

8.6 Case study Jeddah Royal Beach Resort

Internet research

Search for the key words *collecting debt* to find out how small businesses can recover payments more quickly.

Discussion

1 Brainstorm a list of services which large hotels can charge for in addition to accommodation.

Reading for detail

2 Read the extract from a business magazine and answer the questions.

- 1 How does giving credit increase room revenues and attract more clients?
- 2 Why do luxury hotels prefer to issue their own credit cards rather than be paid by VISA, MasterCard, American Express, etc.?
- 3 What are the advantages for the customer of a 'cashless resort'?
- 4 Who is Riaz Hussain and what are his responsibilities?



THE JEDDAH ROYAL BEACH RESORT

THE JEDDAH Royal Beach Resort is one of Saudi Arabia's newest and most luxurious hotels. In a fiercely competitive market where foreign corporations provide 75% of revenues, every hotel from the five-star palace to the one-star motel needs to increase room revenues to be able to invest in new facilities to attract new clients. One of the major incentives in the armoury of modern hotel marketing is credit. The Royal Beach, like many of its competitors, has its own credit manager, whose job is to manage the credit which the hotel uses to encourage customers to spend freely on additional services.


One of Riaz Hussain's first innovations as Credit Manager was to introduce an in-house credit card to the Royal Beach. Such credit cards are increasingly popular, allowing hotels to develop customer loyalty as well as to avoid paying commission to credit card companies. The Royal Beach

advertises itself as a 'cashless resort': customers are able to use their electronic membership card to make reservations via the Internet, to speed up check-in and check-out, and to pay for a host of services including accommodation, telephone and fax, restaurant and bar bills, leisure activities, limousines, airline tickets and even cash advances with no exchange problems. With its own boutiques, nightclub, beach, water sports and golf course, it's easy for guests from all over the world to spend several days in the sun (and perhaps several weeks' salary!) with nothing more than their plastic smart card in their pocket.

Riaz Hussain's responsibilities include vetting corporate and individual applications for credit, following clients who reach or exceed their credit limits, and organizing debt recovery from indelicate guests, or their corporate sponsors, who 'forget' to settle their bills.



Listening for detail

3  **3:39** Listen to a conversation between Riaz Hussain and Frederick, the front office manager at the Jeddah Royal Beach Resort, and complete the customer database entries.

<p>Customer: <input type="text" value="Ms Koepple"/></p> <p>Company: <input type="text"/></p> <p>Company credit rating: <input type="text" value="good / average / poor / unknown"/></p> <p>Current credit limit: <input type="text" value="0"/></p> <p>Credit limit requested: <input type="text"/></p> <p>Notes: <input type="text"/></p>	<p>Customer: <input type="text" value="Mr Kobayashi"/></p> <p>Company: <input type="text"/></p> <p>Company credit rating: <input type="text" value="good / average / poor / unknown"/></p> <p>Current credit limit: <input type="text"/></p> <p>Credit limit requested: <input type="text"/></p> <p>Notes: <input type="text"/></p>	<p>Customer: <input type="text" value="Mrs Saman"/></p> <p>Company: <input type="text"/></p> <p>Company credit rating: <input type="text" value="good / average / poor / unknown"/></p> <p>Current credit limit: <input type="text"/></p> <p>Credit limit requested: <input type="text"/></p> <p>Notes: <input type="text"/></p>
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4 Listen again and answer the questions.

- 1 Why doesn't Riaz like having rock groups in the hotel?
- 2 If Ms Koepple leaves today without paying, how much will the hotel lose?
- 3 How much credit is Riaz prepared to allow her?
- 4 Why does Frederick think Mr Kobayashi is a difficult customer?
- 5 Why is Frederick suspicious of him?
- 6 What happened with Mrs Saman's company last year?
- 7 Why are Mrs Saman and her brother important for the hotel?

Discussion

5 Look at the chart showing the Jeddah Royal Beach Resort's customer payments. Describe the trends for:

- 1 cash payments 2 short credit periods 3 longer credit periods 4 uncollectibles.

CUSTOMER PAYMENTS

■ CASH ■ 1 WEEK ■ 1-4 WEEKS ■ 4-12 WEEKS ■ 12-26 WEEKS ■ 26+ WEEKS ■ WRITTEN OFF

LAST YEAR:



THIS YEAR:



6 With a partner, decide:

- 1 how the trends in payments can be explained
- 2 how the hotel can improve its cash flow
- 3 how Riaz Hussain should deal with each of the three customer applications in 3.

Then change partners, and compare and explain your decisions.

Writing

7 Write a short letter to each customer explaining your decision.