari, 2000), having a minimum number of associated hotels and a centralised management policy (Peng, 2003) or a common brand that is nationally recognised, (Ivanova et al., 2016).

Tourism, which is closely associated with the hotel industry, has various definitions, the most widely agreed upon being that of the UNWOT, which defines the sector as: "Tourism is a social, cultural, and economic phenomenon which entails the movement of people to countries or places outside their usual environment for personal or business/professional purposes. These people are called visitors (which may be either tourists or excursionists; residents or non-residents) and tourism has to do with their activities, some of which involve tourism expenditure". This wide-ranging sector is a crucial economic activity for the world, as demand for travel and tourism activities has been increasing significantly faster than other economic activities (Tahiri et al., 2021).

The relationships created and the experiences lived by the so-called tourists during their travels, in which they do not intend to stay permanently in the destination or profit from the trip, are points that Koja and Gorica (2010) highlight in their definition of tourism. Since tourism has been practised for decades, it has undergone a period of continuous adaptation and expansion so that today it is considered one of the most representative sectors in the global economy. This has happened due to various factors such as (Mariani et al., 2016): the evolution of transport; the introduction and development of information and communication technologies; the increase in the world's gross domestic product; improved security and greater attention to the rights of tourists and, finally, globalisation, the phenomenon that affects all sectors across the board.

In this way, it is understood that tourism has a positive impact on the national and world economy, as it contributes to public revenue, generates employment and income, and stimulates the development of various regions (Tahiri et al., 2021). In 2022, International Tourism Receipts totalled 1.011,5 USD Billion and International Tourist Arrivals, in the same year, 962,80 million. In 2020, the latest data available from the UNWTO, tourism's market share in world GDP was 1,8 per cent but given the circumstances that occurred in March of that year, the best comparison to today would be 2019, when tourism had a weight of 4,1 per cent in GDP. That said, tourism is a significant area for GDP and the global economy<sup>7</sup>.

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<sup>7</sup> <https://www.unwto.org/tourism-data/global-and-regional-tourism-performance>

However, it is essential to recognise that hotels in different markets, even if they are part of the same hotel chain, must always respect their geographical location and what it supports. In other words, they need to adapt to the distinct cultures and distinct characteristics of the place where they are located, as well as its laws and regulations (Ivanova et al., 2016). It is essential to adapt the product to the market, not neglecting its qualities and attributes at the same time.

Having said that then, the hotel sector plays a significant role in the service chain as they are complex organisations. However, it is necessary for there to be co-operative ties between the different service segments so that customers' needs are met, and their desires suppressed. The alliances created prove to be substantial strategic competences in the hospitality sector, for the benefit of all parties involved and with the aim of serving the consumer (Tahiri et al., 2021). The hotel industry also benefits the regional and global economy with its added value (i.e., its contribution to the gross domestic product).

### **2.1.2. Luxury Hospitality**

Luxury can be defined in diverse ways, and these vary depending on each person's individual perception, which is affected by their values, ideas, and surroundings. Thus, it is the awakening of different sensations and emotions that attracts consumers to establish a special and personal connection with brands (Pine and Gilmore, 1998). In addition to each person's individual perception, it should also be noted that because not everyone has the financial means to purchase a luxury product or service, it is possible to identify a difference between the vision of a consumer of luxury goods and that of a non-consumer. This means that, for someone who does not have access to luxury, their opinion on the subject and the way they perceive it will only relate to their expectations. These will be related to what they expect luxury to be and the sensations it can enhance and cause in them. These expectations are only subjective and do not exceed or replace the real expectations or experiences of a consumer of luxury brands (Bachmann et al., 2019).

With the passage of time and the rapid evolution that is being felt all over the world, consumers' wants and needs have also adapted and changed. What was once seen as a luxury no longer has the same meaning today. However, it is safe to say that, according to Nyadzayo et al. (2020), a luxury brand is a product that is rare and manufactured in small quantities, which has a higher price tag and that is characterised by its distinct identity and exclusivity. This makes the products more attractive to a niche group of people, creating a desire to consume and an illusion of a need to buy.

In addition to the desire to buy luxury products, nowadays it is understood that luxury brands must reinvent themselves to make shopping experiences memorable for their consumers, in order to create a personal connection (Klaus & Manthiou, 2020). Therefore, given that luxury is recognised as elitist, symbolic, prestigious, and expensive, those who consume it see themselves in a position of status through public symbolism (Von Wallpach et al., 2020), which is why the authors (Bauer et al., 2011; "Revenue Management", 2011) consider that luxury is mostly seen as the image that consumers have of themselves, for the emotions and experiences it gives them and for the quality and enrichment of their lives. From this perspective, consumers buy luxury products and services for the happiness and pleasure they give them, knowing that they are not a basic need but an unnecessary status.

Nowadays, and given the general panorama, particularly with globalisation and the arrival of social networks, which are mostly used by the younger generations and where information (good or bad) reaches everyone quickly, there is enormous pressure among young people to be accepted by society and others. The motives that once led to the consumption of luxury products are not the same today, but it is still associated with fuelling self-esteem and raising personal status through the possession and acquisition of items and services (Nyadzayo et al., 2020). High-end brands are associated with people of high social standing, marked by their elegance and rarity, which has always caused a sense of belonging. According to the article from Ünal et al. (2019) there is peer pressure to buy and use luxury goods, there is an influence from the social environment to buy these products so that young people can fit in and gain respect and, above all, be accepted by society. However, giving in to this pressure only happens when the young person doesn't feel safe with their motivations and reflections, letting the opinions and ways of thinking of others affect them and influence their decisions (Soneji et al., 2015; De Araújo Gil et al., 2017).

That said, luxury differs from individual to individual, and it can be perceived differently between different sectors of activity. This gives rise to the section on luxury in hotels, namely luxury hospitality.

According to the Cambridge Official Dictionary<sup>8</sup>, the word hospitality serves several purposes, such as "the act of being friendly and welcoming to guests and visitors", "food, drink, entertainment, etc. that an organisation provides to guests or business partners" and "the work or business of providing food and drink, entertainment, hotels, etc. to customers". The hospitality organisation must understand the wishes and needs of its guests, providing them

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<sup>8</sup> <https://dictionary.cambridge.org/dictionary/english-portuguese/hospitality>



with a safe environment with dignity (King, 1995). According to Gardi (2021), hospitality is a specific type of relationship between the guest and the host, for example the hotels.

In the world of hotels, this term can be associated with luxury and refinement, although this association varies from person to person (Heyes & Lashley, 2017) and can change between different sectors of activity (Ko et al., 2019). However, it is common for the price associated with these hotels to be higher, making it difficult for those who do not have a lot of money to access them, and for this reason they convey a sense of exclusivity and superiority through economic power and social position (Minor & Heyes, 2021).

Peng and Chen (2019) state that luxury hospitality is a major player in the global luxury industry, second only to the automotive and personal goods industries. Regarding the luxury market, the trend towards experiential luxury has been growing in recent years. Some examples are stays in luxury hotels, the consumption of renowned meals and drinks and exclusive holidays (Amatulli et al., 2021). The transformation from having to being is supporting the rise of this trend (Luna-Cortés et al., 2022), since consumers want to feel pleasure in their luxury experiences (Holmqvist et al., 2020).

That said, hospitality comprises people and organisations that offer accommodation, restaurant or bar services and leisure activities (Amatulli et al., 2021), and luxury hospitality combines unique accommodation, excellent food and/or drink and unforgettable experiences, based on the high quality of its service (Luna-Cortés et al., 2022). According to Ramya et al., (2019), service quality is understood as the ability of the service provider to offer an efficient and timely service that satisfies customers, which is an improvement in business performance. It should be noted that service quality can be defined in diverse ways and perceived differently by everyone (Ying & Al-Khaled, 2023). The success of luxury hotel chains is strongly determined by the satisfaction of their customers, since dissatisfied customers can negatively affect a hotel's reputation, as opposed to satisfied customers who are more likely to return (Li et al., 2020). This makes it essential and urgent for hotel chains to endeavour to please their customers as much as possible, through the service they provide or the products they offer through superior quality, creating a perception of luxury and desirability that is highly valued by customers (Motoki et al., 2023).

To do this, luxury hotels must develop a robust marketing plan. Firstly, they must study the market in which they operate to identify its main segments based on the needs of the products and services they offer and, therefore, orientate their strategy towards the market. It is therefore important that your segment marketing plan is guided by defining the profile of the hotel (or chain) so that it serves the needs of your consumer group (Kóródi, 2020). Even if the hotel's

customers are segmented, they may come from multiple backgrounds and different cultures (Sherman, 2007). This means that hotel services need to be prepared for these differences, particularly in terms of customer service (for example, distinguishing between behaviour that is acceptable or not), which is the core competence for offering a lowkey, quality service (Minor & Heyes, 2021).

Since quality is an essential factor in defining a hotel as luxurious and enhancing the customer's experience, there are several ways in which this can be done, whether it's through the hotel's location, the beautiful scenery, the quality of the materials used in the hotel (Atwal et al., 2019), such as the statues and pieces of art on display in common spaces or in details such as crockery and bath towels. The design of the hotel building and its elements, such as the rooms, swimming pools, spa, and restaurants, also weigh on quality due to their exclusivity and even rarity (Peng and Chen, 2019).

Offering extra services, which are not usually included in more traditional hotels, can be perceived as luxury by consumers (Chang et al., 2016), along with the cleanliness of the hotel's rooms and common spaces. Along with these factors, food, and drink products, which should be authentic and fresh, stand out as contributing to increased quality and luxury (Kim & Baker, 2021).

In addition, the presentation of employees is essential to give an image of luxury. This is achieved through their clothing and appearance, as well as the way they provide service to customers so that they can enjoy authentic experiences and have a peaceful holiday (Apparel, n.d.).

The association between the hotel industry and luxury brands from other sectors of activity has been gaining ground in the world of luxury, as it is a win-win situation, as is the case with Armani in Milan or Louis Vuitton in the Maldives, due to the visibility and promotion of exclusive and differentiating experiences for consumers (Kim & Baker, 2021). These reasons characterise luxury hospitality, which in turn is reflected in the high prices used as a strategy to provide a feeling of exclusivity.

**Table 1.1. Dimensions related to luxury hospitality.**

Dimensions of Luxury Brands	<ul style="list-style-type: none"> <li>• Status</li> <li>• Prestige</li> <li>• Resonance</li> </ul>	<ul style="list-style-type: none"> <li>• Authenticity</li> <li>• High Quality</li> <li>• High Price</li> </ul>	Ko et al. (2019)
Dimensions of Luxury Services	<ul style="list-style-type: none"> <li>• Hedonic Value</li> <li>• Exclusivity</li> <li>• Continuum</li> </ul>	<ul style="list-style-type: none"> <li>• Subjective perception of quality</li> </ul>	Wirtz et al. (2020)

Dimensions of Luxury Experiences	<ul style="list-style-type: none"> <li>• Status</li> <li>• Prestige</li> <li>• Resonance</li> <li>• Authenticity</li> </ul>	<ul style="list-style-type: none"> <li>• High Quality</li> <li>• High Price</li> <li>• Hedonic Escapism</li> </ul>	Holmqvist et al. (2020) Iloranta (2022).
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Source: Luna-Cortés et al. (2022)

All these factors culminate in customer satisfaction and their perception of luxury hospitality and their own characterisation of luxury. However, there is a recognised scale associated with hotels that creates high consumer expectations. The star rating and recognition of prestigious hotel brands (Farmaki et al., 2021) is important when customers decide to book a hotel, demanding premium service, facilities, and amenities, directly affecting their satisfaction (Ying & Al-Khaled, 2023).

Luxury hospitality is therefore characterised by a high price, coupled with excellent service combined with high-quality facilities and accommodation, with a different and authentic design, along with exclusive and varied food and drink, providing consumers with unforgettable experiences (Luna-Cortés et al., 2022).

### 2.1.3. Key Performance Indicators

Key Performance Indicators are a set of measures used simultaneously to assess an organisation's performance and effectiveness over a given period of time, and which take into account the company's main success factors (Badawy et al., 2016). They are related to the system's objectives and are therefore essential information for managing operations at distinct levels of the company (Roubtsova & Michell, 2014).

The definition of a set of KPIs is called a KPI system and they are often used both from a lower-level perspective and to measure overall performance. In this way, KPIs are necessary to measure the success of the efforts made in pursuit of an objective (Srivastava and Maitra, 2016). This tool makes it possible to measure and monitor the results of these factors through data, ratios, and qualitative information, which makes it possible to identify details during the production process and, consequently, make continuous improvements to them and to the system (Kang et al., 2016). Although these are calculated from operational data, they are worked on and interpreted to be used from a strategic perspective and facilitate decisions for managers (Roubtsova & Michell, 2014), also helping them to monitor the strategic plans implemented through the KPIs results.

As a rule, leaders assign a set of different KPIs based on the individual's and department's job functions, which means that the KPIs will differ from department to department (Marketing,

Human Resources, Operations, among others) and from individual to individual within the same department.

Since KPIs are mostly quantitative and specific, it makes it easier to assess results and performance, as this becomes more transparent, fair, and effective (Dan et al., 2023). The use of these parameters has some advantages, as mentioned by KPIs-based work performance management in the (Dan et al., 2023), since performance assessment:

- Provides feedback to individuals on their work performance and compares it to standard expectations and to their colleagues to help them complete their work.
- It stimulates and encourages workers to be more creative, to be aware of their responsibilities and provides better job performance.
- Provides information necessary for planning certain areas of an organisation, such as human resources (in the context of remuneration or promotions, since companies offer better salary conditions or award prizes for results demonstrated and objectives achieved as a way of encouraging continuous improvement of tasks and use of their maximum potential), thanks to more objective and fair evaluation.
- It boosts employee training since these parameters show which points and areas workers need to improve.
- It serves as a basis for managers to understand the real position and status of activities and thus take action to guarantee improvements in operations.

However, defining a KPI becomes a challenge for management when there is not enough information about the attributes (name, type, duration, values, among others (Popova & Sharpanskykh, 2010) or it is not clear. Similarly, when the assumptions are not complete, the task of understanding them is not made easier for those with KPIs to fulfil, and there may be scope for manipulating the values and obtaining adulterated results. The same happens when the information is not clear, precise, and understandable, as it can mislead workers into assuming different interpretations, which can subsequently affect the desired results (Roubtsova & Michell, 2014). However, the definition of these objectives should not be restricted, allowing for reassessment and/or change during the current period, if necessary, so the strategies and workable models should be simple and easy to change (Roubtsova & Michell, 2014). A management strategy should also consider how many KPIs to assign to its employees, so as not to underload them and exhaust their assumptions, thus preventing them from losing focus on results. To make the task of assigning KPIs easier, the authors Kang et al. (2016) suggest subdividing them into: supporting elements, intermediate KPIs and comprehensive KPIs.

In addition, KPIs are dependent on measurements to provide data for managers, and, for this reason, it is crucial that the measures stipulated for employees or departments are achievable and calculable targets (Bumba et al., 2023). By using a simple calculation method, the relationships between the KPIs established become more discernible and it is possible to statistically verify whether there is a positive or negative correlation between the assumptions. The defence by Jooste and Botha (2018) is that there is a limit in understanding the reflection of the impact of one KPI on results or on other KPIs. This complex interdependence can make decisions difficult for managers, since KPIs have different orientations, meaning that an increase in one KPI can cause a decrease in others (Bumba et al., 2023). When the causes of a deviation in a particular indicator are not known in advance, some targets are not achieved, as there is a lack of information about the cause-effect relationship between indicators, as explained by Sáiz et al. (2007).

For the hospitality industry, the definition of KPIs doesn't differ much, since parameters must be selected that are considered relevant for calculating and monitoring the performance of results, in order to achieve the success and growth of the hotel. The aim of establishing and complying with KPIs is to help hotel managers channel their efforts so that they can ensure effective and efficient management of their resources and maximise profits by satisfying stakeholders (Kala and Bagri, 2014). The correct definition of KPIs then depends directly on what the superiors believe is important for the hotel, which is why it is crucial to outline the expectations of a hotel organisation. In this way, as responsibilities vary between departments, teams and individual workers, and the problems they face are different, the identification of performance evaluation measures must also be different, in order to maximise continuous improvement across all areas of a hotel. In hotels, KPIs can therefore be measured in accordance with the position and responsibility of everyone, from director to hotel employee (Srivastava and Maitra, 2016).

Within KPIs, there is a possible division between financial and non-financial performance indicators. According to some authors, such as Beatham et al. (2004), Haktanir and Harris (2005) and Wadongo et al. (2010), hotels should use balanced, financial-only measures, since the traditional assumptions were focused only on profit (Brown & McDonnell, 1995), from a short-term perspective (Denton & White, 2000), making them unsatisfactory for competitive advantage (Evans, 2005; Phillips, 1999) and not very market-orientated (Phillips & Louvieris, 2005). Therefore, given the limitations of using exclusively financial criteria, as well as the increase in globalisation and consequently competition in the hotel industry, hotels began to use measures that covered both financial and non-financial topics. In the latter case, and given

that financial measures, namely profit, are fundamental to evaluating the performance of a hotel or hotel chain, they have become relevant to making a more comprehensive and fair assessment of the work. In this way, these assumptions can help provide more focused strategies and greater opportunities for measuring long-term organisational effectiveness (Kala and Bagri, 2014). Some examples of indicators with the potential to be measured from a non-financial perspective, as research has shown (Harris & Mongiello, 2001; Atkinson & Brown, 2001), are competitiveness, quality of service and consequent customer satisfaction, the company's flexibility, its use of resources and technologies. In recent years, hotels have come to realise the importance of valuing people, both from the point of view of employees and the guests they welcome, since they are service providers (Kala and Bagri, 2014).

The total revenue obtained, total operating costs, total sales (including food and beverage), relative market share and room occupancy rate, when added to customer satisfaction surveys and the flexibility of response speed, represent a set of financial and non-financial parameters capable of measuring hotel organisational performance (Wadongo et al., 2010). The combination of these criteria is important for visualising the full picture of a hotel's results, which leads to a safer and more comfortable KPI allocation and definition strategy on the part of the hotel or hotel chain management committee, given that the non-financial criteria influence the financial ones and vice versa (Kala and Bagri, 2014).

## **Chapter 3 – Methodology**

This chapter describes the nature of the study, the hotel under study and its chain, and the collection of data by interviewing a representative of the hotel under study.

### **3.1. Research Model**

Research is a process defined by the person who wants to observe a phenomenon and collect information about it (Kandel, 2020). As defined by Grinnell (1993), research is a careful, systematic, and pertinent study in a specific field, carried out for the purpose of establishing facts. As a result, data is collected which is then analysed and interpreted in order to eliminate difficulties and help improve conditions (Cohen et al., 2007).

Thus, in the context of research, there are quantitative and qualitative approaches that are applied depending on the subject under study. In general terms, a quantitative approach aims to regulate the relationship between independent and dependent variables, developing mathematical models, hypotheses and/or theories regarding events (Mehrad & Zangeneh, 2019). In this way, a phenomenon can be explained by collecting numerical data and analysing it mathematically, particularly statistically (Muijs, 2004). It is a more objective, results-orientated investigation that aims to quantify the variation in each situation (Mehrad & Zangeneh, 2019).

In contrast, the qualitative approach can provide information that the quantitative approach cannot, since it collects, analyses, and interprets data through observation (Kandel, 2020). These data are the perceptions and meanings that people attribute to phenomena in their social worlds (Denzin & Lincoln, 2005). It remains a demanding, systematic, and disciplined enquiry that offers alternative techniques to quantitative research (Cottrell & McKenzie, 2011). The aim of this research approach is to understand social events in natural contexts, emphasising the experiences, meanings, and points of view of individuals, helping to understand the world we live in (Kandel, 2020).

In qualitative research, data is collected using instruments and methods that allow us to capture a vision capable of conveying the ideas and meanings that people attribute to phenomena, such as individual or group interviews (Kandel, 2020). Although interpretative, for the quality and rigour of qualitative research not to be called into question, it must be a careful process of data collection and processing, giving robustness to the study (Nassaji, 2020).

Qualitative and quantitative research share the same principles, methods and techniques and are used synonymously, but it is the researcher who determines whether a piece of research is qualitative or quantitative by the way they collect and analyse the data (Kandel, 2020).

Given the topic under discussion, the methodological option taken is based on qualitative research. Data collection, analysis and interpretation involve opinions about the KPIs used in the chosen luxury chain, which will be obtained through a semi-structured interview. With this type of research, the aim of gathering new knowledge, describing it, and interpreting the interviewee's experiences is to be achieved. According to Cleland (2017), and with a focus on the subject at hand, qualitative research aims to address and, if possible, answer questions related to the "how" or "why" question. Therefore, it will then be possible to acquire new information that will be useful for future literature.

### **3.2. Hyatt Hotels Corporation**

With headquarters in Chicago and a tradition of innovation developed over sixty-five years, Hyatt Hotels Corporation is a global hospitality company with market-leading and widely recognised brands, which manages and franchises luxury and business hotels, resorts, and holiday properties. In its annual report, as of 31<sup>st</sup> December 2022, the Hyatt group owns 1,263 hotels and all-inclusive properties, present in seventy countries and on six continents. Its properties totalled 304,108 rooms worldwide.

According to the official website<sup>9</sup>, its history dates to 1957, when Jay Pritzker bought the Hyatt House motel next to Los Angeles International Airport. Over the next 10 years, together with his brother Donald Pritzker, they worked together to transform the company into a North American hotel management and ownership company, becoming a public company in 1962. In 1968, Hyatt International was created, which was split into Hyatt Corporation and Hyatt International Corporation. Subsequently, on 31<sup>st</sup> December 2004, practically all the hotel assets held by the Pritzker family's business interests were consolidated into a single entity, the now Hyatt Hotels Corporation. Over the following years, the Hyatt company has been charting its course under its mission statement "We deliver distinctive experiences for our guests."

Hyatt has been committed to advancing its loyalty programme for the most loyal guests, World of Hyatt, and in 2019 it created an app, expanded the Small Luxury Hotels of the World destinations, and formed alliances with American Airlines and Lindblad Expeditions. In 2020, Hyatt is the first hotel brand to commit to the Global Biorisk Advisory Council accreditation, based on its demanding safety and cleanliness protocols, as part of its Global Care & Cleanliness Commitment. Recently, in 2021, Hyatt acquired a leading luxury resort, travel, and

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<sup>9</sup> <https://about.hyatt.com/en/hyathistory.html>



hospitality management services group with a unique collection of resort brands, Apple Leisure Group.

Thus, its offer includes the following brands and collections: the Timeless Collection, including Park Hyatt, Grand Hyatt, Hyatt Regency, Hyatt, Hyatt Residence Club, Hyatt Place, Hyatt House and UrCove; the Boundless Collection, including Miraval, Alila, Andaz, Thompson Hotels, Hyatt Centric and Caption by Hyatt; the Independent Collection, including The Unbound Collection by Hyatt, Destination by Hyatt and JDV by Hyatt; and the Inclusive Collection, including Hyatt Ziva, Hyatt Zilara, Zoëtry Wellness & Spa Resorts, Secrets Resorts & Spas, Breathless Resorts & Spas, Dreams Resorts & Spas, Hyatt Vivid Hotels & Resorts, Alua Hotels & Resorts and Sunscape Resorts & Spas.

Hyatt recognises the responsibility it has, particularly in creating measures and solutions to some of the hotel industry's biggest challenges, which is why it has created World of Care, an ESG platform. Underpinned by measurable objectives and doable commitments, Hyatt is committed to Caring for the Planet, People and Responsible Business, every day.

With a total revenue of 5,891 million dollars, Hyatt is a world-renowned company with more than 100 awards, either for the group or for a specific hotel, such as Thompson Hotels, which received the "Best Luxury Hotel Chain" award in Money magazine's Best in Travel Awards in 2018, and in 2023 Hyatt has already received 5 awards, including the 2023 World's Most Admired Companies award by Fortune and the 2023 Best Loyalty Programme award by Newsweek.

Its excellent offer and the value and professionalism of its employees, combined with Hyatt Hotels Corporation's passion for the luxury hotel industry and its ambition for sustainable economic growth, have contributed to the company's position in the world of luxury hotels.

Hyatt Regency Lisbon, a Hyatt Hotels Corporation hotel, opened in Lisbon on 19 August 2022, so they have been operating in the market for just over a year. The Hyatt Regency Lisbon is a franchise property, which is why, as Javier (interviewee) said in the interview, "We do not report to Hyatt. We report to our mother company. So, there is kind of these two paths where we need to align with Hyatt, Brand standards, but at the same time, deliver to our mother company standards as well.", (Appendix B, l. 19-22). United Investments Portugal [UIP] is the parent company of Hyatt Regency Lisbon, a hospitality management company and investor that buys and manages the buildings, as well as the businesses and hotels, even if they are franchises. According to the general manager of the Hyatt Regency Lisbon, UIP builds the infrastructure and then pays a fee for it to have a name. In the case of the Hyatt Regency Lisbon, UIP pays a fee so that it can franchise, use its brand, and name at the entrance and follow its standards. As

well as the Hyatt in Lisbon, they own other luxury hotels in Portugal, such as the Sheraton in Cascais and the Pine Cliffs in the Algarve.

### **3.3. Interview**

Bearing in mind that the research being conducted is qualitative, interviewing was the method chosen to collect data about KPIs in a luxury hotel chain.

In this context, it was decided to develop an interview script. Kvale (1996) defined an interview as a conversation aimed at gathering information and descriptions about the interviewee's world in relation to the phenomena under discussion. It is a conversation that aims to obtain in-depth information about the meanings that the interviewee attributes to events (Alshenqeeti, 2014).

Compared to questionnaires, interviews prove to be more powerful in obtaining data, giving the researcher the chance to delve deeper into people's points of view (Kvale, 2003). Thus, through an interview the interviewees are allowed to express their own thoughts and feelings, so the value of the interview does not end with analysing words and detailed accounts of points of view (Berg, 2006).

In this study, a semi-structured interview script was constructed. The exploratory semi-structured interview, which is based on a script and focuses on a main topic, provides a general pattern. This type of data collection makes it possible to go into more detail in an investigation, even if it has a previously outlined path (Magaldi & Berler, 2020). The questions asked during the conversation are stipulated a priori, in a schematic presentation defined by the researcher (Jamshed, 2014), however, and because it is a more open situation, it allows interviewees to be more likely to share their points of view, unlike questionnaires (Flick, 2002).

Semi-structured interview scripts are designed to optimise time and prioritise topics so that the interview remains focused on the desired course of action (Jamshed, 2014). The questions for an effective interview should be meaningful suggestions that generate detailed and rich thoughts and descriptions of the phenomenon under study (Bearman, 2019). They should be thoughtful and relevant to keep the interviewee interested, and the author methodology suggests that open-ended questions are the best way to get generative responses.

To this end, an interview script was drawn up (Appendix A). This script is divided into 6 dimensions that aim to answer the research question:

1. Characterisation of the interviewee - 4 questions
2. KPIs at Hyatt - 4 questions
3. Specific strategies and approaches - 2 questions

4. Measuring results - 2 questions
5. Challenges and adaptation - 2 questions
6. Future and Innovation - 2 questions

Within each topic, questions were structured on Hyatt's position on the issue, so the aim was to understand, from the interviewee's point of view, how Hyatt perceives its KPIs and how it implements them.

The interview was conducted by videoconference using the Microsoft Teams platform. It took place on 09 October 2023, at 9 am, and the video call lasted around 40 minutes. Prior authorisation was given by email for the video and audio recording to be used in this study (Appendix B). Recording allows the researcher to concentrate better during the interview, as they can then listen to and faithfully transcribe what was said (Jamshed, 2014).

To obtain results that would contribute to the construction of an answer to the research question, it was necessary to find an employee of a luxury accommodation chain who had management functions and knowledge of the application of KPIs. Thus, after informal contact, formalised by email, Javier Soler, general manager of Hyatt Hotels Corporation, agreed to be interviewed and the interview recorded.

The interview was conducted in English by the interviewer and the interviewee.



## **Chapter 4 – Results**

This chapter presents the results and their discussion, considering the dimensions of the interview script, i.e.: Interviewee Characterisation; KPIs at Hyatt Regency Lisbon; Specific Strategies and Approaches; Measuring Results; Challenges and Adaption; Future and Innovation; Additional Information. In addition, the implications of the study for the field of research and for the operationalisation of KPIs in luxury hotels are described.

### **4.1. Interviewee Characterisation**

Javier Soler is the person interviewed to gain an insight into the KPIs applied to the Hyatt hotel. He started working at the Hyatt chain in 2001 as Food and Beverage [F&B] team leader, where he stayed for the next seven years. In the meantime, he worked in other hotel chains, mostly in the F&B area, and is currently the general manager of the Hyatt Regency Lisbon since April 2023. His professional experience is mainly focused on the luxury hotel industry. His skills are related to Profit & Loss [P&L], Hospitality Industry, Event Management, Leisure Industry, Yield Management and 5-star Hotel operations. He considers himself a dynamic professional who focuses on team management, revenue management and customer satisfaction (Javier Soler by LinkedIn, 2023).

Previously, there was another person in his position who was more focused on opening the hotel, as the project was delayed by almost 5 months. So, the previous manager's strategy was to force the opening of the Hyatt, even if only with the rooms. Afterwards, the focus was on “[...] trying to analyse, getting the team on board [...]”, (Appendix B, l. 16). Now they are at a stage where they are fine-tuning their finances in the different departments, as many of the departments now need a mentor or to be guided. At the same time, they are analysing what mistakes and failures have been made in the past and how they are going to mitigate them and learn from them.

### **4.2. KPIs at Hyatt Regency Lisbon**

Hyatt Regency Lisbon's KPIs were the focus of the interview, since, to quote the interviewee: “[...] it depends on the property of Hyatt around the world, they have different KPIs [...]” (Appendix B, l. 26-27). For the franchise in Lisbon, the KPIs are aligned with those of the parent company, but with the payment of the fee to the Hyatt group, they have access to the processes and tools used by the group. These tools are used for “[...] for bookings, for PMS [Hotel Property Management System], POS [Point of Sale Software] [...]”, (Appendix B, l. 34-35).

As such, Hyatt Hotels Corporation does not assign any KPIs to the Hyatt Regency Lisbon, which are stipulated by the parent company. However, before the franchise application is accepted by the Hyatt group, a business plan at a remarkably elevated level is required. This plan sets out the performance you want to have in the market. Thus, what Hyatt Hotels Corporation is looking for are top lines and Gross Operating Profit [GOP], given that Hyatt Regency Lisbon pays certain fees if it achieves certain KPIs, (Appendix B, l. 240-241). This implies that, although they don't define specific KPIs for franchises, they do demand that the services offered be of a high standard.

That said, although the KPIs are decided by the parent company, they are "[...] mostly driven by top line as well." (Appendix B, l. 244-245). Therefore, various exercises are conducted by the hotel to achieve the top KPIs, such as "[...] having a pool, having a kids club.", (Appendix B, l. 246), for the customer satisfaction KPI. These decisions are additions to stimulate and attract the market to the hotel, while increasing its value and Average Daily Rate [ADR]. According to the interviewee, as value is added to the property, there is then the possibility of selling the room for a higher price. Some examples that the general manager contributes to this added value are the restaurant, breakfast, brunch and a healthy recipes restaurant, its rooftop, spa, gym, and swimming pool. All these amenities allow the Hyatt Regency Lisbon to sell its rooms "[...] on a higher rate." (Appendix B, l. 251).

Having other properties, both in Portugal and in the Middle East, UIP has its own way of operating. The company is extremely focused on rooms and is also strong in F&B, which stands out as a major department at the Hyatt Regency Lisbon. Their focus is mostly "[...] on how to elevate [...]" (Appendix B, l. 40) in all the different areas.

To the question "What are Hyatt's most critical and specific key performance indicators that have the greatest impact in the results [...]", the interviewee said that the hotel has several KPIs, but that he thinks that, at the moment, the most important one is ADR. It is one of the main KPIs, together with Revenue Per Available Room [RevPAR] (Appendix B, l. 44-45). Both are very relevant points for the hotel and its focus too, given that Hyatt Regency Lisbon has now been on the market for over a year, and it is only now that they have started to penetrate the market in a different way, in the interviewee's words (Appendix B, l. 47). At the same time, the Hyatt Regency Lisbon started its planning and budgeting for 2024, but it is not possible to use the benchmarks since the opening, as it was difficult to understand how they were doing in terms of performance (Appendix B, l. 48-49).

GOP is also one of the KPIs on which they are now focusing more, since the costs of opening the hotel were high. For example, with staff turnover and contracts with suppliers

(Appendix B, l. 52). That said, the general manager of the Hyatt Regency Lisbon considers that they are already "walking with no running, but we're already walking instead of crawling" (Appendix B, l. 53-54).

Alongside these KPIs, for the interviewee, Guest Sentiment is a relevant KPI, as guest sentiment is a "power word" (Appendix B, l. 55), given that in order to penetrate the market it is important to create different questionnaires and offer different experiences. In their view, Hyatt, as a global company, is focused on guest satisfaction and membership, since they have a membership club that identifies and treats their "loyal guests very well" (Appendix B, l. 58). Consumers collect points that can later be converted into a free night in a Hyatt hotel, as their expectations as guests are also extremely high. Regarding guest sentiment, Hyatt has distinct brands for different segments, and in Lisbon monitoring this KPI is important to know how to get guests to return to the hotel. At the same time, considering this KPI is important for the brand's visibility on social networks (Appendix B, l. 62). "We have a good product [...]", the F&B offer is excellent (Appendix B, l. 63-64), as are the rooms, 50% of the 204 available being suites. For this reason, it is easy for the Hyatt Regency Lisbon to upgrade a booking, which also contributes to guest satisfaction (Appendix B, l. 65).

Together, the structure of a team is, from the interviewee's point of view, an important KPI for the smooth running of the hotel, even though he considers that it may not be as important for other hotels or even for their parent company. In today's world, and in his opinion, it is "very hard to attract talent, and to capture or retain" (Appendix B, l. 68), and without a well-structured team, the KPIs mentioned above - ADR, RevPAR, GOP and Guest Sentiment - would not be achievable.

Alongside the KPIs defined for the hotel, there are also "[...] KPIs for each department." (Appendix B, l. 169). As the interviewee mentioned, the KPIs defined vary for each department, "Each department has different KPIs." (Appendix B, l. 174). For the sales department, the KPI is the signing of contracts for a certain amount of costs. The front office's KPI is customer satisfaction, (Appendix B, l. 170-171). For the housecleaning team, their KPIs is mainly related to the cleanliness of the hotel, which directly impacts the customer satisfaction KPI, (Appendix B, l. 174-175). Regarding the F&B team, their KPIs are limited to staff teams and costs (Appendix B, l. 176-177).

Thus, for the Hyatt Regency Lisbon, the interviewee assumes that the most relevant KPIs are "[...] financial, ADR, RevPAR, RGA [Residential Guest Accommodation]". In addition, another truly relevant KPI is customer satisfaction (Appendix B, l. 180-182).

According to Maitra and Srivastava (2016), the hotel industry uses various indices to measure its performance in three key areas, occupancy, ADR and RevPAR. Similarly, according to the answers given by the interviewee, the Hyatt Regency Lisbon generally follows the main KPIs of the hotel sector. These KPIs are used to understand how the hotel unit is performing in relation to its strategic objectives (Maitra & Srivastava, 2016).

Asked if Hyatt has any KPIs that really make them stand out from their competitors in the area, the guest said that Hyatt has been performing very well compared to the others - "[...] we are performing very, very well, comparing to the other hotels, mostly September we over-perform the markets occupancy. And October since that we are also going to over-perform," (Appendix B, l. 103-105). However, its ADR is low. This is because the hotel's initial strategy was to work aggressively with the sales department to fill the restaurant and the hotel. Its focus is now on increasing its ADR and reaching the top line. Compared to other similar five-star hotels in the city, the interviewee says that Hyatt recognises that its product is fantastic, but its location is not the same as others. In this way, it is also important for them to recognise these differences so that, regarding their performance, they can put everything into perspective - "[...] we need to put everything into perspective as well when it comes to performance [...]" (Appendix B, l. 110-111).

#### **4.3. Specific Strategies and Approaches**

The Hyatt hotel has only been operating in the market for a little over a year, but it has already been implementing different strategies that enable it to achieve its objectives and KPIs. Its start-up was not easy, which led to a performance below its potential, according to the interviewee. Therefore, "what we're doing is adjusting our pricing list, adjusting our product, our menus, our room rates to our value that we consider" (Appendix B, l. 118-119).

When opening a hotel, and in the words of the interviewee, "you really need to fight to be popular" (Appendix B, l. 120), but when you reach that level, that's when you can define the type of business you want to have, to be a bit "peaky" (Appendix B, l. 121). That said, it's only now that people are starting to notice the hotel and its amenities: "we have a spa, we have meeting event facilities, we have a rooftop" (Appendix B, l. 122-123). This, together with the fact that it is the first Hyatt in Portugal, means that it is not possible to benchmark it against other Hyatt hotels in Portugal. Thus, it is only now that the hotel recognises what its rate is, since before "we wanted that we wanted that piece of cake, we were fighting to be able to get that piece of cake, at any cost" (Appendix B, l. 127). In this way, their current position in the market reflects their decision-making power when it comes to choosing the business they want



to do - "[...] we are actually popular now to decide which business we want to take [...]" (Appendix B, l. 131-132).

However, the KPIs they initially defined are not the same over time. In the interviewee's view, how the main KPI is achieved is not relevant, "[...] how did you get there it's really irrelevant [...]" (Appendix B, l. 138). For example, at the beginning of the year, for the Hyatt Regency Lisbon to achieve the objective defined in the budget, its strategy was to be an "[...] aggressive seller [...]" (Appendix B, l. 139). However, what happens is that the costs are also very high, and this is where ADR comes in. The hotel's strategy is now different, i.e., they want to mitigate costs, even though their occupancy rate will fall, but their ADR will be higher. Consequently, the GOP will also be higher, given the reduction in costs. In this way, it will be possible to generate more revenue with less occupancy, which means that costs will also be lower, "So, you generate more revenue with less occupancy and therefore less costs as well." (Appendix B, l. 143-144).

The Hyatt Regency Lisbon's strategy for reducing costs is also intrinsically linked to sustainability and the ESG concept:

"[Interviewer] Yes, that strategy is align as well with ESG, Environmental, social and governance measure?

[Interviewee] Correct. " (Appendix B, l. 153-154)

The strategies adopted are, for example, reducing the quality of toilet paper, agreements with meat suppliers, reviewing wine prices, analysing the restaurant and breakfast menu, replacing individual soap with bulk soap, and putting up bamboo signs. In this way, the Hyatt Regency Lisbon is doing " [...] a lot of exercise mitigate the costs because that at the end it reflects right into the GOP. " (Appendix B, l. 151-152).

#### **4.4. Measuring Results**

" [...] how do you measure it [KPIs] to make a strategic decision when you are doing the budget?" (Appendix B, l. 72-73).

When defining a budget, the KPIs that become most important to use as a strategy for making a decision are ADR and RevPAR. In his opinion, these are the KPIs, since he believes that although the budget tends to be aggressive, which is usually healthy given that there is an objective to achieve, it is only at the end that it is possible to look at the budget and try to stimulate the different departments to achieve the KPIs. After defining the overall budget, Hyatt tries to guide itself through its forecast. Each forecast needs to be accurate, even if its "[...] forecast's variant will be 3% to 5% up or down." (Appendix B, l. 79). Since this forecast sheet

is usually made for the current month and the following two months, it is one of the tools they use regularly to understand how they are performing each month, whether in ADR, RevPAR or other KPIs, such as GOP.

It is through P&L, when looking at total revenue, expenses, and payroll, that the GOP KPI emerges. Thus, Hyatt's measurement of GOP, for example, is done through a "[...] live tool." (Appendix B, l. 87). The hotel has several tools it uses to measure the performance of the KPIs it applies, namely the budget, monthly forecast sheets, daily reports on occupancy and ADR, and the live tool. The latter allows you to see how the Hyatt is performing and how its KPIs are behaving, namely its daily occupancy, rack rate and ADR (Appendix B, l. 88-90).

To keep track of the KPIs they have defined over time, the Hyatt Regency Lisbon has a live tool. It's an internal tool provided by the Hyatt Hotels Corporation group. However, at the time of the interview, the hotel was changing the tool to combine all the properties of the parent company.

The current tool allows you to see what the live performance is. In real time, it can measure ADR and RevPAR. It is essentially a P&L tool that allows everyone to have access to the hotel's performance. The planned change is essentially so that the teams know all the figures, so that they are aligned in the same direction. According to the interviewee, after this implementation it will be possible to know all the figures together for the different departments, (Appendix B, l. 157-159).

Currently, its ADR for October 2023 is 223, but at the time of the interview it was 204, and the higher the ADR, the better, since it means that a hotel is increasing the money it is making from selling rooms (Hargrave, 2020). Thus, it is "when we have the gaps of the occupancy that we can attract more guests" (Appendix B, l. 91-92), because in this way Hyatt can position itself at "the right price at the right days" (Appendix B, l. 92-93). However, it is necessary to analyse the market, to see if Hyatt's rates in any way match those of the market, so a benchmark is made of the hotels in the area. "So, you study your competitors. [...] And then you adjust your pricing" (Appendix B, l. 94-95). The same happens with occupancy rates, i.e., if the Hyatt has less than 95% occupancy, then it will increase its prices, since it is preferable to have 95% occupancy and a high rack rate and ADR, rather than 100% and a lower ADR.

Since the KPIs are different for the different departments, they are also measured depending on the associated KPI. Thus, to measure the customer satisfaction KPI, an email is sent to the customer so that they can evaluate the service, which is a KPI relating to the front office, or cleaning, a KPI for the cleaning team, (Appendix B, l. 174-175). In this way, it is possible to have an evaluation from the customer and monitor the performance they are having.

Thus, together with the tool provided by the Hyatt group, it is possible to check and measure the performance of the Hyatt Regency Lisbon.

Folan and Browne (2005) considered performance measurement to be based on the strategic role of the organisation and to be complementary and coherent with its strategic goals. Once the objectives are clear for each function or department, it is important to develop an evaluation tool (Maitra & Srivastava, 2016). In this way, supplying feedback, as is the case at the Hyatt Regency Lisbon through forecasts and the tool they have at their disposal, makes it possible to identify potential improvements. These improvements allow the hotel to continually improve its KPIs to achieve its targets.

#### **4.5. Challenges and Adaptation**

Currently, in the interviewee's opinion, the Hyatt Regency Lisbon is "[...] surfing the highway [...]" (Appendix B, l. 192-193), which he considers to be a good thing, given that the hospitality industry has suffered greatly from the pandemic. The hotel under study does not have a mitigation plan in case of an unforeseeable event.

In the general manager's view, "[...] the best is to focus on now." (Appendix B, l. 194). The best strategy will be to fight the current KPIs and, if something unforeseeable happens, adapt with the tools at hand.

However, in the normal course of business, the KPIs are constantly being analysed so that, if necessary, they can be changed. The budget is set and can't be changed, it just tells you what the final objective is (Appendix B, l. 201-203). However, where it is possible to change is in the forecast, i.e., it is possible to revise the forecast for the month itself or in the following months, in order to make it more realistic, (Appendix B, l. 204-206).

#### **4.6. Future and Innovation**

At the Hyatt Regency Lisbon, as with the rest of the parent company's properties, a five-year plan was implemented to see where the hotel wants to be after that time, knowing what the property's needs are (Appendix B, l. 213-215).

According to the interviewee, the Hyatt Regency Lisbon is very strong in Meetings, Incentives, Conferences and Exhibitions [MICE] tourism, with groups and guests travelling on business, but there is still a lack of leisure, "[...] we are lacking on leisure [...]" (Appendix B, l. 217). It turns out that most guests who seek leisure in your hotel are older, since those who seek leisure tend to stay more in a resort, to book a hotel closer to the city, for the offers as well.

There is also a gap with the segment of younger families with children (Appendix B, l. 219-220).

Therefore, part of the 5-year plan is also to identify shortcomings and potential improvements, so that it is possible to understand what needs to be done to mitigate them. One of the improvements already identified is the outdoor swimming pool, so the Hyatt Regency Lisbon is going to implement one. Another criticism from guests was that they couldn't go to the gym because there was nowhere to leave their children (Appendix B, l. 223-224). In this way, customer satisfaction is not achieved and, consequently, the KPI is not reached.

Although the location of the hotel under study can be seen as a disadvantage, it is strategically located. To improve the leisure segment, the Hyatt Regency Lisbon intends to make agreements and partnerships with various tourist attractions in order to attract customers and stimulate this segment.

Having understood the possible improvements, although there are segments in which the hotel in question has an outstanding position, "[...] they still have a long way to go." (Appendix B, l. 232).

#### **4.7. Additional Information**

UIP, the parent company of the Hyatt Regency Lisbon, owns other luxury properties in Portugal, including the Pine Cliffs in the Algarve and the Sheraton Cascais. Although the KPIs are defined by the same company, they differ from property to property. The differences between the hotels are marked, so the way in which the objectives are set must be adapted to the conditions of each hotel. For example, unlike the Pine Cliffs, which is a huge resort with lots of restaurants and diverse types of accommodation, the Hyatt Regency Lisbon is a city hotel. At the same time, there is also the case of the Sheraton Cascais, which is in a reserved area, has a spa and an outdoor pool and is focused on families and children, characteristics that the Hyatt Regency Lisbon does not have (Appendix B, l. 254-260).

That said, the Hyatt Regency Lisbon doesn't stand out; what happens is that each property is treated individually due to the different brands and the standards associated with each one. Thus, the KPIs defined for the Hyatt Regency Lisbon are "[...] completely different [...]" (Appendix B, l. 263) from those of the Sheraton Cascais, for example. However, the interviewee believes that all the hotels are guided by the main topline KPIs, such as ADR and RevPAR. The remaining KPIs vary from "[...] property from property." (Appendix B, l. 266).

Having said that, defining their expectations and objectives is not an easy task for hotel organisations. This definition and identification of responsibilities and what is relevant to the

hotel depends on who measures the KPIs, since the KPIs that are important and useful for one team will be different for another (Maitra & Srivastava, 2016). Therefore, the targets and the way in which they are to be achieved will also differ from hotel to hotel.

#### **4.8. Study Implications**

This study aims to clarify how KPIs in a luxury hotel have an impact on increasing profits and customer satisfaction. In this specific case, the hotel under study was the Hyatt Regency Lisbon.

The Literature Review shows that KPIs are useful for achieving the goals set by hotel units. Therefore, there is a need to study KPIs to understand how they are applied and measured in a luxury hotel.

Thus, this study has made it possible to understand how the Hyatt Regency Lisbon defines its KPIs, applies them and measures them to achieve its strategic objectives. In this way, this study is a contribution to the literature, as it provides a new perspective on KPIs in luxury hospitality. More specifically, it was possible to understand which KPIs are applied in a luxury hotel, from the point of view of the hotel's general manager.

At the same time, the analyses made of the answers given by the interviewees are contributions to practice, and some of them can be compared with the theory studied.



## **Chapter 5 – Conclusion**

How can KPIs be operationalised in a luxury hotel to increase profits and keep customers satisfied?

According to the results of the fieldwork, the application of KPIs - ADR, RevPAR, GOP, and Customer Satisfaction - is what allows the Hyatt Regency Lisbon to maintain its profits and increase customer satisfaction, while mitigating costs. These KPIs are used to measure the hotel's performance and work towards achieving the defined strategic objectives.

Thus, during the interview, the method chosen to understand the impact of KPIs on increasing profits and customer satisfaction at the Hyatt Regency Lisbon, we sought to obtain answers to the following dimensions: Interviewee Characterisation; KPIs at Hyatt Regency Lisbon; Specific Strategies and Approaches; Measuring Results; Challenges and Adaption; Future and Innovation; Additional Information.

Initially, when the Hyatt Regency Lisbon opened, the strategy used by the general manager focussed on the sales department, which meant a lower ADR than the hotel expected. Currently, at the time of the interview and according to the interviewee, his strategy is more focused and aggressive on the ADR KPI, although it is necessary to sacrifice the occupancy rate. Since ADR, according to Maitra and Srivastava (2016), is used to determine whether hotel rooms are being used efficiently, it is important that ADR is high. From the fieldwork, it appears that the higher the ADR, the better it is for the hotel, as there is more profit with fewer room sales. However, in Hyatt Regency Lisbon's current strategy, for this to be possible, it is important that the ADR is increased, given that at the beginning the focus was on occupancy. In addition, RevPAR will also be higher.

At the same time, cost mitigation allows the Hyatt Regency Lisbon's profit to increase. A high GOP reflects that the hotel has more profits than expenses, so it is important to cut unnecessary costs. Thus, in line with their sustainability and ESG policies, the hotel under study cut a series of costs that allowed them to work on the GOP KPI, increasing it.

Furthermore, the result of these strategies and the implementation of these KPIs is also customer satisfaction. For the hotel industry, service delivery is significantly dependent on the superior performance of its intellectual capital (Almeida, 2015), to ensure that the customer remains satisfied. The hotel industry centres its service on the customer, so customer satisfaction is important. In this way, the Hyatt Hotels Corporation group has a loyalty programme for customers and the Hyatt Regency Lisbon focuses on working to ensure that the customer is satisfied with its restaurant, its commodities, and the cleanliness of the rooms, for example.

The main KPIs are defined and worked on, as mentioned by the interviewee, so that they can be analysed and used to understand the performance of the Hyatt Regency Lisbon. In this way, the hotel property's profits increase, and its customers are satisfied.

In addition to the main KPIs, during the fieldwork it was realised that the structure of the teams in the different departments is important, as the main KPIs would not be so easily achieved without the contribution of the teams.

During the fieldwork we also wanted to understand which tool or tools the hotel property under study uses to measure and analyse its KPIs. Through forecast sheets and tools provided by the Hyatt Hotels Corporation that allow ADR and RevPAR to be analysed in real time. In this way, it is possible to monitor the measurement of KPIs performance and apply improvements if necessary.

The future challenges and innovations, dimensions questioned during the field research, provided an insight into how Hyatt Regency Lisbon intends to maintain its position in the market, increasing its profits and keeping its customer satisfied. As a luxury property, it is important for the hotel to stay in the customer's good graces, correcting its faults in order to achieve the piece of cake they desire. In this case, the inclusion of services such as a kids club or an outdoor pool will allow the Hyatt Regency Lisbon to add value to its services, which could have an impact on its ADR and RevPAR KPIs. As a result, their customers will remain or become even more satisfied, and their profits will also increase.

Although this study is a contribution to practice and theory, it is not without its limitations. However, these are limitations that can be overcome through more in-depth studies on the subject.

Of the limitations identified, the main one is the number of interviews. Although the interviewee's position is general manager of the Hyatt Regency Lisbon, the fact that it was only one interview and one perspective on the KPIs of the luxury hotel under study affects the results, so the addition of one or two more interviews with people in different positions would have been an asset.

At the same time, the fact that only one luxury hotel property was interviewed does not allow for a comparison with the market. Therefore, a valuable addition to the study would be to interview someone in the same position, but from another hotel chain.

The use of interviews implies the opinion of the interviewee, since the answers will always be conditioned by the interviewee's personal perspective, which can lead to less than sincere answers.



Given these limitations, it would be interesting for future research to conduct empirical studies related to KPIs in various luxury hotels.

Select several luxury hotels and go into detail about the KPIs that are used to measure their performance. The script in Appendix A could be a starting point to use in subsequent interviews, to compare the different hotels and how they use KPIs.

Another suggestion stems from the limitation found with the number of interviews, i.e., interviewing people in distinct positions at the Hyatt Regency Lisbon could be a possibility. In this way, it would be possible to analyse the various perspectives of those who work directly with the hotel's KPIs.



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## Appendix

### Appendix A – Interview Script

Dimensions of analysis	Questions
A - Characterisation of the interviewee	<p>Welcome and greet.</p> <p>Ask for authorisation to record.</p> <ol style="list-style-type: none"> <li>1. What position do you hold at Hyatt...?</li> <li>2. How long have you held it?</li> <li>3. What are your responsibilities?</li> </ol>
B – KPIs at Hyatt	<ol style="list-style-type: none"> <li>1. What are Hyatt's most critical and specific key performance indicators (KPIs) that have the greatest impact on the hotel's results? For example, occupancy rate, revenue per available room, average daily rate, customer satisfaction index, among others.</li> <li>2. How do KPIs help Hyatt measure its performance and make strategic decisions?</li> <li>3. How do they stand out from other hotel chains and what influence do KPIs have on this?</li> <li>4. A concrete example of how the control and measurement of KPIs has led to specific improvements in Hyatt's hotels, in terms of hotel performance or customer satisfaction.</li> </ol>
C - Specific Strategies and Approaches	<ol style="list-style-type: none"> <li>1. What specific strategies and actions does Hyatt adopt to improve its KPIs over time?</li> <li>2. How do KPIs help with profit management and price optimisation at Hyatt?</li> </ol>
D - Measuring results	<ol style="list-style-type: none"> <li>1. What process does Hyatt use to measure results and success based on KPIs?</li> <li>2. What targets are set to evaluate/observe the success of the hotel based on the KPIs defined.</li> </ol>
E - Challenges and Adaptation	<ol style="list-style-type: none"> <li>1. How are Hyatt's KPIs affected by unpredictable events such as the COVID-19 pandemic?</li> <li>2. What adaptations need to be made during the fulfilment of the KPIs throughout the year in order to achieve the results.</li> </ol>
F - Future and Innovation	<ol style="list-style-type: none"> <li>1. What are Hyatt's plans regarding KPIs and future innovation in hotel management?</li> <li>2. What strategies do they intend to adopt to measure KPIs success and how do they intend to continue innovating?</li> </ol>

## Appendix B – Interview

Interviewee Javier Soler [JS]: Now it's recording.

Interviewer Ana Brites [AB]: Okok. I don't know if you need to send me this after.

[JS]: I think everyone in the meeting gets it. I don't know how to give you permission. Give me a second.  
5 It is recording. But I don't see how I can give you access, Anyway, I can always send it to you.

[AB]: Okay. Thank you so much. So, this is going to be a semi structured interview. So, I'm going to ask you some questions and I need your point of view about that questions, Okay?

[JS]: Yes.

[AB]: Can you explain a little bit to your position in the Hyatt hotel, please?

10 [JS]: Perfect. So, I'm a general manager at Hyatt Regency in Lisbon. I have been on the property for about 5 months now. The property opened in 19th of August 2022. So, we've been operating slightly longer than a year. There was a previous general manager that was focused on mainly opening because the project was delay, and the initial opening was supposed to be on April 2022. And then it was delay for almost 5 months. So, the whole structure of the management was pushing to mainly deliver the hotel  
15 and being able to open mostly with the rooms. And then once this was executed it, the focus was on rolling, trying to analyse, getting the team on board. Now we are in a stage where we're fine-tuning financials, with different departments. We have a lot of departments that needs to be mentoring or we need to mentor. And then we're focusing on mostly all the potential mistakes were done in the past and how to mitigate it and learning as well because it's a franchise hotel. We do not report to Hyatt. We  
20 report to our mother company. So, there is kind of these two paths where we need to align with Hyatt, Brand standards, but at the same time, deliver to our mother company standards as well. Mostly in these cases is topline and P&L [Profit and Loss], mainly.

[AB]: There will be five different camps to respond, okay? Just like I sent you in the script. So, we are going to start in the KPIs at Hyatt. I think you are going to respond about the KPIs in Lisbon or are you  
25 going to talk about in a general way?

[JS]: I think in this case, the easiest for me, because it depends on the property of Hyatt around the world, they have different KPIs. For us here, we do have certain they are aligned with our mother company. Just to tell you a little bit about our company. We are a hospitality management company that normally runs and owns the buildings and run the business, the hotel, but it's a franchise. So, we built  
30 the infrastructure, let's say, and then we pay a fee to get a name. We are the owners of the land. We are the owners of the building. And in this case, we're paying a fee to franchise to Hyatt, to put their name on the entrance, literally. And to follow their standards. So, they literally come here, put the name, give us a book and fill that with "Do these way", you know? And of course, decent tiles as well, processes, tools that Hyatt utilize. Different tools that we have for bookings, for PMS [hotel property management  
35 system], POS [point of sale software]. So, all the tools Hyatt have on their portfolio can be used for us as well. But that's for Hyatt, we have another Sheraton in Cascais, we have in Algarve. We have different hotels in Portugal, in the middle East as well. So, we have our own way to operate. The company's very focused on rooms, but also very, very strong when it comes to food and beverage as well, which is a big, big, big department in Hyatt in Lisbon. But also our other properties. The mother company is called  
40 United Hospitality Management. It's focused on all the different areas on how to elevate.

[AB]: Okay. So, this case we are only going to talk about one property, right? Hyatt. So first of all, what are Hyatt's most critical and specific KPIs that have greatest impacts in the results, like I asked you in the script. If you can tell me some.

[JS]: I think we have several, but the most important of all of them, at the moment, is ADR [Average daily rate]. It's one of the main ones, that is mainly connected with RevPAR [Revenue Per Available Room] as well. The RevPAR and ADR are very, very big point for us, and focus also. Because now we've been in the market for a year, now we have penetrated the market differently. I really don't have a benchmark, or we cannot benchmark with the previous year. So, this whole year is critical for us to understand how we perform. Now we're also in the budget period where I started to work with this data that we have from 2023, to be able to roll it out and count with a more defined budget for 2024. Then the cost for us here as a new opening. There is a lot of costs that are involved with an opening and with the rotation of the team, and different areas. Vendors, contracts with different vendors, an agreement, that are related to costs. So, now, let's say, we're already walking with no running, but we're already walking instead of crawling. We're able to start focusing to increase our GOP [Gross Operating Profit]. And then guest sentiment part, also have a power word. To penetrate the market and to create different surveys or to deliver a different experience, is that a guest sentiment. Hyatt as a global company is very focused on guest sentiment, is very focused on membership. They have the membership club in Hyatt, where we, I believe, they treat their loyal guests very well. They collect points to get a free night, they can travel all around the world and their expectations are very, very high as well because they travel all over the world in different Hyatts. Hyatt have many different brands, let's say, all different segmentations. So, when it comes to guest sentiment that's a big point for us to try to make these guests return and to tell the word, now we're leaving in the world of social media, that we're here, we're good. We have a good product with this new, we have a lot of advantages as well, like I mentioned our food and beverages is a very good offering. Our rooms are great, we have 204 rooms at the moment, which 50% of the inventory are suites. It's very easy for us to upgrade and that contributes to the guest sentiment, as well. And then another KPI, also very important for me, maybe not as important to all the hotels or the mother company, in this case is team structure. We live in a world at the moment, and mostly after the pandemic, where is very, very hard to attract talent, and to capture or retain. Team Structure is something that is very important because without that, the ADR, the RevPAR, the costs, and the guest sentiment would not be able to reach.

[AB]: Okay. So how do you think KPIs, I guess you have some goals to find to these KPIs, so how do you think these influence the team and the work and the guest satisfaction. And how do you measure it to make a strategic decision when you are doing the budget or something?

[JS]: So, in this case, again, I'm focusing on the ADR and the RevPAR, I think the most important is to have these targets. Do we have a budget that we need to deliver? You know, of course, despite that budget normally tend to be very aggressive, which I think it's healthy because you have a goal to reach, but it's only at the end of the budget for you to look at and to try to stimulate the different departments to reach that target. Then we guide ourselves mostly with our forecast. Each forecast needs to be mostly accurate. Normally I would say our forecasts variant will be 3% to 5% up or down. So, you need, when you do your forecast and normally, we do our forecast for the rolling month and two months ahead, every month, so right now we did the forecast for November and December as well together with October, I think that that these are the tools that we have to understand how we are going to perform on that specific month. In both ADR, RevPAR overall. And then all the other areas and GOP. You know, because when you look at the P&L, you look at your total revenue, you look at your expenses, you look at your payroll and that's the three main areas that the delivers your GOP KPI in this case. So how do we measure this? We have a lot of different tools, so like I said, we pull all our forecasts and our budget,

and then we have the daily reports that we can see on occupancy, on the ADR. So, we have a live tool, like I mentioned before, we have a live tool from Hyatt that tells how we are in terms of occupancy today, which we are a hundred percent today, tomorrow, and the day after, happily. What are our rack rates, what is our ADR. Then you convince market, like for October we have the 223, and right now we're in 204. So then is when we start to, we need to start, when we have the gaps of the occupancy that we can attract more guests, is when you need to also see and position yourself in the right price at the right days. But that also combined with the market, the rates that you have at your hotel, you benchmark with the other market hotels that you have around the area. So, you study your competitors. Did you see what the trend is? And then you adjust your pricing. And that's attached also to occupancy. So, if we are not 95% occupancy, we will increase our prices because we rather be at 95% of occupancy with a high rack rate or high ADR. That means a hundred percent when a lower ADR, so that's when you start playing with rates.

[AB]: Okay. There's a specific example where your KPI made you stand out from the competitors in that's area or do you think it's almost the same?

[JS]: In this case and considering that our benchmark, our competitors, so main competitors, have been there for several years. They do have presence in the market, which is completely different. However, for us, we can see that we are performing very, very well, comparing to the other hotels, mostly September we over-perform the markets occupancy. And October since that we are also going to over-perform. However, our ADR is lower, so occupancy is driven but the ADR is lower. This is due to the fact, there's a lot of different facts, but this is due to the fact that we were aggressively working with the sales department to fill up the restaurant, to fill up the hotel. You know, but now it's when we need to start fighting for the top line for the ADR. We know that we are, we understand that our product is fantastic, and nothing is the best if you compare with similar five-star hotels in the city. However, we are not in downtown, so we need to put everything into perspective as well when it comes to performance.

[AB]: Okay. Now we're moving to a different dimension. We're going to talk a little bit about the strategies, and I want to know if there are specific strategies and actions that Hyatt is specifically adopting to improve KPIs over the last year, because you were only working one year.

[JS]: It might sound quite easy, it's not. But everything that is resulted of we're converting at the moment is a business that we signed of early of the year, you know? So we had a very, very critical, and not that good beginning of the year with Q1 and that drove us to set business below our potential. Now we're full, but we rate from the past. So, what we're doing is adjusting our pricing list, adjusting our product, our menus, our room rates to our value that we consider. Because we do understand that at the beginning, is a new opening you really need to fight to be popular. When you're popular it's when you can be, let's say, a peaky. And say, okay this business I want and this business I don't want. And a very clear example is now we are making noise in the market and people know that we're here. We're a nice hotel, we have a spa, we have meeting event facilities, we have a rooftop, so people know that Hyatt residency, the first Hyatt in Portugal, so we don't have any benchmark within Portugal and people don't know Hyatt. So now is when we can see that people are noticing us, and we're getting requests from different groups, different football teams. And now is when we can say no, this is our rate. Before, because we wanted that we wanted that piece of cake, we were fighting to be able to get that piece of cake, any costs. Now this is when we're like, no, this is our rate that we can afford, this is what we have, and then if they want to work with us good, if not, then we will try to stimulate the market to make sure that we can get that piece of business. So, we are in a position at the moment, and this is written, from September where we

said our standards rating and we set our pricing. And we are actually popular now to decide which business we want to take and which business we put in second option.

135 [AB]: So, do you think that in the beginning of the year, you had some goals and some KPIs that you were trying to get there and now your KPIs are just: we need to be here [in a specific position]. You don't think they are the same over the time, right?

140 [JS]: That's correct. The KPIs, despite the fact that you have your early KPI's, in the end your early KPI its top line. You have a budget and you need to make 50 million, and that I know your main KPI. And how did you get there it's really irrelevant, you know. So, at the beginning of the year, the strategy to get there was to be an aggressive seller and what the hotel was for. What happened with that, is that your cost is also elevated. Your room costs let's say if you were to produce, you said that 150, your margin way is smaller. So what we're trying to do now, despite the fact the occupancy perhaps we'll drop a little bit, but our ADR it's higher, so you mitigate. You reach your goal, which is 50 million, but then at the end of the day, you have less costs, so the GOP is higher, which is what you want at the end. So, you generate more revenue with less occupancy and therefore less costs as well. And again, like I told you before, so now what we are reducing the toilet paper quality, we're doing deals for the meat suppliers, 145 in the wine where we are revising our prices, we're doing for the restaurant we're doing menu engineering to make sure that the cost is there. We just revise the whole breakfast menu as well. The amenities in the rooms have been changed. We had individual soap, for example, now we have a bulk. We're having a very nice wooden carts now for the rooms instead of plastic, we went to wooden. We have wooden, 150 bamboo signs in the rooms that tells you if you want to reuse the towel to hang it over, and don't drop it in the floor. So, we're doing a lot of exercise mitigate the costs because that at the end it reflects right into the GOP.

[AB]: Yes, that strategy is align as well with ESG, Environmental, social and governance measure?

[JS]: Correct.

155 [AB]: Okay. So, you were talking about the live tool that you have to measure these KPIs throughout the time. Can you tell me a little bit more about it?

160 [JS]: So, there is an internal tool that we use to measure, and it comes from Hyatt and our own internal tool. Now we are switching to a different tool, which is more to combine all our properties. It's not yet finalized, but it's a tool where you can actually do your forecast, plugging your budget. And the tool is telling you in live what your performance was. It measures the ADR, measures the revenue per day and tells you live how you are. It's not really a performance or a tool, it's just mainly a tool, a P&L tool to make sure that we all have access and we all contract the performance. The performance right now is a bit more standard, let's say, so now one of the things we're doing, because we understand that the team needs to know what their numbers are, to be able to hold role in the same direction. Now we're going to 165 implement, this are going to come in November, December, where we are going to see the bigger picture, all together, for the different departments.

[AB]: The KPI's are defined for each department, or they are aligned for everyone or for teams specifically, for people, how do you manage these?

170 [JS]: Okay, so you have KPIs for the hotel and then you have KPIs for each department. For example, for the sales department the KPI is signed contracts for a certain amount of costs, from front office, it's mostly guest sentiment. And how do you measure that? Is with one of the tools that we've from Hyatt. So, Hyatt, when you stay with us and we send you an email, and then you rate the cleanliness of the

room and the maintenance of the room, how was the breakfast, how was the check in process and so on. So front office we'll be guest sentimental. Each department has different KPI. For housekeeping is focusing on the cleaning, what is the percentage of the cleaning, how is the guest feeling about it? So, we track, or we follow what the guests says in terms of guest sentimental. That's all KPIs for housekeeping, from a front office. For food and beverage, it's mostly related to staff scheduling and food and beverage costs. This is the main KPIs. So, topline is expenses in this case and then payroll, that's the main KPIs for food and beverage. Of course, then you have guest sentiment after that. So, depending on the department, you have different KPIs. For the hotel, of course, it's mostly finances. So financial, ADR, RevPAR, RGA [Residential Guest Accommodation]. That's the mainly KPIs together with the guest sentiment.

[AB]: Okay, moving on to the challenges and adaptation. I know that you're in Portugal, you didn't live the pandemic, but how do you think Hyatt and its KPIs are going to be affected by some unpredictable events that can happen?

[JS]: It's hard to say because, well, we all lived with the COVID-19 in different parts of the world, and no one was ready for that. We kind of adapt ourselves, à la minute. So, every day you did something because the market didn't work. And then they open, then they close again. Then they open again. So, we were kind of adapting ourselves to the rules that were changing quite often. It's hard for me to say, if we have a mitigation plan, because we don't, I don't think anyone has. It's only when something happened that you actually put the critical plan in place, and you execute it. In this case, I will say there is nothing and I think it's almost a taboo at the moment to talk about a pandemic. We are leaving, surfing the highway at the moment and it's great, it has been though for the hospitality industry with the pandemic. But in this case, from my point of view, if you asked me, the best is to focus on now. To keep fighting the current KPIs, and if something unforeseen happens that will be to adapt. There is a very simple example, with Israel at the moment we do have properties Israel, and then they need to adapt to that specific case, which in this case luckily, we didn't get affected. So, it depends the critical phase that you are, that you need to adapt, with the tools you have.

[AB]: But, in the KPIs throughout the year, you are able to change them to meet your expectations or the events?

[JS]: Yes. Like I said, your budget is always there, you can't change the budget, but then you normally catch yourself. Like I say, so a budget is a piece of paper there with numbers, that tells you this is your goal. But, and of course you can change, you do the budget and then back on the mission. But you follow your forecast and that's where you can change. So, if a pandemic comes tomorrow, I will revise my forecast or my role in forecast for the rest of the month and then for the next two months as well to make it more realistic. The forecast is kind of the Bible of our property, where we can see, you know, how we're going to do at the end of the month. And then you can see once the month is closed how you perform.

[AB]: Okay. Lastly, we have the future in innovation. And I want to know what are Hyatt's plans regarding KPIs and the innovations that you are going to put in your hotel management, according to your KPIs, of course.

[JS]: So, in this case, we decided, and it's something that we've done in the past as well with all of our properties, we thought and the company thought as well, that it was important for us to implement a five-year plan vision where we could see where we want to be for now into the five years, reading the needs of our property. One big example, we're very strong with MICE [Meetings, Incentives, Conferences and Exhibitions], we very strong with groups, we are very strong with business guest. But

we are lacking on leisure, you know? Because leisure wants to stay more into a resort, because they want to stay closer through the city, for the offerings as well. We are very good for leisure, older families that comes with kids, but they are a bit older. But for example, the segment of young families with kids, we're not there yet. So, part of 5-year plan was to identify: where are our gaps? What can we do about it and how do we implement? So, we noticed that we have an indoor pool, but we were lacking an outdoor pool. That was comment that recurrently happened. So, we are going to implement that. We're going to make an outdoor pool. We were seeing that the guests were complaining or mentioning that they couldn't go to the gym with the kids. And also, we are abducting to our guest's sentiment. And then see the trends because at the beginning you would say that you're not downtown, but then we're in a strategic position as well. We are not apart from the city or not that far from the land. There are museums. So, we are trying to connect these dots, for the leisure segment, to find it attractive. So, we'll do free shuttle tickets and shuttle bus to the city. We'll do a discount pass to the zoo, to the aquarium, to the old monuments and museum. We are partnering with different companies to try to execute and stimulate that part. We have analysed our weakness and then we have executed this five-year plan to be able to grow in this segment that we are still lacking. Because when it comes to mind, groups and business we're doing very, very, very good, but we still have a long to go.

[AB]: Just to clarify, you were telling me that you have many different KPIs for many different departments that you have but since you are franchised hotel, as you were saying in the beginning of the interview, you have the main KPIs from the Hyatt itself, and do you have as well, your KPIs from your company and they are combined or do you think each property has its own KPIs?

[JS]: Yes. So in this case, Hyatt as a global company didn't gave us any KPIs. Of course, when you do a business plan and presentation, before they allow or they agree on allowing us to put their name. There is a business plan that is presented on how do we want to perform, but this is in a very, very, very high level. The presentation or the business plan. They mainly look to the top lines and GOP, because what they want to understand is their fees. We do pay fees upon reaching certain KPIs, so that's what they normally would look after. And then that day that we deliver upon their brand, so we need to have a loving market, we need to have a restaurant, we need to have a breakfast restaurant. All the services that we also deliver, but that's for Hyatts. The main KPIs will come from our mother company. It's mostly driven by top line as well. So whatever we do internally is just an exercise for us to be able to reach the top KPIs. The guest sentiment, having a pool, having a kids club. All of these is an addition and to stimulate this market to keep coming to us, to increase the value, to increase the ADR. Because this is added value that you add the property, so you can sell your room higher. You don't have breakfast; your rooms cannot be sold as high as you want. Right now, we have breakfast, we have restaurant, we have brunch, we have a rooftop, we have a spa, we have a gym, we have a healthy restaurant. We'll have a pool. So, all of these adds is for you to be able to sell your rooms on a highest rate.

[AB]: Okay. And, lastly, as you are working in a company that has different properties, and different brands, do you think Hyatt stands out or they are just different? The KPIs are the same?

[JS]: It is very different from property to property. So, we'll talk in one of our properties in the Algarve, is called Pine Cliffs, and it's a property that has a massive amount of restaurants, for example, they have like 15 restaurants. There are three different properties, they have villas, they have ocean suites, they have the hotel. So, it's incredibly big. It's difficult for us because we're a city hotel. There another property is in Cascais, and it's Sheraton Cascais, it's a gold area, with trees, they also have spa, they have an outdoor pool. Very focused on families and kids as well. They have condominiums, where people also leave. In this case, I wouldn't say that it stands out, it's completely different, because Sheraton and Pine Cliffs are from Marriott. Then we're not, we are Hyatt, which is very similar in the

265 end, Marriot and Hyatt is not that different. But it's just different brands, we treat each property differently. The KPI for a Sheraton are completely different to the KPIs for Hyatt. Most of the KPI it will be different because in the end, again, we believe all hotels guide themselves on their main KPI topline, you need to do your ADR, you need to do your RevPAR, you need to do your top line and that's your main KPI. And then whatever comes after, it depends on the property from property.

[AB]: You only work with the luxury segment, right?

[JS]: I have mostly been working with it.

270 [AB]: Okay. So the only thing in common, it's just you need to have the top KPIs so you can achieve your goals.

[JS]: Yes. And then there other, like I said, part of the KPIs are depending on your property and on your offering as well.

275 [AB]: So, I think for my part it's all. want to thank you again for your time. I will analyse the data, just like I said, this is all for academic purpose. When I have it done, I'll send you a copy, so you can have one. And thank you so much again.