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Commercial hospitality as a business model in the independent hotel company

1. Introduction

Research and studies clearly show that commercial hospitality is one of the world's oldest businesses.

It is considered as a fact that, although hospitality is rooted in culture as the social behaviour and the cultural form, it also has its social and economic attachment. Therefore, it is assumed that aspects which shape the expected standards in relationships based on hospitality (hospitality relationships) are the most important in the commercial hospitality services.

Until recently hospitality professionals have had a good reputation in the society. Nowadays, the platform of knowledge and vocational education of hospitality professionals is being built from the beginning in Poland as well as abroad. It is also under debate how to create the importance of hospitality professions to the other service professions.

The quality and the value of the hospitality service both in Polish and international hospitality business is being more and more carefully considered by its buyers (clients and guests) who booked, purchased and consumed such service.

Hospitality services are offered by hotels and restaurants, categorized and non-categorized facilities, functioning as the independent enterprises or in groups as chain facilities. On the other hand, for the last twelve years we have been observing the process of blurring the differences between service and marketing functioning of individual and chain hotels.

The hospitality business is currently also creating the way of benchmarking and integrative functioning, which means that similar hotels of the same category

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or service specialization (e.g. city hotels, conference hotels or wellness hotels) are entering into some marketing or pricing alliances.

In this article, the author does not undertake the comparison and identification of the differences of business models between the independent and chain hotels based on commercial hospitality standards. There is also no presentation of a model and operational value chains offered in the different types and kinds of hospitality facilities such as wellness hotels, business hotels, design hotels, conference hotels or hotel condominiums.

What seems to be important for the author at this stage of his research in the matter of commercial hospitality is the attempt of defining the meaning and the proper understanding of the difference between the commercial and non-commercial hospitality in order to determine its proper application in the economic management of the independent hotel company. The importance of this matter and its practical application result from the author's experience (over 40 years) in the operational positions (including 30 years in managerial positions) in Polish and foreign hospitality business.

Statistically, independent hotels (categorized and non-categorized facilities) make 88% of the hospitality market in Poland (according to the research conducted by the company K&P Consulting in 2012 and the Polish Academy of Hospitality in 2011). The author's own research (as a academic teacher and hospitality coach) shows clearly that the commercial hospitality in managing the hotel company is not identical for the hotel managers with the hotel management based on their own concept of the commercial hospitality. The survey conducted in 2011 among 240 hotel managers from the hotels located in four Polish host cities of UEFA EURO 2012 showed that 96% of pollees had not undertaken to create their own business model based on the commercial hospitality management.

When properly profiled and implemented in the hotel or restaurant company, commercial hospitality can become an innovative business model for this particular hotel or restaurant. Moreover, the implementation of such a model results in more effective marketing management.

Establishing a broader context is an important part of the debate on the application of commercial hospitality as the innovative business model. It should define the conditions resulting from the type of activity and the specificity of the industry, where commercial hospitality is provided, that is the hospitality business and the hospitality industry.

Hospitality business is a specific type of economic activity focused on profit, in which an entrepreneur earns income from reception of guests and guest service at the hotel or restaurant. The hospitality business can be performed all year-long, seasonally or occasionally on land, water or in the air. The subject in hospitality business is a tourist – traveler, who goes on a journey outside his

usual environment for any main purpose (business, leisure or recreation etc.) and uses the services of the hotel or restaurant, becoming a major participant of the hospitality business – guest (in case of a hotel) or consumer (in the case of a restaurant). In other words, hospitality business is oriented to the supplying of the paid hospitality services.

Meanwhile, hospitality industry is the term broader than hospitality business. It refers to the structure, potential and types of entrepreneurs engaged in the hospitality business in a specific area with all kinds of cooperations and connections, which enable the correct economic and organizational operation of a single company – the hotel or restaurant investment. In this context, one can speak of hospitality industry of a country, city or region as its potential with the certain level of organization and the diverse structure of hotel and restaurant units.

It should be noted that hospitality business regionally enters a phase of “competitive integration”, which means that the promotion policy of the touristic areas will support the development of service quality in the independent hotel or restaurant companies for the domestic and / or international client (guest or customer).

A low or high level of organization in the hospitality industry results, among others, from the type and quality of cooperations operating for the hospitality business in the specific area (on many levels – local, regional or national level). This is accompanied by the quality of the hospitality services in the strict sense provided by hotels and restaurants as well as their value which is more accurately assessed by the clients and guests who paid for it. This assessment is carried out at each stage of hospitality service provision – at the time of booking, purchasing and its consumption. More and better-educated clients (guests or consumers) seeking and expecting from the service provider the higher quality and standard of services, even "forces" on the hotel or restaurant entrepreneurs such level of organization of their services (resulting from the implementation of the appropriate model of commercial hospitality), which let the host focus his attention on the correct and reliable guest service.

In the current market situation and in this strongly competitive environment, not gaining or losing a client becomes too expensive, which is why more and more importance is given to the quality and standard of services. They are influenced by the way of offer and personnel management, establishing the proper relations with suppliers and – moreover – by the model of commercial hospitality and how it is managed (this model should be profiled individually for each hotel or restaurant business, with regard to its offer individuality and the needs of its base or alternative client).

While hotel chains will still care for their standardized, brand image, whereas the independent hotel companies will create and emphasize the uniqueness and

value of their individually profiled commercial hospitality. In this case, the implementation of commercial hospitality as the innovative business model becomes for independent hotel companies the way to strengthen their market position.

2. The concept of hospitality in services

The starting point for discussion whether commercial hospitality can become the innovative business model in the hotel or restaurant companies, should be the clarification of the essence of this type of hospitality as well as the answer to the question about the differences between the proposed by the the author's definition of hospitality and the previous research in this matter.

Previous studies on the issue of hospitality show the rather variable and fluid use of the terms "hospitality", "commercial hospitality" and "hospitality management". The term "hospitality" is defined and used by most of the researchers in a quite indistinct and unsatisfactory manner and the concept of hospitality seen in the context of its structural or behavioural characteristics is a relatively young research topic. What is the subject of the scientific debate of the researchers from the various university centers (mainly in the English-speaking countries) is the question whether hospitality should be conceived as a product, a process, an experience, or all three(!).

The example of a relatively general definition of hospitality is one by Ewout H. Cassee, who defined it as "a harmonious mixture of tangible and intangible components – food, beverages, beds, ambience and environment, and behaviour of staff" [3, p. XIV].

On the other hand, there is also a tendency to narrow the field of research when it comes to the hospitality and focus only on the commercial or economic dimensions of hospitality to look at the hospitality through the prism of a product or a service process. For example, Mauritis C. Tideman defined hospitality as "the method of production by which the needs of the proposed guest are satisfied to the utmost and that means a supply of goods and services in a quantity and quality desired by the guest and at a price that is acceptable to him so that he feels the product is worth the price" [9, p. 1]. In turn, Yann Pfeifer, from a strongly supply-side economic perspective, said that "Hospitality consists of offering food, beverage and lodging, or, in other words, of offering the basic needs for the person away from home" [6, p. 191]. Going forward, Peter Jones came to the conclusion that "the term 'hospitality' has emerged as the way hoteliers and caterers would like their industry to be perceived ... In essence hospitality is made up of two distinct services – the provision of overnight accommodation

for people staying away from home, and the provision of sustenance for people eating away from home” [5, p. 1].

Relatively the most widely recognized (though not undisputed) definition is one by Bob Brotherton, who said that hospitality is “a contemporaneous human exchange, which is voluntarily entered into, and designed to enhance the mutual wellbeing of the parties concerned through the provision of accommodation and food or drink” [2, p. 168].

The lack of widely recognized and accepted by most of the researchers uniform definition of hospitality, which would define the true essence of this concept, makes it difficult to construct the theory of knowledge on hospitality. The analysis of the previous studies shows that the idea of hospitality research exists more in form than in substance. What is common in all the above mentioned definitions of hospitality is that the place, where the professional commercial hospitality management – due to the host-guest relationship – is held, is not clearly enough emphasized. And that is essential for the presented issue, because the process innovation requires a strict defining of the place where it is implemented.

The starting point for giving the author’s definition of commercial hospitality was to define non-commercial hospitality in the broad sense as a set of natural, direct, genuine and kind behaviours and actions of hosts and their representatives towards guests arriving and staying in known and unknown for them place, who expect from them (hosts and their representatives) such behaviours. This definition refers to the people’s private sphere in general and can be also used for describing their social or institutional, non-commercial relations.

One of the important features of hospitality is that guests can use it on a non-commercial or commercial basis and that is the reason for defining hospitality with reference to services provided on the commercial basis in the hospitality business. According to the author, commercial hospitality is a set of conventional and unconventional behaviours and actions put into practice on a commercial basis by the professional service providers and realized through preparation to and process of guest service at the hotel or restaurant. Those actions act positively on guests' mood and behaviour during their staying at the hotel or eating in the restaurant. Commercial hospitality begins with the professional ability of inviting the clients and ends with just professional ability of bidding the guests farewell.

What distinguishes commercial hospitality management from non-commercial hospitality is that non-commercial hospitality may be given both by amateurs and professionals but commercial hospitality management can be performed only by commercial hospitality professionals. For this reason, defining the hospitality management combines not only the management and hospitality, but also indicates the existence of a profession related to the commercial hospitality management and all the related issues.

3. Non-commercial hospitality vs. commercial hospitality

In order to analyze the possibility of using commercial hospitality as an innovative business model in the operation of hotel or restaurant companies, it is crucial to define the features differentiating hospitality provided on the commercial basis from the non-commercial hospitality (Tab. 1):

Table 1

The comparison of features of non-commercial and commercial hospitality according to the behavioural criterion

NON-COMMERCIAL HOSPITALITY	vs.	COMMERCIAL HOSPITALITY
Cordiality	replaced by	kindness
Honesty	replaced by	openness
Politeness	replaced by	courtesy
Forbearance	replaced by	tolerance
Familiarity	replaced by	distance
Confidentiality	replaced by	discretion
Personal thoughtfulness	replaced by	professional responsibility for: – interpersonal safety – servicing safety – material safety
Personal uprightness: – information uprightness – commitment uprightness – material uprightness	replaced by	personal reliability: – service reliability – report and accounts reliability – information reliability
Natural uncessantness	replaced by	committed consistency
Casual behaviour	replaced by	procedural action
Emotional behaviour	replaced by	motivated action
Natural and personal engagement	replaced by	aware and professional engagement
Provided free of charge	replaced by	provided for a payment
Non-commercial hospitality is extended disobligingly – individually and collectively – as a reflection of one rule: people for and towards people	vs.	Commercial hospitality is created and extended – individually and collectively – by professional service providers towards hotel & restaurant guest

Non-commercial hospitality is rooted in culture and the commercial hospitality is rooted in economics.

3.1. The structure of commercial hospitality

Commercial hospitality begins with the professional ability of inviting guests (or clients) and ends with just the professional ability of bidding them farewell. Between the process of inviting and bidding guests farewell, there is the whole sphere of tangible and intangible service elements, which make the commercial hospitality gain acceptable and satisfying to the client value.

The structure of commercial hospitality is based on four pillars:

- inviting hospitality,
- welcoming hospitality,
- service hospitality,
- farewelling hospitality.

Those four above mentioned pillars are tightly integrated with each other and that is why none of them can work separately. The infirmity or weakness of one of them affects the quality and durability of the construction of commercial hospitality as a whole (the commercial hospitality is the means for building an individual business model for the hotel or restaurant company) (Fig. 1).



Figure 1. The structure of commercial hospitality – the process model

Source: own elaboration

Inviting hospitality – used at the stage of communicating the offer with the market – is the whole of marketing activities undertaken to persuade the client and guest as a customer to take a decision about choosing and ordering the offer of a specific hotel or restaurant. The inviting hospitality is, among others, comprised of: PR and branding activities, internet marketing, loyalty programmes designed for guests (clients) who repeat buying the services of a the same hotel or restaurant as well as the communication system which is used to maintain the relationship with guests who

don't take part in loyalty programs (especially those satisfied with the proper high quality service, so they are willing to return or promote this specific hotel or restaurant by providing the positive feedback on the specific hotel or restaurant).

Welcoming hospitality is comprised of all activities and behaviours of service personnel and managerial team of the specific hotel or restaurant, which are related to the service of a guest's arrival and reception at the hotel or restaurant starting from the arrival and the checking-in as well as on his way to the hotel room or other areas where the hospitality service is provided. They will also be all the activities undertaken prior to the client's arrival, who has already made the booking, which consist in giving him all the additional information and the provision of service known as a "personal concierge".

Service hospitality is understood as a complete and consistent with all standards and procedures of guest service staying in the hotel or eating in the restaurant; it is received by him in the place where the service is consumed (purchased), e.g. in a hotel room, restaurant, bar, conference room or in wellness & spa area.

Farewelling hospitality is comprised of all activities and behaviours of service personnel and managerial team that close the process of guest service leaving the hotel or restaurant. Those activities are also a smooth transition to re-inviting guest to return to this specific hotel or restaurant. This set of activities plays an important role in guest service; it may become the opportunity of "forgiving" minor mistakes that may have occurred during one's stay and sometimes to settle the client's claim. That is why it is crucial that the managers are present during the process of inviting and bidding guests farewell.

At each stage of performing the hospitality service there are different procedures and standards, which all are necessary to achieve guest satisfaction and to build the proper relationship with him. Commercial hospitality which is properly applied and managed affects the whole service process at the hotel and the restaurant. It mustn't be perceived as the added value as it is the integral element of the full value of the service expressed in the price and paid by the client or guest.

What never changes in the hospitality services, is that: the staff expresses and provides the commercial hospitality and guests experience, feels and pays the host (as entrepreneur) for the commercial hospitality.

4. Key elements of the business model based on commercial hospitality

The positive relationship and emotions between the host and guest are the economic advantage and a value in itself. Therefore, commercial hospitality management requires a process approach as the economic success of the hospitality

business is also or primarily based on the quality of the staff who is aware, understands and is engaged in the service performance. The quality of staff, standards and procedures can be included in the individual model of commercial hospitality, which may secure the conditions for better, undisturbed and economically effective management of the hotel or restaurant company.

The implementation of commercial hospitality as the individual business model results in effectively distinguishing the company from the competition as the business model is by which a firm builds and uses its resources to offer its customers better value than its competitors to produce a sustainable competitive advantage. In this view, a business model can be conceptualized as a system made up of components, link between the components and dynamics [1, p. 19].

The model of commercial hospitality developed and prepared to implement in the independent hotel company should be based on ten fundamental elements: 1) customer segments, 2) value proposition, 3) communication, distribution and sales channels, 4) the customer's relationship, 5) revenue streams, 6) key resources, 7) key activities, 8) key partnerships, 9) the cost structure and 10) ways of preserving the model.

Customer segments: in a modern, highly diversified hospitality business considering the different categories and types of hotels, the key to the customer segmentation is the classification of client which distinguishes two general customer segments – the base client and the alternative client. The base client through a continuous, repetitive use of the paid hotel services should secure the profitability of the hotel company. Whereas the alternative client is a type of client which will be „reached” by the hotel marketing in the periods of lower activity of the base client in order to secure the projected occupancy level as well as the sales of the other services provided by the hotel or restaurant. Customer segmentation according to the key of base and alternative client depends on the specificity and the service individuality of the hotel or restaurant; the economic existence will be differently protected by the city business hotel and differently by the wellness & spa hotel located in a tourist or health resort, etc. Prior to the development of customer market analysis for the specific hotel, one must know and understand the scope of the basic needs which should be met to satisfy the base and an alternative client.

Value proposition: a hospitality company as a business organization tries to solve customer problems and satisfy their needs using the value proposition which is expressed in the price and service offer of specific independent hotel company. In hospitality business equally important for the entrepreneur values are: 1) a guest who arrives and purchases the hospitality service for the first time, 2) a satisfied guest who – more or less frequently – returns to the specific hotel and purchases its services (prosumer 1), 3) a satisfied guest who

doesn't return to the specific hotel but promotes on his own the services of this hotel (prosumer 2). In other words, gaining in the expected number the guests arriving for the first time as well as returning guests will be the value for the hospitality business.

Communication, distribution and sales channels: communication, distribution, and sales channels comprise a company's interface with customers. Through them hotel service offer (with proposition and value accents) reaches the appropriate customer segment and gets directly to the client. While building the right mix of communication and sales channels, it is important to remember that they should allow to reach directly the appropriate segment of the base client. Often, there are too many distribution channels used as the managers trying to protect themselves widely "spread" information on their hotel offer. Meanwhile, it is important to establish the appropriate distribution channels to each segment of the base client to get through to the chosen client with the offer. Besides spreading the information on the hotel offer on the customer market, the communication channels serve several functions, e.g. they help providing post-purchase customer relationship management.

Customer relationship: this element of the business model should describe: the relations at the stage of gaining clients and guests, relations at the stage of maintaining the relationship with guests and clients who used the services of the specific hotel or restaurant as well as the occasional relations with the segment of base and alternative client using to secure the additional sale of the services provided by the hotel or restaurant. Nowadays, as the number of offers and their diversity begins to "overwhelm" the customers and maintaining the direct relationship with them becomes more and more difficult, the way of preserving this specific element of the model starts playing the important role.

Revenue streams: in case of the hotel company, it is important to select and combine such revenue streams from the chosen market segments of base and alternative client in order to achieve the projected gross operating profit (GOP), which is the basis for calculating the profitability of the specific hotel company. „If customers comprise the heart of a business model, revenue streams are its arteries" [7, p. 34]. Moreover, it is possible that with a very good direct communication and relationship with the base client, each revenue stream will be based on a different price mechanism (fixed, seasonal, occasional, promotional, loyalty, etc.).

Key resources: when building the business model of the hotel company, it is important to establish (for the newly opened hotels) or reconstruct (in running hotels) the key resources required for the proper functioning of the model as the process innovation. In the hospitality business very important are the material (tangible) resources, but particularly important are intangible assets – both

human and intellectual. The commercial hospitality will not work without people, regardless of whether it is the professional hospitality but used intuitively or the commercial hospitality applied and implemented as the innovative model in the management of the hospitality company.

Key activities: key activities are those defined as a priority according to the schedule which should be taken by the manager to ensure the efficient operating of the implemented model of commercial hospitality. Key activities in the hospitality business are:

1. to create the systematic work of the general manager as the of strategic element of this model.
2. to preserve the model by its modification, improvement or elimination of unnecessary and outdated assumptions established at the model construction phase,
3. to verify the results of the model operation; in particular those referring to the declared to the guest values and efficiency of revenue streams.

Key partnerships: key partnership is the network of suppliers and partners that make the business model work efficiently. Key partners should be aware whether the hotel company has its own individual model of commercial hospitality and what the key segments of the base client of this specific hotel facility are. E.g. the family hotel providing its services for families with young children (as the base client) requires from its key partner (e.g. food supplier) putting the special attention to the quality and best-before date of the offered products, their freshness and environmentally-friendly features.

In collaboration with key partners one should remember about eliminating all risks resulting from the cooperation agreements.

Cost structure: cost structure should not be confused with the direct costs associated with the operation and maintenance of the hotel property. In this case, the cost structure includes all expenses of the hotel owner referring to the implemented business model which is based on the commercial hospitality. It is obvious that every entrepreneur will accept the business model with low cost structure. On the other hand, there is also the tendency, which may be more appropriate for creating the business model of commercial hospitality, based on cost concentration and expenditures for the value generation and its maintenance. In this case, we can talk about the premium value propositions and a high degree of personalized service which is especially important in today's highly diversified hospitality business [8, p. 45].

Ways of preserving the model: while in many business areas this element of the business model is not essential, in the case of the business model based on the commercial hospitality it is the key issue. Unfortunately, hospitality business is affected by permanent staff fluctuation, even at the managerial level (as

the average duration of employment of a hotel manager in the same company is in Poland not longer than 2.5 years), but the positive result of the proper implementation of commercial hospitality model is building of the strong and permanent team, which will be able to manage the applied model. This way the commercial hospitality can affect not only the improvement of profitability and key indicators used to assess the profitability of the hotel business, but as a business model should also support reducing outflow of the personnel from the properly and well-run hotel company.

The process of implementing commercial hospitality as the business model should be based on the 7-I approach to the hospitality innovation. The seven steps involved in the 7-I process are: 1) inspiration, 2) insight, 3) ideation, 4) initiative, 5) implementation, 6) invigilation and 7) investigation [4, p. 113]. Those steps should be realized one by one as every step depends in part on the preceding one.

Inspiration initiates and guides the change process and the insight helps turn it into results. The level of understanding of the elements and processes of the intended change affects the depth of employee engagement in the change process. It is obvious that the idea must be grounded in reality and that is why all hotel employees (both management and service personnel) should become part of the idea-generating process and its modification according to local needs and conditions, because idea which is not supported by all engaged parts is unlikely to last. The next step of the 7-I process is initiative, which should work as a catalyst between an idea and the implementation stage of the innovation cycle. The implementation of an idea should be based on the assumption that the idea which tests well in one hotel business (e.g. wellness & spa hotel) might fare worse when introduced in the hotel of a different type (e.g. city or conference hotel). Invigilation is the sixth step in the process of hospitality innovation implementing. It helps ensure if the process is running as intended and, if not, it can support modification as needed. The last step of the 7-I process is the investigation of various cause-and-effect relationships and unexpected outcomes that have occurred in the change process.

The assumption and main goal of taking the process of innovation based on implementation of the commercial hospitality and its management in the hotel operation is to achieve better results and higher profitability indicators of the hotel business as well as to implement the simple quality standards and simplified service procedures that distinguish the hotel from its competition. Every time the analytical results should be very clear so that they could be used to refine the process. Implementing an innovation, one should remember that it is a process and that innovations should be modified and adapted to individual needs event at the stage of their implementation until the intended goal is achieved.

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