3.5 Profit optimization strategies in integrated resorts. Case study of the Sani Resort, Chalkidiki

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Abstract

The integrated resorts are considered a contemporary tourism product contributing towards a country's tourism development, sustainability and growth. The integrated resorts, being huge and significant investments for both the investors and the national economy, need a long-term strategic planning and management so as to be successful. The purpose of this paper is to seek the strategies contributing in the growth and profitability optimization of the integrated resorts. The methodological approach includes economic assessment, as well as benchmarking and empirical analysis of integrated resorts operating in Greece today. Furthermore, the most profitable Greek integrated resort is used as case study and interviews with executives at key positions are conducted for the identification of the specific strategies having enhanced the resort's profitability. The identified strategies include: corporate expansion and continuous investments in the construction of new rooms, renovations and new facilities; market penetration especially in Russia and the W. Balkans; guest-centred philosophy; teamwork, highly motivated and competitive staff; exceptional and personalised services; sustainability commitment; contemporary technological systems; effective marketing tecniques; product development; state-of-the-art conference and meeting facilities; and, high quality animation and entertainment programs. The findings of this study are suggested as best practices for the profitability amelioration of integrated resorts.

Keywords
Benchmarking; Hospitality; Hotels; Integrated resorts; Profitability; Strategies.

1. Introduction

The purpose of this paper is to seek the strategies contributing in the growth and profitability optimization of the integrated resorts. In order to identify the strategic methods that lead these properties to financial success, we applied a methodological approach that includes the following steps:

- Presentation of the basic facts and figures of the Greek hospitality sector for the years 2009 and 2010, as well as of the Greek integrated resorts.
- Data collection and calculation of various performance indicators for the integrated resorts operating in Greece. The financial assessment methods of the companies concern the following variables: Market share, Turnover (Sales), Gross Profit, Operating Profit, Net Profit (before taxes) and EBITDA for the period 2008-2010.
- Benchmarking, as well as empirical analysis for the economic assessment of the resorts. The benchmarking process was carried out for the period 2008-2010, so as to compare the performance of the resort hotels and identify the

most profitable one.

- Interviews with the most profitable resort's executives aiming to identify those strategies that have contributed in the enhancement of their company's economic performance.
- Elaboration of the answers and presentation of the results as best practices for the hospitality industry.

Towards achieving our objectives, we quote in the paper the following data:

- The basic facts and figures of the Greek hospitality sector for the years 2009 and 2010.
- The profile of the integrated resorts operating in Greece today.
- The results of the benchmarking process among the Greek resort companies.
- The key facts & indicators of the most profitable Greek resort.
- The industry averages of key indicators for the 4 and 5-star Greek hotels.
- The strategies and their ranking, as identified through the interviews conducted with executives of the case study resort.

2. Literature review

The term resort commonly refers to a place to which people go for vacations or recreation (Medlik, 2003). A resort may be located in the mountains, on an island, within a city or in some exotic location. Most resort hotels provide extensive food and beverage services, as well as special recreational activities such as golf, tennis, sailing, skiing and swimming. Resort hotels usually try to be positioned as a "destination within a destination" (Kasavana & Brooks, 2005).

Integrated resorts are centred on the development of a total site that integrates resort accommodations and facilities to form a self-contained visitor destination. Such a process can be viewed as an attempt to provide a carefully planned, controlled, and well-defined tourism product and as a reaction against the proliferation of unplanned coastal strips (Helber & Conlin, 1995).

The integrated resorts vary in size from one hotel to several hotels and other types of accommodation totalling thousands of rooms. Typically, they are self-contained and include a variety of tourism facilities and services, and extensive open space and landscaping (Inskeep, 1997).

An integrated approach to resort development implies the controlled planning and implementation of resort projects in order to achieve a balanced development that satisfies economic, environmental and social objectives (Inskeep & Kallenberger, 1992).

Four generations of integrated resorts have been developed over the past 50 years. These generations and their main features are:

- 1st generation (1960-1970): *service* + sports, marina, etc.
- 2nd generation (1970-1990): *facilities* + residential, etc.
- 3rd generation (1990-today): *mixed-use* + experiences, wellness, etc.
- 4th generation (future): *experiences* (Ikkos, 2011).

The success of an integrated resort depends on good transportation infrastructure with easy access to and within the resort for guests and staff, and an architectural design that blends into the surrounding natural environment, reflecting traditional local designs and using as many local materials as possible, as well as adequate utility services, such as water supply, electric power, sewage and solid waste disposal systems. Successful integrated resorts are also planned within the framework of their regional environmental, economic, and sociocultural setting (Wall, 1996).

Furthermore, the successful integrated resort is: a profitable hotel; all the residential units are sold out; leisure component breaking even; club memberships in demand; retail and commercial units rented out. The key success factors include: accessibility all year round; mix of business and leisure guests; good community maintenance; strong destination marketing program; synergies between the resort's entities (Craig, 2011).

The integrated resorts are considered a contemporary tourism product that can play a key role in competitiveness, occupancy, diversification and market differentiation thus contributing towards a country's tourism development, sustainability and growth.

Some examples of integrated resorts worldwide include the following: the Marina Bay Sands & the Resorts World Sentosa in Singapore; the Adriatic World in Monsena, Croatia; the Spirit of Mallorca in Balearic Islands, Spain; the Anassa Hotel & Spa in Polis, Cyprus; the Golf-Resort Veracruz in Veracruz, Mexico; the Grande Lakes Resort in Orlando, Florida; the Atlantis Resort on Paradise Island**,** Bahamas; the Venetian Macao in Asia; and many more.

The typical Greek Integrated Resorts are large coastal land sites of striking natural beauty that comprise:

- Leisure Components: hotels, golf, spa, marina, equestrian, etc.
- Residential Component: villas, townhouses, apartments.
- Location: by or close to the sea, within driving distance from airport.
- Clients: holiday / retirement home foreign buyers (Kambouridis, 2011).

A new generation of integrated resorts is currently under development in various parts of the country. These resorts are mixed-use investments including residential components and, in some cases, golf courses. Developers have signed contracts with international hotel groups to operate these resorts under their brands, such as Kempinski, Chedi by GHM, Aman, Banyan Tree, Soneva by Six Senses, Oberoi, Fairmont and Raffles (Koutoulas, 2009).

The most important ingredients concerning the viability of the integrated resorts (from the investor's perspective) are the following: established destination; airport at maximum 1,5 hours; low cost carriers; infrastructure, equipment, organization, management; integrated and homogeneous concept; low building percentage; short distance from town; environmental factors (Ikkos & Paschalidis, 2008).

The attractiveness of Integrated Resorts for Greece is owed to the fact that these businesses create the following advantages:

- Generate year-round tourism: change the current seasonality pattern (70% of arrivals are in the May-October period) and establish Greece as a year-round destination, through attractions and activities such as golf, etc.
- Support local economies: an operating resort generates trading with several lo-

cal suppliers, travel agencies, transfer-service businesses, etc.

- Decrease unemployment rates: employ local and regional workforce both during construction period as well as during hotel operation.
- Increase revenues from taxes: income tax, property tax, VAT, etc.
- Boost construction industry: provide significant contracts to local construction companies.
- Improve infrastructure and attract foreign investors (Invest in Greece S.A, 2012 & Kambouridis, 2011).

As in every other business, the ultimate goal of the integrated resorts' developers, owners and hotel operators is value growth and profit. When striving for profit maximization, the resort stakeholders should plan and implement the best strategies for the successful operation and outcome of their investment.

Hospitality enterprises of the future will only succeed if their managers are able to see opportunities in the environment of the business, invest in value-adding competitive methods, and allocate resources to those methods which add the greatest value to the firm. Thus, the hospitality managers should think and act strategically, yielding the greatest overall financial value to the firm (Olsen, West & Tse, 1998).

3. Methodology

To identify the strategies contributing in the growth and profitability optimization of the integrated resorts, this study used benchmarking and empirical analysis for the economic assessment of the resorts and collected data through face-to-face interviews with executives of the most profitable hotel company, which is used as our case study.

The applied methodological approach analytically follows below:

3.1 *Presentation of the greek hospitality sector basic facts & figures*

The basic facts and figures of the Greek hospitality sector for the years 2009 and 2010 are as follows (Table 1):

Table 1: Greek hospitality sector facts and figures (2009-2010)

Hotel Capacity / Indicator	2009	2010
Hotels	9.559	9.732
Rooms	383.000	397.700
Beds	732.279	763.407
Distribution of beds per class	5* 91.770 4* 187.494 3* 171.202 2* 226.707 1* 55.106	5* 102.428 4* 196.862 3* 177.923 2* 230.358 1* 55.835
International arrivals per bed	20,4	19,7
Average hotel size in rooms	40	41
Average occupancy	51,1%	60,0%
Revenue per available room (RevPAR)	15.328 €	13.274 €

Sources: SETE & Hellenic Chamber of Hotels (2009 & 2010), ITEP (2011)

3.2 *Profile of the integrated resorts operating in Greece*

The Integrated Resorts operating in Greece today (August 2012) are the following (Table 2):

Table 2: Integrated Resorts Operating in Greece (2012)

Name of the resort	Location	Nr. of hotels	Rating (in stars)	Size (in beds)	1st year of operation
Costa Navarino	Messinia	2	5	766	2010
Sani	Chalkidiki	4	2: 5 & 2: 4	1.762	1970
Porto Carras	Chalkidiki	3	2: 5 & 1: 3	2.419	1979
Arion (Luxury Collection)	Vouliagmeni	1	5	240	1968
Porto Heli Collection (Hotel Amanzoe)	Argolida	1	5	76	2012
Golden Beach	Olympia	1	5	114	2005

Source: Invest in Greece, Greek Travel Pages & Hellenic Chamber of Hotels (2012)

3.3 *Data collection & measurement of performance indicators*

For the purposes of this study the financial assessment methods of the companies concern the following variables: Market share, Turnover (Sales), Gross Profit, Operating Profit, Net Profit (before taxes) and EBITDA for the period 2008-2010.

An extensive elaboration of the balance sheets published in several sector studies (ICAP, 2008-2011) and financial newspapers (Express) took place so as to gather and calculate the above variables.

The market shares of the resorts were calculated as a percentage of the turnover (sales) of the hotel enterprises on the total market value of the 5 and 4-star hotels (which in turn is equal to the total sum of turnovers of all the Greek 5 and 4-star hotels).

EBITDA (Earnings before interest, taxes, depreciation and amortization) was calculated as follows: Operating margin + Financial costs + Accounted depreciation costs.

3.4 *Benchmarking & empirical analysis*

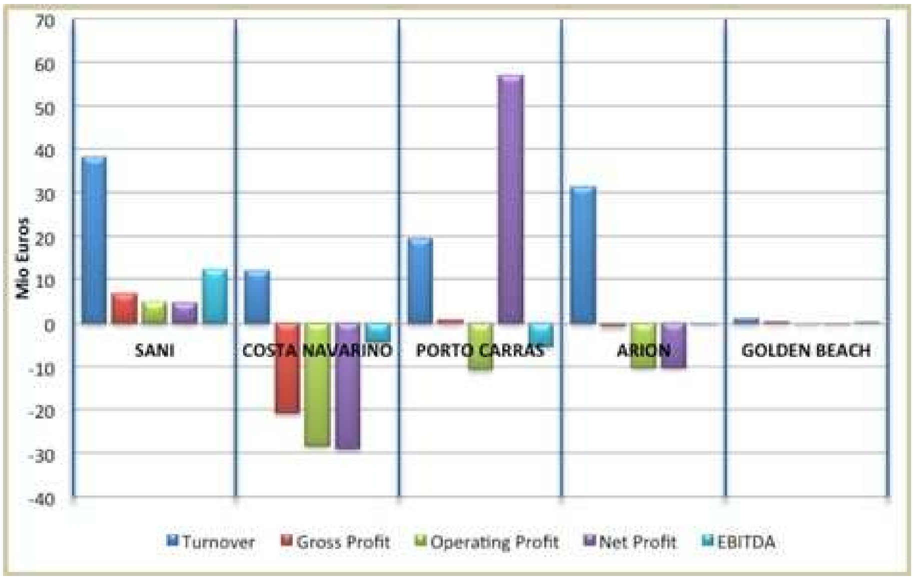
In order to compare the performance of the resort hotels and identify the most profitable and successful one, benchmarking process and empirical analysis for the period 2008-2010 was carried out. The results are presented in Table 3 and in Figure 1 below.

Table 3: Benchmarking of the Greek Resort Companies - Key Indicators (Mean 2008-2010)

Performance Indicator	SANI	COSTA NAVARINO	PORTO CARRAS	ARION	GOLDEN BEACH
Market share (%) - In terms of value	1,7	0,6	0,8	1,4	0,054
Turnover (Mio €)	38,191	12,215	19,451	31,409	1,244
Gross Profit (€)	6.946.369	-20.650.238	812.467	-788.000	485.289
Operating Profit (€)	4.876.239	-28.181.020	-10.685.829	-10.281.666	-333.562
Net Profit (before taxes) (€)	4.735.136	-28.881.046	57.110.913	-10.281.666	-359.986
EBITDA (€)	12.487.846	-4.303.535	-5.279.773	-462.667	345.334

Source: author’s own elaboration

Figure 1: Profitability of Greek integrated resorts – Turnover, Gross Profit, Operating Profit, Net Profit & EBITDA (Mio €)-Mean 2008-2010



Source: author's own elaboration

As can be seen in Table 3 and in Figure 1, the Sani resort is the most profitable company of the 5 integrated resorts operating in Greece during 2008-2010. Although the Porto Carras resort shows high net profits (before taxes), it has lower turnover (sales) and gross profit compared to the Sani resort, as well as negative operating profit and EBITDA. Therefore, Sani will be used for further analysis in our study aiming to identify the strategic methods that have contributed in the company's financial success.

3.5 *Key facts & indicators of the sani resort*

The key facts and indicators of the Sani Resort are summarized in the Table 4.

Table 4: Key facts & indicators of Sani Resort (Mean 2008-2010)

NAME OF HOTEL	RATING (Stars)	BEDS	OCCUPANCY %	RevPAR (€)
SANI BEACH HOTEL	4*	932	90,7	130, 28
SANI BEACH CLUB	4*	430	90,7	176,57
PORTO SANI VILLAGE	5*	300	87,3	267,18
SANI ASTERIAS SUITES	5*	100	86,7	372,16
Number of Employees: 793		Labour Productivity (€): 37.950		
Return on Equity (%): 9,00		Return on Capital Employed (%): 5,29		
Revenue per available bed (€): 9.048		Resort's average annual occupancy (%): 88,85		
Gross Profit Margin (%): 18,20 Net Profit Margin (%): 12,39		Operating Profit Margin (%): 12,74 EBITDA Margin (%): 32,67		

Source: author's own elaboration

Additional information: family-owned and operated site stretching across 1.000 acres, yacht marina, residential units, 3 spas, fitness centres, shopping piazza, 16 restaurants, 16 bars, conference facilities. Most significant foreign markets: Russia, the UK, FYROM, Serbia, Bulgaria and Germany.

3.6 *Industry averages*

For comparison reasons, the respective industry averages of key indicators for the 4 and 5-star Greek hotels are presented in the Table 5.

Table 5: Industry averages of key indicators for upper-class Greek hotels (2008-2010)

Index %	2008	2009	2010	MEAN
Return on Equity	-4,69	-7,09	-12,39	-8,05
Return on Capital Employed	-1,25	-1,74	-3,42	-2,13
Gross Profit Margin	27,05	24,03	18,09	23,06
Operating Profit Margin	-10,19	-12,29	-22,1	-14,86
Net Profit Margin	-11,03	-13,06	-23,4	-15,83
EBITDA Margin	20,67	18,98	14,57	18,07

Source: author's own elaboration

3.7 *Interviewing the resort executives*

For the purposes of the survey, a structured questionnaire was developed to serve as the main data collection tool. The questionnaire comprised 9 closed-ended questions with strategies considered (through the literature) to increase profitability and one open-ended question. In this 10^{th} question the executives were asked to specify the strategic decisions and methods leading to profitability based on their experience. Each strategy was measured by using a 5-point Likert scale (5 = extremely important, 1 = not important at all) as to their importance for the Resort's financial success.

The questionnaire was addressed to 19 Sani Resort Executives through face-to-face interviews that were conducted in June 2012. The interviews lasted between 20 and 30 minutes each and were undertaken with executives at the following key positions of the resort: CEO; general manager; operations manager; hotels and marina manager; financial manager; human resources director; IT, security, animation, control, spa, sales & marketing, food & beverage, rooms division and maintenance manager.

4. Findings

The aim of the interviews was to identify strategies that managers believe are related to having achieved financial success in their company. The content of the interviews was systematically analysed and interpreted and the following key success strategies emerged:

Corporate-level strategies

1. Corporate expansion: in 2005 the company expanded by incorporating in its portfolio the Pallini S.A (Hotel Oceania Club). In 2008 SANI S.A absorbed the Marina Sani S.A (yacht marina).

   Continuous investments in the construction of new rooms, renovations and new facilities (garden theatre, cinema, sports, etc.). The company's average Capital Expenditure (CapEX) increase for the period 2004-2010 was 9,87%.
2. Market penetration, especially in the Russian and the W. Balkans market. Towards this direction, the company operates offices and has representatives located in these countries and signs bilateral agreements with local Universities for student mobility. The latter is beneficial in two ways: while the students are implementing their practical training they lower the company's staff costs and at the same time they create a friendly environment for the guests who are served by employees speaking their language.
3. Product development: the resort has direct agreements with local farmers who produce organic food and beverages. In this way, the restaurant menu is enriched with healthy, fresh and local food and wine; the guests enjoy them; and the company supports the local economy while purchasing at lower prices.

Starting from 2012 the resort launched a new service: the Sani Beach Experience. This beachside service provides the following:

- "Beach Buddies" who serve refreshments, cocktails and snacks right up to the guests' beach beds.
- Serving kiosks for continual beach towel, mattresses, beds and umbrellas service through-out the day.
- **'**Babewatch**':** experienced staff watch children while parents take a break.

Business-level strategies

4. Guest-centred philosophy with the use of Customer Relationship Management (CRM) so as to increase guest satisfaction. The hotels maintain data bases for all the guests who have stayed at the resort, they use loyalty rewards for all returning guests, there is contact with the guests during and after their stay, and they use on-line satisfaction questionnaires.
5. Management, department heads and associates are setting the goals and objectives together and review them whenever it is necessary. This results in teamwork as well as in highly motivated, productive and competitive staff.
6. Effective marketing tecniques increasing occupancy, recognition and number of repeaters (e.g. website with booking engine; participation in tourism exhibitions; special offers and discounts; several packages).
7. All the hotels of the resort are awarded with the Green Key environmental eco-label and are continuously working to improve their environmental performance in energy efficiency, renewable energy use, water conservation, waste minimization and sustainable procurement. In the day-to-day operations of the resort clear targets have been established for energy, water consumption and waste creation, which are overseen by the Sani Green Team. These initiatives not only attract new guests but reduce the operating costs as well.
8. The resort has installed and uses contemporary technological systems, such as key lock system, Property Management, Human Resources Management & Points of Sales systems, high-speed internet, In-room media devices including guest comfort and convenience features, that have significant effects on competitiveness and profitability.
9. The hotel managers are fully committed to the value of warm, traditional hospitality and the hotels offer exceptional, personalised services.
10. The strategies suggested in the open-ended question "Others" include the following answers: state-of-the-art conference and meeting facilities; business centre; high quality animation and entertainment programs, such as the annual music and gourmet festivals, theme nights, etc.; strategic alliances with airlines, rent a car; other hotels and restaurants.

The summarized strategies and their ranking are included in Table 6.

Table 6: Statistics and ranking of successful strategies

STRATEGY	MEAN	RANK
Corporate expansion	3,89	1
Market penetration	3,85	2
Guest-centred philosophy	3,82	3
Teamwork, highly motivated, productive and competitive staff	3,80	4
Exceptional services	3,80	5
Sustainability committment	3,78	6
Contemporary technological systems	3,74	7
Effective marketing plan	3,70	8
Product development	3,65	9
Others	3,63	10

Source: author's own elaboration

As can be seen in Table 6 the "Corporate expansion" and the "Market penetration" both at corporate-level, were ranked as the most successful strategies optimizing profitability in the integrated resorts.

5. Limitations & future research

A limitation to this study was the particularly low number of integrated resorts operating in Greece. Despite this fact, we believe the findings are reliable, since the financial data not only are compared among the resort hotels but with the industry averages as well.

Future research is suggested to include both international and local companies, as well as family-owned and branded operated resorts for more objective comparison and conclusions. Furthermore, the guest satisfaction levels and opinion should be taken under consideration for having more global and precise results.

6. Conclusions

Hospitality companies devise strategies in order to increase guest satisfaction and profits. Carefully planned and effectively implemented strategies contribute in the success, profitability and viability of the enterprise.

The integrated resorts, being huge and significant investments for both the investors and the national economy, need a long-term strategic planning and management so as to be successful.

The study included in this paper outlines the strategies implemented by the Sani Resort in Chalkidiki, Greece. Sani is ranked 2nd in the top-20 Greek companies by 2010 Profits and it is more profitable compared to the other integrated resorts operating in Greece. This fact per se proves the success of the strategic management process implemented in the resort.

The strategies that have been identified as successful towards the resort's profitability (in order of significance) are: corporate expansion and continuous investments in the construction of new rooms, renovations and new facilities; market penetration especially in the Russian and the W. Balkans market; guest-centred philosophy; teamwork, highly motivated, productive and competitive staff; exceptional and personalised services; sustainability commitment; contemporary technological systems; effective marketing tecniques; product development (local food and beverages and the "Sani Beach Experience"); state-of-the-art conference and meeting facilities; business centre; high quality animation and entertainment programs, such as the annual music and gourmet festivals, theme nights, etc.; and, several strategic alliances.

We consider that the above strategies properly adjusted and possibly improved could be appropriate for other integrated resorts and we suggest them as best practices for the sector's development and success.

Finally, we believe that branded mixed-use mega resorts which offer: a large variety of experiences; high quality standards; respect the environment; and, preserve the local cultures are the future of both leisure and business tourism, whether these resorts are located in traditional or new holiday destinations, or in urban areas.

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