

A PRACTICAL GUIDE TO
GUEST HOUSE MANAGEMENT



Deseré Kolt

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Editor

sb **SUNBONANI
SCHOLAR**

A practical guide to guest house management

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Guest houses are an important contributor to the local economy of any region, as they attract both local and international tourists with the aim of providing them with a taste of local food and hospitality. This creates much-needed job opportunities and revenue for local regions. As the successful managing and running of a guest house has its own set of challenges, the intention of this book is to provide a practical guide to assist both guest house owners and managers in effectively managing their establishments.

The editor acknowledges the 2006 edition of *Guest House Management in South Africa* (by D van Lill) and presents an updated version of the latest issues and challenges in the guest house industry. The contributors to this book are mostly staff of the Central University of Technology, Free State (CUT), that boasts an impressive array for both theoretical knowledge and industry exposure. In order to provide a comprehensive view of guest house management the book is divided into seven themes:

Theme 1:

Your guest house and the law: This theme provides details on the business structures and regulatory aspects that guest house owners/managers should consider in establishing and managing a guest house.

Theme 2:

Basic management principles: This theme deals with the basic managerial principals and skills guest house owners/managers need to manage a guest house. It also alludes to the importance of service delivery and customer orientation.

Theme 3:

Basic financial management: This theme deals with the basic financial management principles that should be considered in managing the finances of a guest house.

Theme 4:

Marketing your guest house: This theme deals with the basic marketing principles that should be considered in the successful marketing of a guest house.

Theme 5:

Accommodation and front office management: This theme deals with accommodation and front office management as an important component of managing a guest house.

Theme 6:

Planning your breakfast menu: This theme deals with the planning and preparation of breakfast menus for a guest house.

Theme 7:

Understanding inter-cultural differences: This theme deals with the importance of comprehending inter-cultural differences in dealing with a variety of stakeholders from diverse cultural backgrounds.

We trust that you will find this book both insightful and practical!

Deseré Kokt

Editor

December 2012

Bloemfontein

THEME I

YOUR GUEST HOUSE AND THE LAW

Ella Dalton-Brits



1. Introduction

Starting your own guest house can be a complicated and difficult process. This theme will briefly outline the main legal, safety and logistical aspects required for the successful establishment and management of a guest house. Rules, guidelines and forms that must be completed by applicants may differ from province to province, but the basic procedure remains the same. The reader is urged to approach the local municipality to obtain the correct forms applicable to the province in which the guest house is to be established.

This theme aims to address the following issues:

- Choosing the correct business structure.
- Land use zoning.
- Licensing and registration.
- Legal aspects regarding signage.
- The payment of VAT.
- Matters related to the Receiver of Revenue.
- Labour law.
- Insurance.
- Health and safety regulations.

This theme is aimed at giving the reader a basic knowledge of the laws that are applicable to guest houses in South Africa. This is a guide for the prospective or current guest house owner, which provides the basic information required to operate a guest house within the legal parameters of the law. Any person requiring further legal advice regarding any of the matters is advised to contact a lawyer or legal consultant for a full consultation regarding rights and duties of the parties involved. The purpose of this theme is to assist you to know when further action is required by a professional person or professional body.

2. Choosing the most appropriate business structure

A business is a legally recognised organisation used to conduct business/commercial activities. It may be a sole proprietorship, a partnership, a private company or a business trust, for example. Whatever the structure you decide upon, you need to be aware that the government will require you to register for income tax, value added tax (VAT), Unemployment Insurance Fund (UIF), Compensation for Occupational Injuries and Diseases (COID) and pay-as-you-earn (PAYE).

The structure that you choose must reflect the need it intends to satisfy. By answering the following questions you can narrow down your options and find the business structure most suitable to your needs:

- Are you planning to be the sole owner of the guest house?
- Do you want to retain all profits for yourself?
- Will you finance your own guest house without taking out a loan?
- Do you have enough capital to pay for all the legal fees involved, e.g. liquor license fees?
- Are there assets that need to be kept apart from the guest house, e.g. another property?
- Would you like to offset the tax losses of the guest house against your income from another source, e.g. full-time employment?
- If you are married or intend to get married, which matrimonial system is applicable?

Once you have considered these questions carefully, it will be easier to select the most appropriate business structure for your guest house. The table on the opposite page sets out the basic features of each business structure and highlights the advantages and disadvantages associated with each.

Legal tip: *When choosing a business structure that requires official registration procedures, consult a qualified lawyer or bookkeeper/accountant for assistance.*

Note: *The Companies Act, Act 71 of 2008 (which came into effect in June 2011), has effectively taken close corporations out of the picture. According to this Act no new close corporations may be formed; however, all existing close corporations will continue to exist indefinitely and will not be phased out.*

	Sole Proprietor	Partnership	Private Company	Trading Trust
Number of members	One – the owner	Two –twenty partners	1- no maximum	Membership is determined by the trust deed.
Capital contribution	Limited to the contribution of the owner	Limited to the contribution of the separate partners	Limited to the contribution of the share holders	Limited to the contribution of the founder.
Formation	Simple. No formalities required	Simple. A written partnership agreement is required.	A Notice of Incorporation and a Memorandum of Incorporation must be filed with CIPC. A registration certificate is needed to commence business.	A written Trust Deed must be registered at the Master of the High Court.
Legal Personality	No	No	Yes	No, but is seen as a legal entity.
Liability	Unlimited	Unlimited	Limited	Limited
Distribution of profits	Profits belong to the owner.	Partnership agreement will stipulate distribution of profits.	Shareholders are only entitled to profit sharing when dividends are declared.	The trust deed will deal with profit sharing.
Taxpayer	Owner is liable for tax- guest house profit is seen as direct income- it is included in gross income of owner.	Partners include profit in their own gross income.	Guest house is liable for own tax.	Guest house is liable for own tax.
Tax losses	Losses of the guest house can be offset against other income.	Losses of the guest house can be offset against other income.	Company is liable for own losses.	Trust retains losses and carries it over to the following year.
Audit	Not required by law.	Not required by law.	Required to be performed by an independent auditor.	Not required by law.
Advantages	The business is simple to organise.	It is easy to organise.	The life of the business is perpetual.	Easy to establish.
	The owner is free to make decisions.	It has greater financial strength.	The shareholders have limited liability.	The trustees have an over arching responsibility towards the beneficiaries.
	Minimal legal requirements apply.	The managerial skills of partners are combined.	The transfer of ownership is easy.	Limited liability for both trustee and beneficiaries.
	The owner receives all the profits.	It has a definite legal status.	It's easier to raise capital and to expand.	The income of the trust is the income of the recipients.
	The business is easy to discontinue.	Each partner has a personal interest in the business.	Managerial efficiency is maintained.	Company legislation is not applicable to trusts.
			It is adaptable to both large and small businesses.	Secrecy about business interests and operations is possible.
Disadvantages	The individual owner is legally liable for all the debt of the business. Investments, personal and real property can be attached by creditors.	Unlimited liability of the partners. Each member may be held liable for all the debt of the business. The poor judgment of one partner can affect the others.	Subject to special taxation rates.	Costs involved in setting up the trust.
	Limited ability to raise capital and subject to what the owner can secure.	The authority of decisions is divided.	Is more difficult and expensive to organize than other forms of ownership.	Trustees can take one sided decisions without beneficiaries consent.
	Limited expansion due to a lack of capital.	The partnership comes to an end if a partner enters or leaves the partnership.	Subject to many legal requirements.	Assets in a trust belong to the trust and not to beneficiaries.

2.1 Matrimonial system

The system according to which a person is married or intends to get married has a huge effect on the choice of business structure. The following must be kept in mind:

- When married in community of property, both spouses are equally entitled to the profits of a guest house because they share the same estate; they also share any losses of the guest house for the same reason.
- If you decide to start a guest house or intend to get married in community of property, it is recommended that you establish a business that has limited liability to protect the combined assets of the spouses in the marriage against the possibility of sequestration.
- When married out of community of property, spouses do not share profit or losses as they have separate estates.

Legal tip: *It is always advisable to enter into a business structure that offers maximum protection against the loss of private estate.*

3. Land use zoning

Starting a guest house might seem simple, but local town planning regulations might prohibit you from realising your dream. After deciding on the most appropriate business structure for your guest house, you need to approach your local municipality to find out if there are any by-laws or regulations that will prohibit you from converting your residence into a guest house. If you intend to buy property for the purpose of opening a guest house, familiarise yourself with the zoning regulations and land permits needed in your municipal area.

As the application procedures for registration of a guest house differ from one municipality to another, it is wise to contact your local municipality to ensure that you are following the correct procedure. The title deed of the property in question should also be inspected to see if there are any restrictive conditions pertaining to the property. These restrictions may include a proviso that land may be used for residential purposes only. An application for the establishment of a guest house can thus follow one of the following options:

Application option 1

Special consent is required from the local municipality to use an existing residence as a guest house. All municipalities require special consent and the subsequent granting of a business license from the town council to operate a guest house. The consent and license may be granted after the submission of detailed documentation setting out the scale, size and suitability of the premises in question. The steps below need to be followed:

- A motivational letter together with a cheque for the correct amount (to be ascertained from the relevant council) must be handed in to the Senior Property Managing Officer.
- A time period is given for objections to this application.
- If there are no objections, the application is sent to the Town Planning Department.
- The Guest House Policy of the region is used to process the application.
- The Town Planning Committee makes positive recommendations to the Housing and Land Standing Committee.
- The Housing and Land Standing Committee conditionally approves the application and recommends it to the Mayoral Committee.
- The Senior Property Managing Officer implements the conditional approval.
- The conditional approval entails the submitting of all relevant information about your guest house to satisfy the requirements of the council.
- It must be noted that all approvals are conditional, and the council may withdraw its consent if problems do arise.
- The local council may suspend, cancel or amend the given consent after written notice has been sent out to the guest house owner.

Application option 2

This application procedure applies where the property/premises needs to undergo rezoning because in its current status does not allow guest house operations on the property. The following thus apply:

- Application for change in use of land must be submitted to the local municipal council.
- After rezoning has been approved the same steps must be followed as for Application option 1.

For the guest house owner to obtain a business license the following reports must be submitted to the council:

- A health inspector's report.
- Fire department inspector's report.
- Town Council's report.

If the Town Council is satisfied with the relevant documentation, a license to do business will be issued to the applicant.

The following documents are needed to facilitate the registration process:

- The title deed to the property.
- Prints of the locality plan and a plan indicating the proposed rezoning.

Legal tip: *Applying for permission to open a guest house might seem like a daunting task. Contact your nearest National Accommodation Association (NAA) of South Africa to assist you with this procedure. Visit www.naa.co.za and www.statsonline.co.za for information regarding the registration process in your municipal area.*

4. Licensing and registration

4.1 Television licence (TV)

A guest house owner must take out a television (TV) licence for each TV point in the establishment. Proof of payment of TV licences must be kept on the premises at all times. If the guest house wants to install DSTV, the service providers must be contacted directly for installation. DSTV service providers have specialised packages available for guest houses and bed-and-breakfast establishments.

4.2 Certificate of compliance for food preparation

If the guest house intends serving any form of meal, a compliance certificate is needed. This is of the utmost importance as a guest who contracts food poisoning from your establishment can claim compensation from you. This certificate is available from the local Department of Health in your municipal area. As a business serving food and drink to the public, you will need to comply with laws that ensure that your food is safe and your premises are clean. Department of Health regulation number 2002:15 states that you must implement a Hazard Analysis and Critical Control Point (HACCP) system to ensure that all food is handled and served without risk to customers' health. You will then need a certificate (valid for one year) from a certifying body before you can start trading. You can search for these regulations on the Department of Health's website (www.doh.gov.za) or get in touch with your local municipality (NYDA, 2008:6).

4.3 Liquor licence

Applying for a liquor licence can be a long and daunting process, but worthwhile if you intend to serve any kind of liquor on the premises. If the guest house owner is uncertain about this procedure, an attorney should be consulted to assist. It is important to note that liquor licence application forms differ from one municipality to another. It is therefore important to contact the local municipality to find out about the relevant forms. Currently there are 15 different types of liquor licences available in South Africa. It is crucial to apply for the one that suits your needs. Applications take between three and eight months to process and can cost anything from R3 000 to R20 000. The following people are excluded or prohibited from applying for a liquor licence: a minor, an un-rehabilitated insolvent, a

person in a mental care institution and a person convicted for an offence in terms of the Liquor Act in the three years prior to the current application (Free State Liquor Act, Act 6 of 2010).

The following is a basic outline of the steps to be taken when applying for a liquor licence:

Step 1: Apply for registration of a liquor licence. A Commissioner of Oaths (e.g. an officer at a police station) must complete and sign the last page of the form.



Step 2: Submit Form 2 to a ward counsellor for completion. The ward number and municipal area in which the guest house is situated must be mentioned. The type of liquor licence applied for and the type of liquor that will be sold must also be indicated. The address and guest house name must also be entered.



Step 3: Complete the form labelled "Description of the premises". On this form the applicant must give a full description of the walls, floor, roof, ceilings, windows and doors of the guest house.



Step 4: Write a motivational letter to the Liquor Board. The applicant must write a motivational letter to the Liquor Board indicating why he or she wants a liquor licence, what the applicant intends to do with the income, any matters relating to community development and crime prevention. This letter must contain particulars of the applicant including: all applicable addresses, current employment status, marital status and distance from nearest school and church. Reference must be made to why a liquor licence is needed and that there is no intention of selling liquor to minors. The applicant must sign this letter.



Step 5: Draw a sketch of the premises and location of guest house. Included in these sketches: the dimensions of each room, doors, windows, sitting areas, at least two toilets, shelving, counters and liquor store room. The streets that border the guest house must be included on the sketch.



Step 6: Attach a certified copy of your identity document and proof of residential address (e.g. municipal account).



Step 7: Payments that are due must now be made. This amount will depend on the type of licence you have applied for.



Step 8: The liquor licences must be renewed each year otherwise your guest house will be fined.

If any objectionable liquor-related incident occurs on the premises, the guest house will be forced to close down completely for one month. This is the penalty imposed if the authorities find that the owners/managers have not sufficiently managed the liquor licence.

4.4 Radio/music broadcasting licence

If the owner/manager of a guest house intends playing background music or make use of radio broadcasts he or she will need to apply for a licence from the South African Music Rights Organisation (SAMRO). This is an inexpensive licence that will keep your guest house on the legal side of broadcasting music.

5. Legal aspects regarding signage

If your guest house is correctly zoned, it is usually unnecessary to get approval from the local municipality if you want to erect signs on the property. If you intend to erect signs to advertise your guest house near the side of the road or to direct clients to your establishment, the following bodies must be contacted for approval:

- on national roads: the National Department of Transport, see www.transport.gov.za/ for current procedure;
- on secondary roads: the Provincial Department of Transport, see www.transport.gov.za/ for current procedure;
- on local roads within the municipal area: the local municipal engineer.

5.1 Disclaimer board

It is advisable to have a comprehensive disclaimer board on the property in clear view of all clientele. This disclaimer board informs the client that there are certain instances when the guest house will not take responsibility for the occurrence of specified events. These boards must also contain the words “enter at own risk”. The disclaimer board assists in protecting the guest house in the event of *bona fide* injury, damage or theft. This includes:

- non-liability in the event of an accident or incident that causes the guest bodily injury or harm;
- the damage or theft of the guest’s property in the event of it being left unattended;
- non-liability for damage or theft of the guest’s motor vehicle or other mode of transport;
- non-liability for bodily injury or harm caused by food or drink consumption that leads to an allergic reaction due to lack of knowledge thereof on the part of the guest house (NAA, 2011).

6. The payment of value added tax (VAT)

In general, if you are not registered for the payment of value added tax (VAT), the guest house cannot add VAT to its prices. If the guest house’s turnover is more than R1 million a year, the law makes it compulsory for the guest house to register for VAT. The guest house

must charge its clientele VAT on products and services and must pay the VAT over to the South African Revenue Service (SARS) on a regular basis. It is advisable to contact SARS and to register as a VAT vendor.

If you have successfully registered as a vendor, SARS will issue the guest house a VAT number. This number must appear on all official guest house documentation. The current VAT rate is 14% and is charged in full on all products and services sold at the guest house. Make sure that prices quoted to guests are always tax inclusive and that it is clearly stated on all the quotes. All quotes must mention that VAT is included. The guest house owner must keep proper records of the VAT charged, in order to comply with the law. Invoices, credit notes, bank statements, deposit slips and paid cheques must be maintained and stored for 5 years in a place of safe keeping. Tax evasion is a serious crime: if a person is found guilty of this, a large fine or imprisonment may be sanctioned. Contact SARS or access the SARS website www.sars.gov.za for more information in this regard.

***Legal tip:** Registering for VAT can have a positive effect on the clientele you wish to attract, since many businesses prefer making use of VAT-registered guest houses.*

7. Matters relating to the Receiver of Revenue (SARS)

The following matters pertaining to SARS are important:

- As a taxpayer you will have to submit financial statements every year and pay the required tax on taxable income.
- Your business structure impacts tax payment procedures.
- As an employer the collection and payment of employees' tax must be carried out.

7.1 As a taxpayer you will have to submit financial statements every year and pay the required tax on taxable income

Every individual, sole proprietor, partnership, company or close corporation in South Africa that derives a taxable income is liable to pay tax to SARS. The owner of the guest house will have to register his or her guest house for provisional tax if the guest house has an income of more than R20 000 per annum. Provisional tax is payable for an individual or guest house that earns income that is not subject to standard income tax on employees (SITE) or pay-as-you-earn tax (PAYE). These taxes are not payable on taxable interest, rental and business income.

Provisional tax is paid every six months and the rationale behind this is to assist tax payers in meeting their tax liabilities on an ongoing basis, as opposed to paying one lump sum annually. Provisional tax is an estimated amount that is worked out from the total amount of tax paid for the previous financial year. Interest is levied on late payments and when

under-payment is made, SARS makes a full tax payment demand. Guidelines with regard to the payment of provisional tax are available from the SARS website.

The current rate of tax for small businesses is summarised as follows:

Taxable Income (R)	Rate of Tax (R)
0 – 63 556	0%
63 557 – 350 000	7% of the amount above 63 556
350 001 and above	20 051 + 28% of the amount above 350 000

(PGH, 2012)

Legal tip: Familiarise yourself with all the relevant tax-related aspects, and where needed get a professional auditor or bookkeeper who is knowledgeable to assist you. Penalties, fines and even imprisonment can follow if a person neglects to adhere to the requirements of the income tax laws in South Africa.

7.2 Tax and the various business structures

If the owner of the guest house already pays employment tax on another form of income, this income is excluded from provisional tax.

7.2.1 Sole proprietors and partnerships

If you have chosen any one of these two types of business entity for your guest house, you and your business are seen as one taxpayer for the purpose of tax returns. You must therefore declare both guest house income and other income (e.g. permanent employment) on one tax return form.

7.2.2 A close corporation and company

The law that governs these entities requires that you make use of an auditor (in the case of a company) or a registered bookkeeper (in the case of a close corporation). Legislation requires a tax return from you personally and one from the business entity.

7.3 As an employer, the collection and payment of employee's tax must be carried out

If you own a business you must register as an employer with SARS. Accordingly you as owner-employer of the guest house will have to deduct employee tax from your workers' remuneration each month if they earn more than R60 000 per annum. At the end of each

month this amount is paid over to SARS. If the employee earns less than R60 000 per annum he/she is exempted from tax and no deduction will take place.

Employee tax is made up of the following:

- Standard income tax on employees (SITE): This is calculated on the net remuneration of an employee and equates to your normal tax liability. SITE is only paid by people earning R120 000 and less a year, those who do not receive a travel allowance and those who do not receive any other income.
- Pay-as-you-earn (PAYE) tax: This is the settling of the employee's income tax liability at the same time that the income is earned. The employee settles the tax over the course of the year.

8. Labour law

8.1 Employment regulations

As a guest house owner you are likely to employ staff to assist you in the daily operation of the guest house. As such, you must register as an employer with the Department of Labour. You will then be compelled to make contributions on behalf of your employees to the Unemployment Insurance Fund (UIF) and Workmen's Compensation Fund. The Basic Conditions of Employment Act, Act 75 of 1997 (BCEA) applies to all employers and employees in South Africa. This Act regulates working hours, overtime, leave, deductions, sick leave, maternity leave, etc. This Act stipulates that all employees must have written contracts with their employers. The dismissal of an employee is also regulated according to this Act. Dismissal must be fair and the correct procedures must be followed to dismiss an employee.

The Act makes it compulsory for you to display a summary of the Act at your main place of business if you have more than five employees. Contact your local Department of Labour office or visit the department's website at www.labour.gov.za. The next section provides a brief summary of the Basic Conditions of Employment Act, Act 75 of 1997 (BCEA).

8.1.1 Working times and pay

- The maximum hours of work are 45 hours per week for ordinary pay. Nine hours per day if an employee works 5 days or less per week and 8 hours per day if an employee works more than 5 days per week.
- The maximum length of a working day is nine hours, with one hour lunch after five hours of consecutive work.
- If the employee agreed to work overtime in the original employment contract he/she is compelled to do so. If the employee refuses to work overtime then he/she is in breach of the contract and the employer can take disciplinary action against the employee.

- A worker can agree to work on a public holiday, but this is voluntary. Double pay is applicable when an employee works on a public holiday.

8.1.2 Annual leave

- Every employee is entitled to 21 consecutive days paid annual leave.
- Annual leave must be taken within six months of the end of an annual leave cycle (a year's work).
- If the employee is off work on any other kind of leave, these days do not count as part of annual leave. In other words annual leave cannot be taken at the same time as sick leave, family responsibility leave or maternity leave.
- Leave pay cannot be regarded as a bonus on top of normal pay. It simply means that an employee gets a holiday every year, and gets normal pay for those days. Leave needs to be managed, otherwise it can lead to unnecessary payouts.
- If an employee resigns without having taken all the leave due to him/her, the employee must be paid for the days of leave that they have not taken. This is called *pro rata* leave pay.

8.1.3 Sick leave

- A permanent employee is entitled to 30 days paid sick leave over a 3-year cycle (36 days if the employee works a six-day week).
- Seasonal or temporary employees are entitled to one day's sick leave for every 26 days worked over the first six-month cycle.
- Employees who are sick for more than two days may be required to produce a medical certificate.
- An employer must pay the wage an employee would have received on the day he/she is sick.

8.1.4 Family responsibility leave

- Every employee with more than four months' service with an employer, and who works more than four days per week, is entitled to three days paid family responsibility leave per year. This can be taken if a direct family member dies (this includes a wife or husband or a life partner, the employee's parent, child, adopted child, grandchild, brother or sister) or when the employee's child is born or if a child is ill. A total of three days is allocated for this kind of leave and not three days for each event.

8.1.5 Maternity leave

- Female employees are entitled to four months' unpaid maternity leave. During this time, the employee may draw maternity benefits from the UIF.
- A female employee can, if she wishes, go on maternity leave four weeks before the expected date of birth, and stay off work for another three weeks after the child was born.
- If a female employee wants to return to work earlier than six weeks after the birth of a child, she needs written consent from a medical practitioner.

8.2 Minimum wages

The hospitality industry (hotels, guest houses, restaurants, taverns, fast food shops, contract caterers, etc.) have to comply with the minimum wages determined by law. The wage structure of a guest house is governed by the Sectorial Determination for the Hospitality Sector (Sectorial Determination 14) which came into effect on 1 July 2007. Accordingly, all guest house employees should to be paid a minimum wage, as set out in the tables below. The Hospitality Sectorial Determination lays down conditions for employment for employers and employees in the Hospitality Sector, such as hours of work, leave, particulars of employment and termination of employment. According to the Hospitality Sectorial Determination the guest house industry is given an annual minimum wage increase, which comes into effect on the 1st of July each year. This increase can vary as it is determined by the consumer price index in South Africa.

Table 1: Minimum wage for employers with fewer than 10 employees in service

Minimum rate for the period		
1 July 2012 to 30 June 2013		
Monthly	Weekly	Hourly
R2 240,60	R560,15	R14,00

Source: Hospitality sector minimum wages, 2012

Table 2: Minimum wage for employers with more than 10 employees in service

Minimum rate for the period		
1 July 2012 to 30 June 2013		
Monthly	Weekly	Hourly
R2 323,87	R580,96	R14,52

Source: Hospitality sector minimum wages, 2012

Legal tip: *The BCEA sets out the minimum requirements for an ethical relationship between an employee and employer, but the parties are free to negotiate for better clauses and working conditions.*

8.3 Disciplinary action against employees

Structured disciplinary procedure is a vital consideration for any business irrespective of its size. Having the correct structure in place will save you as employer valuable time when employees need to be disciplined. Working according to the Labour Relations Act, Act 66 of 1995, will protect you as employer and prevent you from ending up before the Commission for Conciliation, Mediation and Arbitration (CCMA) or the Labour Court.

The following disciplinary actions can be taken against an employee in order of severity:

- verbal warning: this will be given for misconduct or poor performance;
- written warning: this will be given for minor offences such as unauthorised absence from work or disrespect;
- final written warning: this is the final warning before dismissal, used in all of the above cases;
- suspension without pay: the employee may not enter the place of work until a hearing has been held. This is a temporary suspension only;
- demotion as an alternative to dismissal: if the parties fail to sort out their problems demotion is used as a punishment tool to prevent future misconduct;
- dismissal with notice: the employee is asked to vacate his position not immediately, but as if the employee has resigned;
- summary dismissal: this is the most drastic step and is only justified if the employee is guilty of breach of contract such as for theft or fraud.

All documents relating to disciplinary action must be kept on file and copies thereof must be handed to the employee which he/she must sign. Witnesses are not a prerequisite, but in practice this is often the best tool to prove that documents were handed over to an impertinent employee. All disciplinary complaints must first be investigated before the employer can resort to disciplinary action. Make sure of your case, give employees proper training and inform them of their rights.

Legal tip: *All laws governing the employer-employee relationship have been drawn up to protect the employee as far as possible. Make sure you keep on the right side of the law, adhere to all procedures and give your employee a reasonable chance to defend him/herself. The CCMA and Labour Court tend to favour employees and the employer is most often found in a precarious position where he/she must justify his/her actions!*

Please refer to the Labour Relations Act, Act 66 of 1995, for the detailed procedures to be followed for fair disciplinary hearings and dismissals.

9. Insurance

Being in control of your assets implies that you as the guest house owner have made provision for unforeseen events that can have a negative effect on the future existence of the guest house, e.g. fire, theft, earthquakes, natural disasters, etc. It is therefore essential to have comprehensive insurance that covers you in the event of a risk materialising. Most guest house owners are under the impression that home owner insurance is sufficient to protect them against disaster, but make sure that all your goods are covered and request a confirmation letter to this effect from the insurance carrier and not the insurance agent.

Home owner insurance is not the only insurance available to the guest house industry. Here is a comprehensive list of current available insurance to cover your enterprise:

- Personal accident and life insurance.
- Fire and general property insurance.
- Home owner's policy.
- Burglary insurance.
- Office content insurance.
- Public liability insurance.
- Product insurance.
- Insurance against natural disasters.

Insurance companies tailor-make insurance policies to suit the needs of clients in specific industries. The guest house industry, as a division of the tourism and hospitality industry, has received a lot of attention in this regard over the last couple of years, so insurance agents have new and exciting proposals in hand to make sure you receive the correct cover. Make sure you have adequate comprehensive insurance.

Review your insurance once a year and if need be, compare quotes so that you are content with the final product on offer. Take all the necessary precautionary steps beforehand to minimise the premium for example, install an alarm and CCTV cameras, burglar proof windows and doors and have a security gate installed. Currently, the largest insurer of guest houses in South Africa is BnB SURE. This insurance company has tailor-made insurance packages for up to 30 rooms and they insure all types of hospitality institutions. For more information you can visit their website at www.bnbsure.co.za/.

Legal tip: *Insurance is a complicated matter; it is advisable to consult a qualified and reputable insurance broker who represents a well-established insurance carrier.*

10. Health and safety regulations

The Occupational Health and Safety Act, Act 85 of 1993 (OHSA), provides for the safety of all employees in the workplace in South Africa. According to section 8 of OHSA, guest houses are required to maintain a list of all the different safety risks that may be experienced in the specific industry. These include physical risks, psychological risks, chemical hazards and behavioural risks.

The guest house owner/manager must conduct regular inspections to ensure that the staff and clientele adhere to the safety measures. If any incident occurs that is covered by OHSA, the employer has seven days to report it to the local Commissioner at the Department of Labour. The following table explains the safety hazards and preventative measures as suggested by Gordon-Davis (2003:118). Also see Regulations governing the maximum limits of pesticide residue that may be present in food stuffs, 2002.

Hazard/risk	Specified hazardous area	Preventive measure
Physical risks <ul style="list-style-type: none"> ■ wet floors ■ uneven tiles 	<ul style="list-style-type: none"> ■ bathrooms and entrance hall ■ throughout the guest house 	<ul style="list-style-type: none"> ■ erect portable caution board ■ put up permanent danger signs where applicable
Psychological risks <ul style="list-style-type: none"> ■ long working hours ■ difficult clientele 	<ul style="list-style-type: none"> ■ kitchen and reception staff ■ complaints about different aspects of the guest house 	<ul style="list-style-type: none"> ■ periodic rest periods given ■ to remain calm and refer problems to owner/manager
Chemical hazards <ul style="list-style-type: none"> ■ cleaning of specified equipment and general house cleaning ■ pesticides and weed killers 	<ul style="list-style-type: none"> ■ the entire guest house ■ in and outside the guest House 	<ul style="list-style-type: none"> ■ provide safe storage, mark clearly and provide protective clothing, goggles, gloves and mask ■ mark these elements clearly with the words "poison", "danger"; safe storage with limited access
Behavioural risks <ul style="list-style-type: none"> ■ leaving equipment unattended ■ physical transporting of heavy goods 	<ul style="list-style-type: none"> ■ laundromat/kitchen area and guest bedrooms ■ throughout the entire guest house 	<ul style="list-style-type: none"> ■ do not leave "on" equipment unattended to: make sure it is switched off ■ use a trolley or the lift

It is important to remember that all incidents relating to the health and safety of the employees must be recorded as evidence, which must be kept in a place of safety for three years. This evidence must include all witnesses, the date, place and time of the incident and the nature of the injury or incident. When any such incidents are reported the guest house owner and a health and safety representative must investigate them. Their findings could help to improve the safety of employees and to establish preventative measures at the guest house.

Legal tip: Draw up a Code of Conduct that will inter alia include these safety aspects and preventative measures. This Code of Conduct will clearly spell out the rules of the guest house, behaviour towards clientele; safety and preventative measures; disciplinary procedures; dress code and general responsibilities.

11. Summary

It is important to familiarise yourself with the legal aspects of a guest house before getting started. It is tempting to sidestep these requirements, but it must be remembered that the law in South Africa deals harshly with non-adherence to regulations. Fines and even imprisonment are sanctions applied for non-adherence to the law. In summary, the following is important:

- Always make sure that you know what your local municipality requires from you as a guest house owner.
- Familiarise yourself with the different regulations and by-laws applicable to the hospitality industry, in your province.
- Consult with professionals when in doubt! Make use of reputable attorneys, insurance brokers and land zoning specialists.
- Adhere to the requirements of SARS, the Labour Law and other relevant Codes of Conduct.
- A guest house that is managed within the legal parameters of the law will assure you peace of mind.

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THEME 2

BASIC MANAGEMENT PRINCIPLES

Deseré Kokt, Jacques Ras and Christine van der Berg



1. Introduction

The management function is crucial in ensuring that your guest house not only runs smoothly but also that provision is made for when things go wrong. Management involves the activity of mobilising people and/or resources to accomplish business goals. As guest houses operate in an extremely competitive environment it is imperative that sound management practices prevail and that service excellence and customer orientation remain a high priority. Service excellence and customer orientation could ensure return customers and thus create a competitive advantage for your guest house.

Management comprises of four types of activities: planning, organising, leading and control. The management function of any guest house brings together all actions and decisions that affect its day-to-day running as well as its survival in the long term. This can include staffing, stock control, planning the breakfast menu and so forth. It is therefore necessary that managers have the right combination of skills and competencies to be able to manage a guest house effectively.

Skills refer to the learned capacities to carry out a particular action. In relation to the guest house manager, two types of skills can be distinguished – general and specific skills. General skills may include time management, planning and communication skills, while specific skills could include comprehending the complexity of the industry, knowing and conforming to industry-specific legislation, recruiting and selecting the most appropriate staff, as well as retaining them within your establishment.

A competency refers to a standardised requirement to perform a particular task. Important managerial competencies applicable to guest house managers can involve being able to divide work sensibly amongst employees and to assign appropriately skilled employees to perform particular jobs. In this changing, challenging and competitive workplace, we cannot overestimate the importance of good management and the importance of having adequate skills and competencies.

After reading this theme, you will be able to:

- comprehend how the management principles of planning, organising, leading and control apply to your guest house;

- identify the skills and competencies needed to be an effective guest house manager;
- focus on the importance of service excellence and customer orientation.

2. Management Principles

Before we commence with the management principles and how they apply to your guest house, it is imperative that we note the difference between a leader and a manager. A leader is someone who naturally takes the lead and energises others to follow – usually of their own free will. A leader can be an informal leader or may have a leadership position within an organisation. A manager is usually appointed into a position of leadership and it may happen that a manager is not necessarily a leader.

Managers are expected to plan, organise, lead and control. These activities are not packed in tidy, separate boxes and managers often need to ‘think on their feet’ and know what action to take when a situation arises. Needless to say, this requires a special set of qualities on the part of managers. This section provides some clarity on what is expected of guest house managers, whether they are the owners and/or the managers of the guest house.

2.1 Planning

Planning, as an essential first priority, involves the creation of goals, objectives and action plans for your guest house. Goals and objectives indicate what you want to achieve and action plans propose how you will achieve it. Planning should be done before any other management tasks are undertaken. Every manager, regardless of position or type of guest houses, must plan. At strategic level, long term planning is undertaken to develop strategies helpful in attaining the long term goals of the guest house. Flowing from long term goals, operational plans are developed to attain the short term goals of the guest house, also involving the day-to-day running of the guest house.

Planning is only completed once plans are fully implemented. Sometimes a lot of time and discussions go into planning: if the plans are not adequately implemented, then time and resources have been wasted. It is thus important that planning should be done on a regular basis. Time should be set aside for managers to evaluate goals and objectives and to modify their plans, if necessary. Enough time should be set aside for planning, or the guest house may drift from one crisis to the next, with managers becoming “fire fighters”, running from one unexpected problem to the next. The following should be kept in mind during planning:

- Plans should be specific. Avoid plans that are too general. Vagueness is the arch enemy of productivity. Specific goals and objectives should flow from planning and those targeted to implement plans should exactly know what is expected from them.
- Plans should be measurable. This means that the goals and objectives that follow from detailed plans should be quantifiable in terms of job, cost, quality, quantity and timeliness.

- Plans should be acceptable and performance goals should be jointly established. Managers should divide their own goals and objectives into smaller sub-sections. Sub-sections could then be divided into smaller tasks that subordinates need to perform. Employees should exactly know what is expected from when they agree to their own performance standards. When employees feel that they are actively participating in the setting of their own goals, they are much more solidly motivated to perform with distinction than when they feel that they are merely being told what to do.
- Plans should be realistic. Goals and objectives should be attainable and employees should not feel overwhelmed about what is expected of them.
- Plans and their implementation should be done within a particular timeframe and have a specific start and end date. The date by which the objective must be accomplished should be well articulated, and a well-defined deadline for when the goals must be accomplished adds a sense of urgency.

2.2 Organising

The management activity of organising answers the question, 'How best can we assemble and use our limited resources to attain the objectives of the guest house?' Organising involves establishing the flow of authority and communication among employees. In any guest house care should be taken to make sure each employee has only one supervisor. The authority to make decisions on matters like the utilisation of resources should be available at all levels. This is especially important for employees who work irregular hours like in the evenings and over weekends. It is very demotivating for a manager to have the responsibility to do something, but not the authority to make the final decision. Managers should especially be given the authority to carry out routine tasks.

In a guest house, organising involves the following actions: coordinating, delegating, staffing and directing. Coordinating is the management task of assigning work and organising people and resources to achieve set objectives. In many ways, coordination depends on communication. There must be effective channels of communication to transmit messages up and down the organisational levels. It is also necessary for peers to communicate with each other. Delegation means that authority can be 'passed down' and specific tasks can be performed by designated individuals. Staffing involves the recruiting, selecting and deployment of staff. The goal of staffing is to appoint the best qualified employees possible for the guest house.

Directing is also a big part of most managers' job and implies that work is being performed by mobilising employees with the right skills and competencies to perform the day-to-day tasks that keep the guest house operational. Employees are absolutely critical to the success of every guest house. Directing includes supervising, scheduling, and disciplining employees. Although supervision involves the delegation of work it also implies that the well-being of employees should be taken into account. The following points are thus important:

- Always personally thank your employees for doing a good job, either verbally or in writing or both.
- Create a work environment that is full of fun, open and trusting. Encourage your employees to talk about new ideas and better ways of accomplishing certain tasks.
- Provide continuous feedback and institute a review system to give your employees specific feedback about their performance. Also provide information on how their department, as well as the guest house as a whole, is performing.
- Involve employees in the decision-making process by continuously interacting with them.
- At meetings, let your employees know how the guest house is doing financially and what could be done to improve the financial position: urge them, for instance, to save electricity.
- Cultivate a sense of ownership amongst employees by instilling an attitude of ‘You take care of me, and I’ll take care of you’.
- Always give your employees the opportunity to learn new skills and to grow within the business.
- Promote employees based on their performance and reward them appropriately.
- Don’t let poor performing employees stay on and bring down morale. Give them a chance to improve and if they do not, make them move on.
- Finally, celebrate the successes of the guest house on a regular basis. This could be done through fun activities like celebrating a good month by giving everyone a cup cake and a cup of coffee.

Scheduling and the compilation of work rosters is also an important function of a guest house manager. As most guest houses are open until late at night, over weekends and on public holidays, it is imperative that employees are divided into shifts. Scheduling of employees depends on the occupancy rate of the week or on a daily basis. This is normally done on a weekly basis. Table 1 provides an example of a schedule or work roster for a guest house.

Table 1: A sample work roster

29 Jan			
	Jan	Person A	Person B
Sun 29	06:00 – 20:00	07:00 – 10:00	OFF
Mon 30		06:00 – 13:00	13:00 – 20:00
Tues 31		13:00 – 20:00	06:00 – 13:00
Wed 1		06:00 – 13:00	13:00 – 20:00
Thurs 2		13:00 – 20:00	06:00 – 13:00
Fri 3		06:00 – 14:00	14:00
Sat 4		OFF	06:00 – 20:00

05 Feb			
	Jan	Person A	Person B
Sun 5		OFF	06:00 – 20:00
Mon 6		13:00 – 20:00	06:00 – 13:00
Tues 7		06:00 – 13:00	13:00 – 20:00
Wed 8	Leave	13:00 – 20:00	06:00 – 13:00
Thurs 9	Leave	06:00 – 13:00	13:00 – 20:00
Fri 10	Leave	14:00	06:00 – 14:00
Sat 11	Leave	06:00 – 20:00	09:00 – 12:00
12 Feb			
	Jan	Person A	Person B
Sun 12	Leave	06:00 – 20:00	OFF
Mon 13		13:00 – 20:00	06:00 – 13:00
Tues 14		06:00 – 13:00	13:00 – 20:00
Wed 15		13:00 – 20:00	06:00 – 13:00
Thurs 16		06:00 – 13:00	13:00 – 20:00
Fri 17		11:00 – 16:00	06:00 – 11:00
Sat 18	06:00 – 20:00	OFF	OFF
19 Feb			
	Jan	Person A	Person B
Sun 19	06:00 – 20:00	OFF	OFF
Mon 20		06:00 – 13:00	13:00 – 20:00
Tues 21		13:00 – 20:00	06:00 – 13:00
Wed 22		06:00 – 13:00	13:00 – 20:00
Thurs 23		13:00 – 20:00	06:00 – 13:00
Fri 24		14:00	06:00 – 14:00
Sat 25		06:00 – 20:00	OFF
26 Feb			
	Jan	Person A	Person B
Sun 26		06:00 – 20:00	OFF
Mon 27		06:00 – 13:00	13:00 – 20:00
Tues 28		13:00 – 20:00	06:00 – 13:00
Wed 29		06:00 – 13:00	13:00 – 20:00
Thurs 1		13:00 – 20:00	06:00 – 13:00
Fri 2		06:00 – 14:00	14:00
Sat 3			06:00 – 20:00

Working hours differ from one guest house to another. The example in Table 1 indicates shifts from 6:00 to 13:00 and from 13:00 to 20:00. The following procedure applies: If a guest arrives after 20:00, the owner will normally check them in. In case the owner is not on the premises for whatever reason, one of the staff members will sleep on the premises. Weekend rosters differ from those in the week and weekend shifts are from 14:00 on Friday to 13:00 on Monday. All calls are diverted to the employee on duty and this employee must be at the guest house when guests arrive.

Disciplining employees is another key task of a guest house manager. Discipline should address and correct improper behaviour and help employees become productive members of the guest house. Discipline may consist of informal counselling sessions, serious reprimands (like written warnings or suspensions) or even dismissal. Discipline is an indispensable management tool, but it is also one of the most difficult for managers to use. Discipline should be consistent and fair and should be seen as a way of instilling proper behaviour. It is more effective to improve your approach to discipline than it is to change employee behaviour. The following list of major causes of disciplinary problems shows that the importance of communicating the rules cannot be over-emphasised:

- The employee and the job were a poor match to begin with.
- The employee was not motivated to do a good job.
- The employee did not know what to do.
- The employee did not know how to do whatever it was he or she was supposed to do.
- Unrealistic expectations were set.

Following a formal, written disciplinary action procedure is the best way to protect yourself and your guest house against charges of favouritism, discrimination, and unfair practices. It should be remembered that discipline procedure should reflect the following objectives:

- to contribute to the achievement of organisational goals and long-term stability;
- to ensure the fair and equal treatment of all employees;
- to encourage timely corrective action in the event of unsatisfactory work performance and /or behaviour;
- to correct unacceptable performance and/or behaviour and to view dismissal as a last resort;
- to ensure that the principles of natural justice are applied prior to any termination of employment;
- to ensure that sound relationships exist between management, employers and employee unions and associations.

It is thus clear that the activities related to organising require continuous inputs from the guest house manager.

2.3 Leading

The words of Napoleon Bonaparte 'A leader is a dealer in hope' sum up the intricacies of leadership. Leadership is essentially related to a person's skills, abilities and degree of influence. As indicated before, true leaders are not always appointed into formal managerial positions, although it is usually expected of managers to be leaders. Adding value to others is one of the most important aspects of being a good leader and manager. The secret of leadership is not how we advance ourselves but how we advance and develop others. This can only be achieved by serving others and adding value to their lives. An important question to ask is whether we are making things better for the people that we employ.

The following practical aspects should be kept in mind by the guest house manager:

- Know yourself and seek constant self-improvement.
- Be technically proficient – know your own job and be familiar with what is expected of employees.
- Seek and take responsibility – provide guidance to employees, analyse situations and take corrective action, if necessary.
- Make sound and timely decisions – use available problem solving and decision making tools to ensure all parties are content with the outcome.
- Set an example – lead by being a good role model. Employees must not only hear what to do but also see what to do.
- Look out for employees' well-being by knowing them – be sincere with employees in all situations.
- Keep employees constantly informed – communicate constantly with your employees and let them know what is expected of them.
- Develop a sense of responsibility in employees.
- Ensure tasks are understood and accomplished – communicate the expected outcomes clearly.
- Emphasise the importance of teamwork. Assist in training the employees as a team so that they feel part of a group and not just individuals struggling on their own.
- Cultivate a positive team spirit through engagement and communication.

2.4 Control

There is no assurance that goals will be attained just because effective plans have been developed, resources organised, staff selected, and directions carried out. For this reason, you must develop and implement control systems. Control systems include much more than just the physical tasks of locking the guest house doors and issuing cleaning products. Generally, the control process begins with establishing a budget. A budget indicates expected sales and cost levels. It could be useful to reflect on previous financial

statements and budgets to get an indication of the types of expenses your guest house might incur. Budgets need to be updated annually and once a budget is drafted, you must measure the extent to which budget goals are met. If the variance between expected results and actual results is excessive, corrective action must be taken and the results evaluated to assess whether the corrective action was effective.

Control enables evaluation of the guest house's progress toward achieving the overall organisational goals. It also allows for measuring employee performance and assessing whether training and developmental programmes have been successful. Guest house managers should continuously go back to and reflect on the question of 'How well are we doing?' If goals have not been met, the evaluation process has served its purpose by identifying the problem. Awareness of a problem is the first step towards solving it. Guest house managers must also evaluate themselves. Some guest house managers believe that they always do a good job, so that self-evaluation is unnecessary. Others believe they are doing the best possible job and cannot do any better – again evaluation is judged unnecessary. Both of these approaches are unproductive. Taking an honest look at their own performance can assist guest house managers to improve their professional and interpersonal skills. Performance evaluation is too important to be done 'whenever there is time' and the guest house manager should allocate sufficient time for this to be done.

3. What are the skills needed to be a good guest house manager?

As guest house owners/managers need to interact with both internal customers (employees and supervisors) and external customers (customers and suppliers), they need certain critical skills to ensure success. These skills include communication and interpersonal skills, problem solving and decision-making skills, leadership and team-building skills, planning and goal-setting skills and technical skills.

3.1 *Communication and interpersonal skills*

The most important skill that makes a manager good is the ability to communicate and maintain good interpersonal relationships. Communication should be frequent and employees should know what is expected of them in performing their tasks. Managers should also communicate with employees when making plans that affect them. Employees are more likely to follow plans they have helped to develop. Such plans become 'our plans', not 'management's plans'. This also applies to interpersonal skills. It is thus essential that good interpersonal relationships be maintained. Effective communication and interpersonal skills are the lifeblood of a guest house. The following guidelines apply to internal communication:

- Speak to staff members individually on a weekly basis – this must include feedback on what has been achieved as well as what is expected for the next week. This will ensure that staff members and managers have a mutual understanding of what is going on in the guest house.

- Monthly meetings need to take place with all staff members where issues are discussed and solutions to problems debated.
- The management team should also meet regularly as this will ensure that effective time management and supervision is maintained, the overall status of the guest house is reviewed, feedback is exchanged and the implementation of plans are monitored.

The following are critical aspects for maintaining good external communication:

- Be informed about guests' expectations.
- Attend to detail, like remembering a guest's name, food preferences and so forth.
- Make regular eye contact with guests.
- Be open, friendly and helpful.
- Always stay calm no matter the situation.
- Speak clearly and understandably, in a calm tone of voice.
- Stand up straight with a good posture.

3.2 Problem-solving and decision-making skills

In the course of achieving a goal, management is likely to be faced with making tough and sometimes controversial decisions. It is therefore necessary for managers to be flexible and adaptable in decision making and problem solving. Decision making should be fair and should result in the solving of problems at hand. The decision-making and problem-solving process has six steps:

- Define the problem and set objectives – the objective should include the end result, but should not contain the method by which it will be achieved. This sets the direction to where you want to be after solving the problem.
- Analyse the problem – collect the facts, the relevant who, what, when, where, why and how. When all potential causes of the problem have been located the cause can be determined.
- Develop alternative solutions – evaluate potential best solutions for the problem: the greater the number of alternatives you have, the more likely you will be to make the best choice.
- Decide on the best solution – writing an outline plan of the action steps will indicate the best choice, start date, end date, as well as who will implement the decision.
- Convert the best decision into action – converting the plan into action will only occur if all the employees are on board with the plan.
- Follow up – evaluate the progress and follow up by using the best options action plan.

Problem solving is something that is done as part of your regular daily activities, and can be challenging and frustrating. A set of six essential practical rules for problem solving will ensure the best solution under the circumstances. It includes the following:

1. Recognise and specify the problem
 - a. What is the nature of the problem?
 - b. Where is it?
 - c. When did it occur?
 - d. What is the size of the problem?
 - e. Did it change over time, if so how?
2. Identify possible causes
 - a. What stands out from the answers to the above questions?
 - b. What can be eliminated?
 - c. What is the cause of the problem?
3. Testing causes
 - a. Could the cause or causes have accounted for the entire problem?
 - b. Are they controllable?
4. Finding alternative solutions
 - a. What can be done to reduce or remove the cause?
 - b. What are the consequences of each action?
 - c. Which is the best solution?
5. Implement the plan
 - a. What must be done to implement the solution?
6. Review effects
 - a. Is the problem solved?
 - b. Were there any unforeseen consequences to the actions?

3.3 Team-building skills

Team building is an important activity of a leader. Team building is not a simple task and the test of a good manager is his success in building a great team. Listening skills are possibly one of the most crucial qualities a manager should possess. For a team to perform efficiently, a good manager should be able to motivate the team effectively. A good leader should encourage and develop each individual team member's talents. In cases of inadequate performance, managers should approach the situation with firm professionalism to ensure that employees comprehend what is expected. Emphasis should be placed on teamwork instead of only on achievement. A Chinese proverb states, "Behind an able man there are always other able men". Teamwork is the centre of success. There are no problems we cannot solve together, and very few that we can solve by ourselves. Individuals play the game, but teams win championships.

3.4 Planning and goal-setting skills

When one contemplates planning and goal-setting skills the question arises on what separates an ordinary manager from a great one. Great managers tend to have clearly-articulated goals and they know how they will achieve them; they also know how to fulfil their purpose and maximise their own potential and that of others. On the journey of success goal setting becomes the route. To reach your final destination you need a route or a map to ascertain the progression you are making. Setting goals is the most effective way to ensure that you continue moving forward in reaching them. Goal setting needs to follow planning, and also involves aspects like effective time management and a conception of how the various tasks in the guest house contribute to the overall effective running of the guest house.

3.5 Technical skills

In order to perform their duties adequately, guest house managers also require certain technical skills. Technical skills are needed to carry out certain operational activities and involve the optimum use of the resources of the guest house. This could involve dealing with materials, people and time.

Materials

- The usage of materials should constantly be monitored.
- Wastage should be eliminated, (e.g. use economic methods for printing, i.e. econo settings on PC).
- Reuse materials, where possible.

People

- Ensure that staff is adequately trained and developed.
- The deployment of staff should be done according to their skills.
- Motivate staff to reach outcomes.
- Monitor staff performance and set goals.
- Have clear objectives and set standards.
- Ensure staff have clear roles and responsibilities.
- Staff should be clearly informed about expectations.
- Service delivery and customer orientation should be the focus of all staff.
- Incentivising of performance excellence should be instituted.

Time

- Identify and eliminate time wasters.
- Plan projects and tasks carefully in advance.

- Set long and short terms goals.
- Plan activities daily and review progress towards goals.
- Organise your office environment.
- Use time management tools (lists, calendars, diary, schedules).
- Discontinue low priority tasks.
- Prioritise activities.
- Set realistic time limits.

It is furthermore important that guest house managers should update themselves constantly on the latest trends in the guest house industry. This is necessary so that they can use the knowledge and make positive contributions to the goals of the guest house.

4. Service delivery and customer orientation

Guest houses are service-oriented entities, attuned to the satisfaction of customer needs and wants. It is thus all about customer service and excellence. A service is an action or set of actions taken by one person for the benefit of another person that meets a need, solves a problem, or produces a positive experience. Service delivery is intangible and because the provision of services is such an essential component of your guest house, this requires constant attention from the guest house manager. Employees who work in guest houses could be regarded as service employees. They are usually expected to manage their emotions and always to be friendly and accommodating. Service work can be emotionally taxing as employees need to constantly manage their emotions and behaviour. This has important implications for service delivery and it is imperative that guest houses employ individuals who are able and willing to make service delivery a top priority.

The importance of service delivery is illustrated by the following statistics: Customers are likely to spend up to 10% more for the same product with better service. When customers receive good service they usually inform 10-12 other people. When customers receive poor service they tell upwards of 20 people. There is an 82% chance customers will repurchase from a company where they were satisfied and there is a 91% chance that poor service will dissuade a customer from ever going back to a company.

4.1 Service profit chain

Exceptional service begins with an understanding of the dynamic relationships among employees, service performance, and customers that produce value in your guest house. It is therefore important to understand the dynamic interpersonal relations that need to be managed in the guest house. This is referred to as the service profit chain. Individual employees render services to paying customers, making them **the** essential component of the service profit chain. As the term indicates, the service profit chain centres on excellent customer service that results in return customers and ultimately increased

profit for your guest house. The following are important reasons why the service profit chain makes sense:

Cultivating employee satisfaction

- If you create a work environment that promotes high employee satisfaction, you will retain your most experienced and competent people.
- High quality people provide enduring benefits that lead directly to high quality service delivery.
- The service profit chain may result in exceptional profits.
- It demonstrates the connections that link excellent service to customer satisfaction and customer satisfaction to customer loyalty and retention.
- Customer loyalty and retention are the fundamental drivers of increased profitability.

Employee retention

- Employee retention assumes that the recruitment and selection process of employees is rigorous and according to the needs of the guest house. It is also important that individuals with the right attitude towards service delivery are appointed and retained.
- There are distinct advantages in successfully retaining employees in the long term, as they will be more knowledgeable about the products, services, policies and procedures of your guest house.
- Long term employees are familiar with the customers' needs and problems and know what is required of them.
- Long term employees are valuable resources for helping other workers to do a good job in serving customers.

Service delivery is thus not just about external customers but also about internal customers. This can be explained in the following way:



The following section provides two checklists – one on the improvement of service delivery and one on dealing with dissatisfied customers to assist managers and staff with service delivery issues.

Checklist to improve service delivery (for management and staff):

Know the various services on offer to guests. Know the features, the advantages, and the benefits of every service on offer. Ensure that you can convey these to the guest in clear, non-technical language.	
Make sure that all relevant information such as telephone numbers, room tariffs and account information are readily available.	
The names and contact details of staff should be constantly updated. It should contain the names, addresses and contact numbers of all the employees.	
An organisational chart that indicates duties and responsibilities should be available. This is especially necessary for new and/or temporary staff.	
The contact details of the manager on duty should be available to employees and guests.	
Staff should be informed about the names and contact details of the recommended restaurants, shopping malls, tour guides in the area.	
Staff should always be informed about the special promotions the guest house offers, as well as happenings in the area, such as festivals and shows.	
It is important to continuously enquire about the customer's level of happiness. Every time you interact with a customer whether in person or over the phone, enter into a quick discussion on how they perceive the guest house.	
Make use of surveys or comment cards. This will indicate to your staff, customers and competitors that you intend to improve your service on a continuous basis.	
Constantly improve the interpersonal skills of staff. To deliver quality service people skills is of the utmost importance. A friendly environment should be created where guests feel welcome and appreciated.	
Managers should set the example in making service a priority. Actions and not words should speak the loudest.	

Checklist for dealing with dissatisfied customers:

Listen: It is important when dealing with a dissatisfied or complaining customer to listen attentively to his/her complaint, frustration or grievance. Be patient, attentive, and friendly.	
Say you are sorry. The following phrases can be used: “We are sorry for this mistake/problem.” “We are terribly sorry for this inconvenience.” “What can we do to solve this problem together?” “I can imagine how frustrated you are.”	
Do not argue and do not interrupt: This will only worsen the situation, especially if the guest is angry. Let him/her speak before you try to discuss with him what has happened.	
Do not lose your self-control: if you stay relaxed, customers will calm down.	
Point out facts: Listen carefully – and write everything down. Do not make any comments until the customer has finished talking.	
Admit the problem: If you are able to, suggest a solution and assure the customer that corrective measures will be taken. Do not make promises you will be unable to keep.	
Involve the customer in problem solving.	
Follow-up: Make sure that the promised action takes place and find out whether the customer is satisfied.	
Give the customer a “way back”: Sometimes customers are wrong. You should let them leave with dignity, without feeling embarrassed.	
Do not question the customer’s correctness: Treat the customer as if he/she is right. Always be open minded toward the customer’s opinion, make them feel they deserve to be listened to.	

5. Summary

It is imperative that guest house managers/owners comprehend the basic managerial principles of planning, organising, leading and controlling. Guest house managers/owners also need to realise the important role they play in providing guidance and leadership to employees and that they are the ones who are driving customer service and service excellence.

THEME 3

BASIC FINANCIAL MANAGEMENT

Dalene Crowther



1. What is this theme about?

Managing the finances of your guest house is at the heart of the longevity and sustainability of your business. Financial management refers broadly to the responsibility of ensuring that financial resources are used effectively. Even though this function is often regarded as a separate managerial function, it should not be seen in isolation from other activities and managerial functions. In order for a guest house manager/owner to perform this function well, he/she requires a sound knowledge and understanding of the fundamental principles of financial management. The financial success of an establishment relies on the constant control over all aspects of the guest house's financial management.

This theme aims to address the following issues:

- To comprehend the basic principles of financial management.
- To provide practical examples and explanations to enable you to structure your day-to-day financial transactions.

2. Budgeting

Budgeting entails the planning of one's income and expenditure for the future in monetary terms. This is usually based on past experiences, the current state of affairs, and future expectations of the business, as well as on estimations. However, should you be in the position of only starting your business, it is an extremely important tool in forecasting your cash flow requirements. It is advisable to keep your budgeted income as low as possible and expenses as high as possible, so that a "worse-case-scenario" will be obtained. It is advisable to seek the assistance of someone with experience and expertise in the guest house or hospitality industry. Even if mathematical calculations or accounting figures might seem overwhelming to you at the commencement of your business, thorough planning will save you a great deal of time and trouble in the future. Other advantages of proper budgeting include the following aspects:

- It is a method of controlling costs, as you are able to compare and evaluate actual results with those budgeted for, and make adjustments where required.
- Budgets can improve communication between you and your staff or you and the owner(s).
- It can be a source of motivation, as monetary goals are set.
- When compiling a budget, you are forced to consider alternative courses of action, for example which suppliers provide the lowest prices, room rates and so forth.
- Internal factors that might influence the financial conditions of the business must be considered when compiling a budget, as well as those external to the guest house.
- While compiling a budget, those involved are forced to be forward-looking.

2.1 Forecasting start-up income and expenses

At the start-up of a guest house the following list of expenses will assist you in planning your financial requirements:

- Cost of developing a marketing plan.
- Cost of adhering to regulations such as liquor and television licenses.
- Costs of changes to physical structure of the guest house or renovating.
- Cost of equipment, such as kitchen, office and cleaning equipment.
- Cost of furniture, interior decorations, curtains, flooring and other furnishings.
- Cost of cutlery and crockery.
- Cost of linen, bedding and towels.
- Working capital.

Once the total financial requirements have been established, it is time to consider how the needs will be met. This will depend on individual circumstances, but might include possibilities such as: obtaining a loan from a bank or private investor, using personal savings, selling a private home, using cash on hand or using an overdraft facility.

2.2 Forecasting day-to-day income and expenses

Once the initial investment has been made and the guest house is up and running, it is important to budget for day-to-day operational expenses and revenue. Income can be estimated firstly by considering the type of sales you will be generating. It might be that the guest house will not only provide accommodation, but also serve meals or even have conference facilities from which income will be generated.

Income

Income should be estimated conservatively in the first year, as unrealistic goals can leave you demotivated and struggling with cash flow difficulties. As no statistics are available on past income, initial estimations will be difficult. There are however procedures that can be followed in order to do these estimations.

Calculation of expected room sales can be done using the following formula:

Total monthly room sales = forecast occupancy percentage x average room rate x number of rooms available x number of days in the month

These concepts may be explained like this:

- Forecast occupancy percentage is obtained from market research on the other guest houses' occupancy in your area. From a conservative point of view, your new guest house might reach half of the occupancy rate in your area, and grow on an annual basis.
- Average room rate is calculated by adding up the selling prices of rooms you will have in the guest house, and dividing this by the number of rooms, according to the various types of rooms.
- Number of rooms available literally refers to the number of rooms you have in the guest house that are available to sell.
- Number of days in the month. When calculating the expected room sales for the month of January, this number will be 31 days. Note: You can adjust this formula to calculate annual room sales, by using the number days open in the year.

Example:
Let's assume that your guest house will have an occupancy percentage of 50% for the first year. Your guest house has three types of rooms: 3 single rooms sold at R500 per night, 3 twin rooms sold at R750 per night and 1 suite sold at R1200 per night. The average room rate calculation will be: $(R500 \times 3) + (R750 \times 3) + (R1\ 200 \times 1) = R4\ 950 \div 7 = R707$. There are 7 rooms available to sell in the guest house and the guest house will be open 365 days of the year.
Formula:
Total monthly room sales = forecast occupancy percentage X average room rate X number of rooms available X number of days in the month,
Calculation:
Total monthly room sales for January = $50\% \times R707 \times 7 \times 31 = R76\ 709,50$
Total annual room sales = $50\% \times R707 \times 7 \times 365 = R903\ 192,50$

Expenses

When forecasting expenses it is essential that all operational expenses, such as overheads and fixed costs, be considered. You can ask yourself: How much will it cost to run my

business? It is important to remember that the selling price of your products and services need to cover these costs. A possible list of operational expenses is:

- Water, electricity and gas
- Insurance
- Telephone
- Stationery, printing and postage
- Salaries and wages
- Vehicle expenses
- Accounting and legal fees
- Advertising
- Interest and bank charges
- Rental expenses
- Travel and accommodation

Expenses of previous years can be used to forecast expenses for the coming year, although price increases and inflation need to be taken into consideration.

2.3 Cash budget

The cash budget is a forecast of the expected cash inflow and outflow. It considers only cash, and therefore financial activities such as depreciation are excluded from this budget. It is an important financial management tool, as it forecasts the expected working capital requirements. An example of such a budget can be found in Annexure 1.

3. Fundamental financial management principles

The first and most basic accounting principle is the Accounting Equation:

$$\text{Assets} = \text{Owner's Equity} + \text{Liabilities}$$

This formula can be expanded in the following manner:

$$\text{Assets} = (\text{Owner's Equity} + \text{Income} - \text{Expenses}) + \text{Liabilities}$$

This formula guides each and every financial transaction in a business, no matter how big or small. It also guides the format of the balance sheet, one of the most important financial statements of any business. The formula indicates **how** a business **finances** its **assets**. Now let's start by explaining a few basics:

Assets can be described as anything with a commercial or exchange value obtained by a business for future benefit. There are two types of assets, namely current assets and non-current assets. Current assets are those assets that are to be converted into cash within a twelve month period, while non-current assets are to be utilised for periods longer than

twelve months. Current assets are Trading Stock, Debtors Control (Accounts Receivable), Bank, while non-current assets are Land and Buildings, Vehicles, Equipment, Furniture.

Owner's equity can be described as the owner's interest in the business. Examples of such accounts are: Capital, showing what the owner has contributed to the business, and Withdrawals, indicating what the owner has withdrawn from the business. Income and expenditure, as seen above, decrease the owner's interest or equity. Examples of such accounts are:

- Income: Room, Food, Beverage and other sales, Rent income, Interest received.
- Expenses: Rent expenditure, Interest expenditure, Food and beverage costs, Water and Electricity, Insurance, Telephone, Stationery, Salaries and Wages.

Liabilities can be described as the debt of the business that is owed to various parties, also known as creditors. The two types of assets that are distinguished are: current and non-current liabilities. Examples are Mortgage loans, Creditors Control, and Tax Payable.

In order for these accounts to be updated, and to provide a clear picture of the business' financial position and performance in the financial statements, an effective and efficient method of summarising financial transactions needs to be used. The Generally Accepted Accounting Principles (GAAP) should therefore be adhered to. These principles are generally known as accounting standards, and include the standards, conventions and rules that accountants should follow in preparing, summarising and standardising financial statements, such as balance sheets, income statements and cash flow statements. This is done in order to ensure that financial statements reflect economic reality, and are comparable and understandable. Therefore the information in financial statements should be relevant, reliable, comparable and consistent.

3.1 **Good record keeping**

Through accounting financial information is communicated to interested parties. GAAP are the specific rules to be followed when using the accounting language during communication. Finances cannot be managed without good record keeping. Records to be kept can be better explained or easily remembered, by linking them to the accounting cycle, as each step in the cycle requires effective record keeping. The following section will explain the eleven steps of the cycle, and provide examples and explanations.

Step 1: A transaction occurs

Transactions occur on a daily basis, and could involve:

- Cash or credit purchases
- Cash or credit sales
- Payments
- Cash receipts

- Returning goods
- Goods received back

Step 2: Collect the source document

In order to adhere to the basic financial principles and in an attempt to report the business' financial health on standardised financial statements, all financial documents, also known as source documents, need to be kept in a safe place. No entry may be made in the records without a source document to substantiate the entry. Examples of source documents are:

- Receipts, proof of electronic funds transfer, or bank statements, for cash received.
- Cash slips or cash register slip, for cash sales of goods.
- Cheques, proof of electronic funds transfer, bank deposit slips, as proof of a payment.
- Credit purchase invoices, as proof of credit purchases.
- Credit sales invoices, as proof of credit sales.
- Credit notes, when goods are returned.
- Debit notes, for goods returned.

Step 3: Analyse and record the transaction in the applicable journal

The next step involves transferring the information from source documents to the applicable journals. A journal is the *book of first entry*. The purpose of journals is to keep a day-to-day record of the business and its transactions on a monthly basis. Each entry in a journal must be supported by a source document, and is cross-referenced in the journal with a reference number. Each transaction in a journal should have a brief explanation of the transaction which should accurately describe what took place.

The *cash receipts journal (CRJ)* is used to document all cash that has been received. The major categories of receipts, such as sales and income from debtors, have their own column. The column named Sundry Accounts represents various items, occurring less regularly, such as capital received, water and electricity and rent income. The Receiver of Revenue column represents all VAT amounts that were received on behalf of the Receiver of Revenue, as part of other transactions. All columns are added up at the end of the month, except for the Sundry Accounts as it represents income for various accounts. The total of the bank column represents total income for the period concerned.

The *cash payments journal (CPJ)* is used to record all transactions where cash has been paid out. Once again, the total of the Bank column represents total payments for the period concerned, while the total of the other columns represents receipts for only that specific account. In this journal, the Receiver of Revenue column represents all VAT amounts that were paid to suppliers, which will be paid over to the SARS on behalf of the

business. The Sundry Accounts column represents income for various accounts. Refer to Annexure 2 for an example of the CRJ and CPJ.

In addition, the *petty cash journal* is a separate journal recording and summarising income and payments of smaller amounts affecting the petty cash. A hospitality enterprise usually needs some cash on hand to pay for smaller items such as postage, flowers and small quantities of trading stock. Refer to Annexure 3 for an example of such a journal.

All credit purchases are recorded in the *creditors' journal (CJ)*, while the *debtors' journal (DJ)* is the journal in which all sales made on credit are recorded. Only credit sales are recorded in this DJ. When the debtor makes a payment towards his/her account, it is recorded in the CRJ. The same principle is applicable on the CJ, as only credit purchases are recorded here, while payments to creditors are recorded in the CPJ. Refer to Annexure 4 for an example of CJ, and Annexure 5 for an example of the DJ.

The *creditors' allowances journal (CAJ)* is used when the guest house is not satisfied with the quantity or quality of merchandise or services purchased on credit, and wishes to decrease their account with the creditor. The guest house will issue a debit note to the supplier, and if the creditor agrees with the return, they will issue a credit note to the guest house.

The *debtors' allowances journal (DAJ)* is used to record the returns of debtors to the guest house. When the guest house renders a service or sells food and the customer is for some reason unhappy with the service or food, the customer will usually send a debit note to the hotel, and if accepted, the guest house will issue a credit note. Annexure 6 provides an example of the CAJ, and Annexure 7 provides an example of the DAJ.

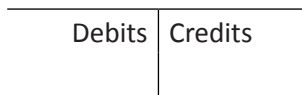
General journal (GJ): The bulk of the firm's transactions are recorded in the CRJ, CPJ, CJ, DJ, CAJ and DAJ. The general journal is used for items or transactions that cannot conveniently be entered in the journals mentioned above. The GJ is illustrated in Annexure 8.

Step 4: Transfer information from the journals to the general ledger

The next step at the end of the month will be to post the totals of the journals to the applicable general ledger account. The general ledger is the main accounting record of a business, and uses the *double-entry principle* of bookkeeping. Because each bookkeeping entry debits one account and credits another account in an equal amount, it is referred to as the double-entry principle, and assists in ensuring that the general ledger is always in balance. This principle maintains the accounting equation referred to above: Assets = Equity + Liabilities. The following table illustrates the entries that increase or decrease each type of account on the debit or credit side of the general ledger:

Account Type	Debit	Credit
Assets	Increase	Decrease
Equity	Decrease	Increase
Liabilities	Decrease	Increase
Income	Decrease	Increase
Expenses	Increase	Decrease

For every increase in one account, there is an opposite (and equal) decrease in another. That’s what keeps the entry in balance. The general ledger includes accounts for items such as assets, equity, liabilities, revenue and expense items, gains and losses. Each general ledger is divided into debits and credits sections. The left hand side lists debit transactions and the right hand side lists credit transactions. This gives a ‘T’ shape to each individual general ledger account, and is often referred to as the “T-accounts”, as shown below.



The balances of all the accounts support the value of these items shown in the major financial statements. In annexures 2, 4, 5, 6 and 7 practical examples are provided of how the CRJ, CPJ, CJ, DJ, CAJ and DAJ are posted to the general ledger.

The general ledger is supported by subsidiary ledgers, called the *debtors’ ledger* and the *creditors’ ledger*. The debtor’s ledger provides a separate account for each debtor, tracking the customer’s balances separately, while the creditor’s ledger keeps track of all creditors in separate accounts. Annexures 4, 5, 6 and 7 provide examples of how the CJ, DJ, CAJ and DAJ are posted to the debtors’ and creditors’ ledgers.

Step 5: Prepare a pre-adjustment trial balance

Because it is important that accounting statements be faultless, a final check needs to be done before preparing the financial statements – this is called the trial balance. This is literally a test of the closing balances of the accounts from the general ledger. Should the total debits be equal to total credits in the trial balance, it points to a faultless accounting cycle. Should this not be the case, it is certain that one or more accounting errors have occurred. An example of a trial balance can be seen in Annexure 9.

Step 6: Adjustments

Any errors must be rectified before the financial statements are prepared at year end. Adjustments are made in the general journal, after which they are posted to the general ledger. Examples of such adjustments are:

- Depreciation
- Expenses prepaid

- Accrued expenses
- Accrued income
- Income received in advance
- Provision for bad debts

Refer to Annexure 8 for an example of what the general journal looks like.

Step 7: Prepare a post-adjustment trial balance

After the adjustments are completed, the post adjustment trial balance is prepared. It represents the final balances of the general ledger accounts and includes all the accounts.

Step 8: Closing entries

Using the general journal, income and expense accounts are closed, in order to have no balance in these accounts and a clean start will be made in the new financial year. All income and expense accounts influencing the gross profit are closed off against trading account, while the other income and expense accounts are closed off against the profit and loss account.

Step 9: Final trial balance

After all the closing entries have been made, the balances of the remaining accounts in the general ledger will be transferred to the final trial balance (Annexure 9).

Step 10: Prepare financial statements

The penultimate step in the accounting cycle is the compilation of the annual *financial statements*. These are reports, consisting of (amongst others) an *income statement*, *balance sheet* and *cash flow statement*. These statements show the financial position, performance and cash flows of the business. They can also be analysed and interpreted using financial ratios providing other useful information concerning the business. Refer to Annexures 10 and 11.

Step 11: Analysis and interpretation

The final step in the accounting cycle involves the analysis and interpretation of the information found in the financial statements. This is done by using ratios, and comparing results with those budgeted for, or with market-related ratios. In this way, the financial health of a business can be assessed, and informed decisions can be made with regard to future aspects such as profit planning, pricing, working capital management and so on. There are more ratios than are presented below, and only those that might be of interest and use to a guest house manager/owner are explained. Three categories of ratios will be discussed and explained, namely: liquidity ratios, efficiency ratios and profitability ratios.

Liquidity ratios: The liquidity of a business refers to its ability to meet short term debt responsibilities.

Ratio	Formula	What does it measure?
Current ratio	Current assets Current liabilities	The business’s ability to settle short-term obligations using short-term assets
Quick/Acid-test ratio	Current assets – stock Current liabilities	The business’s ability to settle short-term obligations using short-term assets, excluding stock, as this is the most difficult of all short-term assets to convert to cash.

Efficiency ratios: These ratios measure how efficiently the business has been using its resources.

Ratio	Formula	What does it measure?
Debtors’ ratio	Credit sales Average debtors	The number of times debtors are covered by credit sales.
Debtors’ collection period	365 Debtors’ ratio	How long debtors take to settle their accounts, in number of days.
Creditors’ turnover	Credit purchases Average creditors	The number of times creditors are paid within a year.
Creditors’ payment period	365 Creditors’ turnover	How long it takes the business to settle its accounts with creditors.

Profitability ratios: These ratios measure the return of profit on the capital invested.

Ratio	Formula	What does it measure?
Net profit	Net profit Sales	The net profit as a percentage of sales.
Return on assets	Net profit Total assets	Are the assets of the business used effectively?

Let us apply the formulas to the information found in the income statement and balance sheet (Annexures 10 and 11):

Current ratio	=	Current assets/Current liabilities
	=	113 211 ÷ 78 121
	=	R1,45 : R1

This answer shows that the guest house is in a position to settle its short term debt with short term assets. It has R1,45 for every R1 of current liability. The aim will be to reach a ratio of at least R1:R1, or improve on the previous year’s ratio.

Quick ratio	=	Current assets – Trading stock/Current liabilities
	=	(113 211 – 45 812) ÷ 78 121
	=	67 399 ÷ 78 121
	=	R0,86 : R1

From this answer it is clear that the guest house is carrying a high level of trading stock. Trading stock is the current assets, not easily converted into cash, and therefore it results in a quick ratio that shows that the guest house does not have sufficient liquid current assets to settle short term obligations. It shows that the guest house has less than R1 of current assets (excluding trading stock) for every R1 of current liability. The aim will be to improve from previous years ratios, or at least reach a ratio of R1:R1.

Debtors' ratio	=	Credit sales/Average debtors
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In this case additional information will be required to complete this calculation. We will need to know what the balance for debtors was in the previous year, as well as the amount of credit sales. Average debtors is calculated using the average of debtors for last year and this year. Let's assume that debtors was R34 000 in the previous year and credit sales is R435 000 for this year. The calculation will look like this:

	=	435 000 ÷ (34 000+21 548) ÷ 2
	=	435 000 ÷ 27 774
	=	15.67 times

This shows that debtors are 15.67 times covered by credit sales.

Debtors' collection period	=	365 ÷ debtors ratio
	=	365 ÷ 15.67
	=	23.29 days

This is an indication on average of how long it takes debtors to settle their accounts. We can compare this to the goal we set at the beginning of the year, although it is clear that a period that is less than 30 days is good. Should this ratio indicate that the period is too long, management needs to refer back to its debt collection policy, and ensure all practices are in place to collect debt from debtors. This period also influences the working capital of a business, as cash flow is hindered while the business is waiting for debtors to pay their accounts.

Creditors' turnover	=	Creditors/Average credit purchases
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In this case additional information is also required. The amounts for last year and this year's credit purchases need to be known, as an average must be calculated. We will assume it is R24 000 for last year and R35 000 for this year.

	=	$78\,121 \div (24\,000 + 35\,000) \div 2$
	=	$78\,121 \div 29\,500$
	=	2.65 times

This shows that creditors are paid 2.65 times within a year.

Creditors' payment period	=	$365 \div \text{Creditors turnover}$
	=	$365 \div 2.65$
	=	137.74 days

It takes us on average 138 days to pay off our creditors. This period may result in creditors charging interest on overdue accounts, increasing our expenses with regard to debt. It may also mean that creditors may reconsider our credit facility with them.

Net profit	=	Net profit/Sales
	=	$139\,419 \div 1\,082\,000 \times 100$
	=	12.88%

This answer shows that R0,12 of net profit was made for every R1 of sales generated. The net profit should be compared to what the goal for the year was, and is an important measurement of the return on investment.

Return on assets	=	Net profit/Total assets
	=	$139\,419 \div 1\,902\,211 \times 100$
	=	7.32%

This answer shows that for every R1 of investment made in assets, R0,07 net profit was made. This can be compared to the goal for the year, and will show how well total assets were used to generate profit.

4. Value Added Tax (VAT)

VAT is an indirect tax charged on goods and/or services supplied. Registered VAT vendors are obliged to charge and collect VAT on taxable supplies from their customers on behalf of SARS. In this manner, revenue is raised for the government.

Taxable supplies: VAT is charged at a prescribed rate, presently 14% (standard rate), although on certain goods and services, a special rate of 0% is applied, while a limited range of goods and services are exempted. In certain cases the VAT vendor is required to declare an amount of output tax even though no goods or services were supplied: this is referred to as deemed supplies.

Note: Please refer to the SARS 404 Guide, available from www.sars.gov.za for a complete list and explanation of these supplies of goods and services.

Calculation and submission of VAT return: Your VAT return will be posted to your postal address, or is available on the SARS website if you are registered for SARS e-filing. (You can register for SARS e-filing on www.sarsefiling.co.za.) The VAT return is a declaration of the amounts of VAT you have charged as output tax, and the amounts you are allowed to deduct as input tax. The difference between these two amounts is referred to as **VAT payable/refundable**. VAT payable or refundable is calculated by subtracting input VAT from output VAT. Output VAT is the VAT charged by a registered VAT vendor to customers, while **input VAT** is the VAT paid by the registered VAT vendor on purchases from another registered vendor and other business expenses. Once completed, you may post your VAT return back to SARS, with payment (if applicable), or submit it electronically using e-filing. This needs to be done before the 25th day of the following month after the end of your tax period.

Payment of VAT: A cheque can be posted to SARS in the reply envelope supplied with the VAT return, made payable to “South African Revenue Services”. Payments can also be made using debit orders, e-filing and internet banking, or making a payment at any branch of the four major banks.

Penalties and interest on late payments: In a case where SARS has not received payment by the due date, a 10% penalty on the outstanding amount of VAT will be levied. Monthly interest will thereafter be charged at the prevailing rate.

Registering as a VAT vendor: You are liable to register for VAT when your annual income from the sales of taxable goods and services are more than R1 million in any twelve-month period. This is referred to as compulsory registration. You are allowed to register as a VAT vendor even though your annual income from sales of taxable goods and services is less than R1 million, but more than R50 000 in any consecutive twelve months. This is referred to as voluntary registration. When registered, you may apply for cancellation if the income from sales of taxable goods and services is less than the R1 million in any consecutive twelve month period. The VAT 101 form needs to be completed and submitted to a local SARS office.

Tax periods: VAT returns need to be submitted to SARS according to the tax period allocated to you by SARS. Tax periods vary between one, two, four, six and twelve months, and end on the last day of the calendar month.

Accounting basis: VAT should be accounted for on an invoice basis. This implies that vendors should include the full amount of VAT, as shown on all invoices issued and received on cash and credit sales and purchases, on their VAT returns.

Tax invoice: The most important document in this accounting basis is the tax invoice. Without this source document, no input tax can be deducted on purchases and no output tax can be noted as received. It might be of importance to explain the difference between an **invoice** and a **tax invoice**. An invoice is merely a document that notifies you as the purchaser of the obligation to make a payment to the supplier. A tax invoice is the document, according to the VAT Act of 1991, which enables a vendor to deduct input tax. For a tax invoice to be deemed valid, the VAT Act prescribes certain details to be reflected on it. A list of these can be found in the VAT Guide for vendors from www.sars.gov.za. Below is an example of a tax invoice.

TAX INVOICE

The words "tax invoice" in a prominent place on the document

Serialised tax invoice number

Invoice no. 10001/01

Date: 31 January 2012

Mr Joe Black

123 Highland Road

BLOEMFONTEIN

9300

VAT No. 4567891231

Name and address of the recipient

VAT registration number of recipient, if registered VAT vendor

ABC Guest House

67 Lower Lane

BLOEMFONTEIN

9300

VAT no.: 1234567890

Trading name, address and VAT registration number of supplier

Date	Quantity	Description	VAT	R
30/01/2012	1	Twin room accommodation (1 night)	140,00	1 140,00
30/01/2012	2	English breakfast	28,00	228,00
Total				1 368,00
Vat included @ 14%				168,00

Quantity of goods or services supplied

Total selling price charged including VAT. The VAT amount must either be shown separately, or the tax invoice must contain a statement that the total consideration includes VAT at 14%.

5. Summary

Financial management is fundamental in controlling an important aspect of your business – the money! This theme introduced you to the basic principles of accounting and explained the process by using appropriate examples.

6. Reference

VAT 404. *GUIDE FOR VENDORS*.

2012. Available from: <http://www.sars.gov.za/home.asp?pid=194>. Date of access: 23 August 2012.

Annexure 1: Cash budget for the three months ending 31 March 2012

CASH BUDGET	January	February	March
Opening balance	25 000	101 500	180 600
Add: Cash receipts			
Cash sales	234 000	252 000	270 000
Cash collected from debtors	150 500	150 000	120 000
Interest on investment	13 750	13 750	13 750
Total cash available	423 250	517 250	584 350
Less: Cash payments	321 750	336 650	357 233
Cash payments to creditors	273 000	286 650	300 983
Salaries	20 000	20 000	20 000
Wages	16 250	17 500	18 750
Advertising	4 000	4 000	4 000
Water and electricity	4 500	4 500	4 500
Stationery	1 000	1 000	1 000
Interest	500	500	500
Telephone	2 500	2 500	2 500
Vehicle maintenance	0	0	5 000
Closing balance	101 500	180 600	227 118

Annexure 2: Journalising transactions in the Cash Receipts and Cash Payments Journal**Example 1:**

- 1 G Gericke deposited R100 000 in the current bank account of the business. Receipt 91 is issued.
8. Paid R66 000 by cheque to XY Builders for a well-equipped building, CC 1.
9. Bought merchandise from XY supplies and paid R18 000 for it, CC 2.
10. Paid R6 000 by cheque to ABC Wholesalers for goods supplied, CC 3.
11. Cash sales of goods, R720, CRR 1.
13. Cash sales of goods, R510, CRR 2.
18. Received rent for an office from C Meyer, R800. Receipt 92 is issued.

Solution 1:

Cash Receipts Journal of ABC Guest House for April 2012

Doc	Day	Details	Analysis of receipts	Bank	VAT	Sales	Sundry accounts		
							Amount	Fol.	Details
R 91	1	G Gericke	100 000,00	100 000,00			100 000,00	B1	Capital
CRR 1	11	Sales	720,00	720,00	88,42	631,58			
CRR 2	13	Sales	510,00	510,00	62,63	447,37			
R 92	18	C Meyer	800,00	800,00	98,25		701,75	N1	Rent received
				102 030,00	249,30	1 078,95	100 701,75		
				B2	B3	N3			

Cash Payments Journal of ABC Guest House for April 2012

Doc	Day	Details	Bank	Trading stock	VAT	Sundry accounts		
						Amount	Fol.	Details
CC 1	8	XY Builders	66 000,00		8 105,26	57 894,74	B5	Buildings
CC 2	9	XY Supplies	18 000,00	15 789,47	2 210,53			
CC 3	10	ABC Wholesalers	6 000,00	5 263,16	736,84			
			90 000,00	21 052,63	11 052,63			
			B2	B4	B3			

Posting of the totals of the CRJ and CPJ to the General Ledger

Dr										BANK B2										Cr									
Apr.	30	Sundry accounts	CRJ 1	102 030,00	Apr.	30	Sundry accounts	CPJ 1	90 000,00																				

Dr										CAPITAL B1										Cr									
					Apr.	01	Bank	CRJ 1	100 000,00																				

Dr										RENT RECEIVED N1										Cr									
					Apr.	18	Bank	CRJ 1	701,75																				

Dr										RECEIVER OF REVENUE B3										Cr									
Apr.	30	Bank	CPJ 1	11 052,63	Apr.	30	Bank	CRJ 1	249,30																				

Dr SALES N3 Cr									
					Apr.	30	Bank	CRJ 1	1 078,95

Dr BUILDINGS B5 Cr									
Apr.	08	Bank	CR 1	57 894,74					

Dr TRADING STOCK B4 Cr									
Apr.	30	Bank	CRJ 1	21 052,63					

Annexure 3: Petty Cash Journal for the month ending 31 December 2012

Voucher no.	Date	Total	Postage	Supplies	Delivery charges	Travel expenses	Other
Totals:							

Opening petty cash on hand:	.....	<i>Closing balance of petty cash from previous petty cash journal</i>
Total voucher amount:	.....	<i>Enter the total from the Total column</i>
Total:	.....	<i>The theoretical balance after payments</i>
Petty cash on hand:	.....	<i>Enter actual petty cash on hand</i>
Cash short/over:	.....	<i>Enter the difference (if any) between actual petty cash and balance</i>
Signed by: Petty cash manager	.....	Date:
Approved by:	.....	Manager

Annexure 4: Journalising transactions in the Creditors' Journal (CJ)

Example 2:

1. Bought trading stock on credit from Zinners and charge it to the open account -R200. Invoice 332 is received.
8. Bought stationery on credit from L&P Stationers, R230. Invoice 453 is received.
22. Bought furniture on credit from Furnishers (Ltd.) on credit, R900. Invoice 131 is received.

Solution 2:

Creditors' Journal of the ABC Guest House for the month ending 31 July 2012

Inv.	Day	Seller	Fol.	Total	Stock	Stationery	Input VAT	Sundry accounts	Fol.	Details
332	1	Zinners	C 1	200,00	175,44		24,56			
453	8	L&P	C 2	230,00		201,75	28,25			
131	22	Furnishers Ltd.	C 3	900,00			110,53	789,47	B1	Furniture
				1330,00	175,44	201,75	163,34			
				B5	B4	N3	B2			

Posting the CJ to the Creditors' and General Ledger

CREDITORS' LEDGER

Zinners

Month	Day	Details/Document no.	Fol.	Debit	Credit	Balance
July	01	Invoice 332	CJ 1		200,00	200,00

L&P

Month	Day	Details/Document no.	Fol.	Debit	Credit	Balance
July	02	Invoice 453	CJ 1		230,00	230,00

Furnishers Ltd.

Month	Day	Details/Document no.	Fol.	Debit	Credit	Balance
July	03	Invoice 131	CJ 1		900,00	900,00

GENERAL LEDGER

Dr		TRADING STOCK B4							Cr
Jul.	31	Creditors	CJ 1	175,44					

Dr		STATIONERY N3							Cr
Jul.	31	Creditors	CJ 1	201,75					

Dr										ACCOUNTS PAYABLE B5										Cr	
						Jul.	31	Sundry Purchases	CJ 1										1 330,00		

Dr										FURNITURE B1										Cr	
Jul.		03	Creditors	CJ 1				789,47													

Dr										RECEIVER OF REVENUE B2										Cr	
Jul.		31	Creditors	CJ 1				163,34													

Annexure 5: Journalising transactions in the Debtors' Journal (DJ)

Example 3:

- Sold food to SANLAM for R220. Invoice 101 is issued.
- Sold food to ABSA on credit, R250. Invoice 102 is issued.

Solution 3:

Debtors' Journal of Hotel AB for December 2011

Invoice No	Date	To whom sold	Fol.	Total	Selling Price	Output VAT
101	1	SANLAM	D1	220,00	192,98	27,02
102	5	ABSA	D2	250,00	219,30	30,70
				470,00	412,28	57,72
				B1	N2	B2

Posting the DJ to the Debtors' and General Ledger

DEBTORS' LEDGER

SANLAM						
Month	Day	Details/Document no.	Fol.	Debit	Credit	Balance
Dec.	01	Invoice 101	DJ1	220,00		220,00

ABSA						
Month	Day	Details/Document no.	Fol.	Debit	Credit	Balance
Dec	05	Invoice 102	DJ 1	250,00		250,00

GENERAL LEDGER								
Dr				SALES N2				Cr
				Dec.	31	Debtors	DJ 1	412,28

Dr				ACCOUNTS RECEIVABLE B1				Cr
Dec.	31	Sundry accounts	DJ 1	470,00				

Dr				RECEIVER OF REVENUE B2				Cr
				Dec.	31	Debtors	DJ 1	57,72

Annexure 6: Journalising transactions in the CAJ

Example 4:

- Returned goods to Chipkins and received credit note 112, -R20.
- Returned stationery to Crocky's and received credit note 134 for R24.

Solution 4:

Creditors Allowance Journal of ABC Guest House for July 2012.

C/N No	Date	To whom returned	Fol.	Total	Trading stock	Stationery	Input VAT
112	1	Chipkins	C1	20,00	17,54		2,46
134	5	Crocky's	C2	24,00		21,05	2,95
				44,00	17,54	21,05	5,41
				B1	B2	N1	B3

Posting the CAJ to the Creditors' and General Ledger:

CREDITORS' LEDGER

Chipkins							
Month	Day	Details/Document no.	Fol.		Debit	Credit	Balance
July	01	Balance	b/d				200,00
	01	Credit note 112	CAJ 1		20,00		180,00

Crocky's						
Month	Day	Details/Document no.	Fol.	Debit	Credit	Balance
July	01	Balance	b/d			100,00
	05	Credit note 134	CAJ 1	24,00		76,00

GENERAL LEDGER

Dr CREDITORS' CONTROL Cr									
July	31	Sundry returns	CAJ1	44,00	Jul.	01	Balance	b/d	600,00

Dr STOCK Cr									
July	01	Balance	b/d	300,00	Jan	31	Creditors	CAJ 1	17,54

Dr RECEIVER OF REVENUE Cr									
					Jul	31	Creditors	CAJ 1	5,41

Dr STATIONERY Cr									
Jul	01	Balance	b/d	780,00	Jul	31	Creditors	CAJ 1	21,05

Annexure 7: Journalising transactions in the DAJ**Example 5:**

6. Sent C/N 89 to Salem, because food of an inferior quality was delivered -R90.
9. Credit note 105 given to Zimmer to correct error on credit invoice sent -R30.

Solution 5:

Debtors' Allowance Journal of ABC Guest House for April 2012

C/N No	Day	By whom returned	Fol.	Total	Selling price	Output VAT
89	06	Salem	D1	90,00	78,95	11,05
105	09	Zimmer	D2	30,00	26,32	3,68
				120,00	105,27	14,73
				B1	N1	B2

Posting the DAJ to the debtors' and general ledger

DEBTORS' LEDGER

Salem						
Month	Day	Details/Document no.	Fol.	Debit	Credit	Balance
Apr.	01	Balance	b/d			200,00
	06	Credit note 89	DAJ 1		90,00	110,00

Zimmer						
Month	Day	Details/Document no.	Fol.	Debit	Credit	Balance
Apr.	01	Balance	b/d			300,00
	09	Credit note 90	DAJ 1		30,00	270,00

GENERAL LEDGER

Dr		DEBTORS' ALLOWANCE								Cr
Apr.	30	Debtors	DAJ 1	105,27						

Dr		RECEIVER OF REVENUE								Cr
Apr.	30	Debtors	DAJ 1	82,00						

Annexure 8: Journalising transactions in the GJ

Example 6

Mr Kroon's debt of R114 has been outstanding for a considerable time and he could not be traced. Write off his debt as irrecoverable.

					Debtors' Control		Creditors' Control	
		Fol.	Debit	Credit	Debit	Credit	Debit	Credit
5	Bad debts	N1	100,00					
	K Kroon	D1		100,00		100,00		
	Receiver of Revenue : VAT	B1	14,00					
	K Kroon	D1		14,00		14,00		
						114,00		
						B2		

Posting the GJ to the debtors' and general ledger

DEBTORS' LEDGER

K Kroon						
Month	Day	Details/Document no.	Fol.	Debit	Credit	Balance
Oct.	01	Balance	b/d			114,00
	5	Journal voucher 01	GJ 1		100,00	14,00
		Journal voucher 01	GJ 1		14,00	0,00

GENERAL LEDGER

Dr		RECEIVER OF REVENUE B1								Cr
Oct	05	K Kroon	GJ 1	14,00						

Dr		BAD DEBTS N1								Cr
Oct	05	K Kroon	GJ 1	100,00						

Annexure 9: Trial balance of ABC Guest House on 31 December 2012

	Folio	Debit	Credit
Bank	B1	25 000	
Debtors	B2	15 000	
Equipment	B3	15 000	
Capital	B4		25 000
Drawings	B5	1 500	
Loan	B6		45 000
Creditors	B7		21 500
Salaries	N1	20 000	
Telephone	N2	15 000	
		91 500	91 500

Annexure 10: Income Statement of ABS Guest House for the year ended 31 December 2011

Sales	1 082 000
Less: Cost of sales	432 800
Gross profit	649 200
Add: Other income	26 832
Rent received	25 255
Interest on investments	1 577
	676 032
Less: Expenses	461 541
Advertising	121 000
Bad debts	12 500
Depreciation	25 222
Insurance	18 777
Interest paid	2 588
Motor vehicle expenses	24 222
Salaries and wages	154 000
Rates and taxes	24 800
Repairs and maintenance	55 892
Telephone	22 540
Net income before taxation	214 491
Taxation	75 072
Net income after taxation	139 419

Annexure 11: Balance sheet of ABC Guest House at 31 December 2011

Assets	
Non-current assets	1 789 000
Property, plant and equipment	1 500 000
Investments	289 000
Current assets	113 211
Inventory	45 812
Debtors	21 548
Cash	45 851
Total assets	1 902 211
Equity and liabilities	
Equity	324 229
Profit	274 229
Capital	50 000
Non-current liabilities	1 499 861
Mortgage loan	1 499 861
Current liabilities	78 121
Creditors	78 121
Total: Equity and Liabilities	1 902 211

THEME 4

MARKETING YOUR GUEST HOUSE

Albert Strydom



1. What is this theme about?

The ultimate aim of managing your own guest house is to generate profit. Effective marketing will persuade potential guests to buy your product. Having a wonderful establishment without anybody knowing about it is of no value to your business. Unfortunately, many guest house owners experience difficulty in marketing their establishments because they do not have the necessary marketing skills. This theme will assist you to identify how and where to market your establishment most effectively.

Marketing can be very expensive in terms of financial cost and time spent. However, if you do thorough market research and keep the basic marketing principles in mind, you will be able to market your guest house creatively and cost-effectively. This theme will also introduce you to the basic concepts of marketing and their practical application in the guest house sector.

After reading this theme, you will be able to:

- understand the importance of market research;
- draw up a guest profile;
- identify potential sources of guests and analyse your competitors;
- formulate a mission and objectives for your guest house;
- position yourself in the accommodation market;
- clearly define the type of products/service excellence you wish to sell;
- price your products and services;
- define your major ways of distribution, and
- decide on strategies to promote your guest house.

2. The importance of market research

It is important for you to know from the outset who will buy from you. A profile describing the type of guest who would be likely to use your services will direct your marketing actions. You cannot even begin to design a marketing strategy or budget without thorough market research. If you do not know who your guests will be or what they will want, you will not be able to reach them through your marketing actions, nor will you be able to satisfy their needs and expectations.

The guest house sector is highly competitive and you must know as much as possible about your competitors' strengths and weaknesses. If your guests or potential guests are not aware that you offer better value than your competitors, they will not use your service. Having a competitive edge means that your guest house is superior to that of your competitors in terms of location, rates, facilities, services or the total offering.

Remember that your competitors include not only the other guest houses in the area, but also other accommodation establishments such as hotels, self-catering units and even caravan parks. Your guest will probably have stayed in other guest houses before and will expect the same or better standards from you. This means that you will have to comply with the minimum standards applicable to South African guest houses at the very least. The standards required by the Tourism Grading Council of South Africa will provide you with guidance in this regard.

Market research must be undertaken before the guest house is established. It should also be done on a regular basis after the establishment to ensure that your marketing is on the right track and that you are not wasting money on inefficient marketing activities. Thorough planning and research will save you money and help you avoid costly mistakes. It will also assist you in identifying potential pitfalls and problems and guide you towards areas in which you can excel. It can be very expensive to find out that you have completely misjudged the market! This is a very common error, with the main reasons being that the location, the facilities or the rates of the guest house are not appropriate.

People are often so enchanted by their own dream that they forget about the hard realities of business. You must be willing to adjust your dream to the business reality, as it is not possible for you to force people into buying what you think they want. Market research will help you avoid making wrong choices that can cause serious problems for your business. In order to be successful, you must know as much as possible about your potential guests, your competitors and the opportunities and threats faced by your business. Your market research will complement your business plan in the following ways:

- Market research will help you make absolutely sure that there is a *need for the product* you intend to offer – and therefore a place in the market for your planned guest house. If there are two guest houses next to the local hospital, would it be wise for you to open a third guest house in the same area? Will there be enough guests for everyone? Perhaps you are able to offer something that guests may want that the other two do not offer. For example, you may offer a self-catering

facility for people wanting to stay for a longer period or you may offer facilities for young children.

- Market research will help you confirm whether your guest house is *located* where it will attract the most business. Location is of primary importance. The key questions are whether there are any potential guests who may wish to stay in the area and who they are. If you cannot identify any, you will need to reconsider your choice of location. Is it close to a business/conference centre, near a hospital or university, or easily accessible from the highway? Remember that the wrong location cannot be altered easily. You may think of opening a guest house because you have a large home and your children have grown up and left. However, if your establishment is not in a suitable location, it could have serious financial implications for you. In fact, a bad location is one of the main reasons why many guest houses fail. A guest house does not exist in isolation. It is an integral part of, and will be influenced by, other attractions and services.
- Market research will help you identify and list all possible *sources of business* for your guest house in the immediate vicinity.
- Market research will help you to establish the *type of guest house* most appropriate for the location – for example, should it be a luxurious, up-market guest house offering all services, or a more economically-priced establishment offering bed and breakfast only? A common misconception in South Africa is that having a very luxurious and up-market guest house will guarantee business, especially from overseas visitors. The market reality is that the overwhelming majority of guests prefer a neat, clean and comfortable middle-of-the-road kind of establishment that offers value for money.
- Market research will help you to *recognise new opportunities, developments and even possible threats* to your business. You may not have known about a new shopping and business centre that is to be built close to your planned guest house. This may mean that you will attract more tourists (business and leisure) as guests. If so, you will have to ensure that your facilities meet their requirements – for example, a desk in every room. Do not forget, though, that a new shopping centre may include a hotel that would compete directly with you.
- Market research will help you to identify your *most likely guests* and give you accurate information about their needs and wants. It will also help you judge whether their numbers and spending patterns are sufficient to meet your needs and enable you to run at a profit.
- Market research will enable you to draw a *guest profile* describing the requirements of a typical guest – for example, a telephone, a TV, an e-mail connection, self-catering facilities and a swimming pool. It will also show the range and type of services required – for example, laundry, meals and snacks, dry cleaning or airport transfers. You need to know whether it is really necessary to offer dinner if the guest house is located in a city near many shops and restaurants. Keep the Tourism

Grading Council of South Africa's standards in mind when evaluating your market information and remember that you cannot be all things to everyone.

The following questions may assist you in drawing up a guest profile:

How long will the guest staying? Business travellers normally stay for one to three days, conference delegates for five days and holidaymakers for a week or more. The longer the stay, the more services you may need to offer – for example, a laundry service.

Will your guest stay alone, share a room or bring a partner? Business travellers generally stay alone, conference delegates may share a room but not a bed, and holidaymakers will bring their families. This information is vital in order for you to decide whether or not you should offer single, double or twin beds, a shower and a bath or a shower only.

Where does your guest come from? Foreign visitors may prefer a shower to a bath and need secure facilities for passports and travellers' cheques. Transfers from the airport may also be required. Guests with vehicles will need lock-up parking facilities.

What is the purpose of your guest's visit? Business people will want to work at a well-lit desk in their rooms. They may also require Internet access and power points for a laptop computer. A quiet place in which to meet colleagues for a drink at the end of the working day would probably also prove popular with this group. Families will appreciate tea- and coffee-making facilities and a fridge in their room. Business travellers will probably not be keen to share an establishment with families on holiday.

What level of luxury will your guest require? High-level dignitaries, diplomatic visitors, top business people and foreign tourists demand the very best in terms of facilities and services. Most academics prefer value for money and clean, comfortable accommodation.

At what time of the year will most of your guests stay over? One of the problems of the tourism market is its seasonality. For a few months of the year, some guest houses are in a position to fill double the number of rooms they have available, while in the remaining months, business can be dismal. Knowing when the busy times and slow times are, will assist you in planning your staff requirements, your own and your staff's holidays, when to renovate your guest house and how to manage your cash flow.

Market research will enable you to find out as much as possible about your *direct competitors*. How many other guest houses are there in your area and where are they situated? What rates do they charge? What services and facilities do they offer? Who is their market? The probability of your targeting the same market as your competitors is high. For example, most guest houses near a university target visiting academics, while guest houses near the coast concentrate on holidaymakers. In order to be competitive, you should make sure that your rates are reasonable and your facilities and services excellent.

Find out why there is a high concentration of guest houses in certain areas and learn what you can about improving on the existing market. While the probability of attracting a guest with different needs is slight, you may discover a particular section of the market that none of your close competitors caters for. For example, an economical, simple bed

and breakfast near an educational establishment that is suitable for students may provide a market niche.

Market research will also enable you to find out more about your *indirect competitors* (the hotels, resorts, backpackers' lodges and self-catering apartments, etc. in your area).

Careful research will enable you to *furnish and decorate your guest house in a manner that will appeal to your chosen market*. A major attraction of many guest houses is their uniqueness, which is created by the personal taste and culture of their owners. However, if you are looking at business travellers as potential guests, you should not decorate your establishment in an overly fussy manner. Keep the décor simple, attractive and functional.

Market research will enable you to determine *how many bedrooms* you require in order to make your business profitable. Experienced guest house owners have indicated that at least six rooms are necessary. Merely having a high occupancy rate in four rooms will not necessarily ensure much profit.

Market research will help you select a *name for your guest house* that reflects its type and image effectively. Make sure that the name you choose is easy to remember and that it captures the mood and atmosphere of your establishment. A short name is better than a long one. Avoid using a name that will create unrealistic expectations, like "Whalehaven Lodge" when you have only three rooms. Also avoid choosing a name that could be confused with the name of another guest house. It is becoming increasingly popular to personalise guest house names – for example, Wally's Guest House.

3. Identify and contact your potential market (market segmentation)

Identify potential guests who may wish to stay in your establishment. Potential sources of clients include major businesses, large institutions, travel agents, tour operators, conference organisers and tourist attractions in your area. Your local chemist will know of pharmaceutical representatives who need overnight accommodation, while chain stores will regularly have visiting managers or new staff members from out of town.

Think of sports teams, schools and churches. Make appointments with human resources managers as they deal with new appointments and transfers. Approach the secretaries of executives, as they generally make their bosses' accommodation reservations.

Find out, in the company or institution you have targeted, who is responsible for making arrangements for visitors from out of town. Ask them what type of accommodation they require or what kinds of establishments they usually make use of for their guests. Ask what their expectations are, what they are prepared to pay and whether they are experiencing any problems with their current accommodation providers. It is footslogging work but it will pay off in the long run.

Contact your regional and national tourist organisations and information offices to assist you in drawing up a profile of typical visitors to the area. They will be able to provide you with information on average occupancy rates, peak times and slow times, other

guest houses and plans for future developments that could have an impact on the area. They will also be able to provide information on which countries and areas most visitors come from, how long they generally stay and where they stay. This information will be invaluable to you when planning your marketing strategy. If you have a guest house on the KwaZulu-Natal South Coast and are aware that most visitors to the region come from Gauteng while very few come from the Eastern Cape, you will know where to concentrate your marketing efforts.

Market segmentation may be done according to various bases, although the most commonly used one in the guest house sector is the so-called geo-demographic base. This consists of a combination of geographical and demographical information. According to this base, your potential markets must be segmented to include for instance: students (demographic) from Bloemfontein (geographic) or pensioners (demographic) from Gauteng (geographic). Other examples include families from Italy, scholars from Eastern Cape, etc. Segmenting your market in this way will enable the person responsible for marketing in your business to easily identify the appropriate target market(s).

3.1 *Competitor analysis*

A thorough analysis of competitors will assist you in creating and maintaining a competitive edge – to stay ahead of them. Here is a simple technique to compile a competitor profile:

- Identify the success factors critical to the success of *any* guest house (e.g. good product, delivery of excellent service, good location);
- weight each success factor in terms of its relative importance. For example: if you regard service as the most important critical success factor, the highest weight (e.g. 0.4) must be allocated to it. The total of the weights must not exceed a total value of one;
- evaluate yourself against your major competitors with regard to the critical success factors on a scale ranging from 1 (poor) to 5 (excellent);
- multiply each score by the weight that has been allocated to the specific success factor in order to obtain a total score for each critical success factor;
- add the total scores per critical success factor in order to determine a total value for yourself and the competition.

By doing this, it is easy to determine the market leader and to formulate strategies with regard to specific areas (critical success factors) in order to maintain and/or improve your current situation.

In the process of compiling the competitor profile, it is imperative that you visit as many of the existing guest houses in your area as possible – especially your main potential competitors. Use your common sense and trust your instincts. Stay in as many guest houses as possible – in your own area as well as others – and ask yourself what you liked or disliked about them. Try to evaluate their strengths and weaknesses to see which

special niche your guest house could fill. How, for example, could you improve on your competitors' service or facilities?

Take note of new guest houses or hotels offering better rates or facilities in your area, as you may need to upgrade your services. Liaise with the tourism marketing and promotional organisations of your local authority or region, as well as with other organisations involved in the guest house sector – for example, your local guest house or bed-and-breakfast association. It is absolutely essential to become part of a networking system, as you will be able to learn from the mistakes of others. Most guest house associations are there to assist and advise new guest house owners about required standards, pitfalls, problems and special concessions they may have negotiated for their members.

3.2 Mission and goal formulation

It is important to formulate a mission statement towards which future business actions will be directed. This statement specifies which activities the organisation intends to pursue in future. It outlines “who we are, what we do and where we are headed”. It indicates the “bigger picture” towards which the management strives in a business. This mission must be regularly communicated to employees to ensure the same shared values, future perspectives, etc.

The formulation of marketing objectives (long and short term) is another critical point in the compilation of marketing strategies. It serves as a measurement of your success/failure at the end of a financial year. It also gives direction to all staff members in terms of what is expected of them. It is essential that both long-term goals and short-term objectives be formulated for a guest house. Long-term goals focus on actions that must be taken now in order to achieve certain results at a later stage (5 years +). Short-term objectives, on the other hand, refer to results that must be achieved in the near future on the basis of a responsibility allocation and time frame.

For example:

Long-term goal:	To be the market leader amongst guest houses in Bloemfontein;
Short-term objective:	To increase the current occupancy rate by 10 percent before the end of 2013 (time frame).

By the end of the year the objectives may be used as a method of evaluating whether the strategic and tactical plans of the guest house are still on track.

3.3 Positioning your guest house in the market

The correct positioning your guest house in the market is of critical importance: this will indicate the differences in image/perception between you and the competition.

Positioning refers to the way that you want clients to perceive your business as opposed to their perception of your major competitors. It forms the cornerstone of the image that you are going to create for your business. A clearly defined image will make your establishment stand out in your potential guests' minds and create the desire to buy what you have to sell. Once you have decided on a positioning strategy, it must form the basis (central theme) of all communications with your target market(s).

There are different approaches to positioning. It is possible, for instance, to position your guest house in terms of the excellent service that you provide, or according to your favourite location, value-based price or superior product.

The formulation of a positioning strategy is based on an analysis of your guest house in the following manner:

- Determine the current position of your guest house with regard to its foremost competitors;
- determine the position which the guest house would like to reach in comparison with the competition;
- formulate a strategy to reach the desired position.

3.4 Defining the product offered by your guest house

Once you have done your market research thoroughly, it is time to start developing a marketing mix for your guest house. The first step is to define the *product* you are selling. It is important to understand that your product contains tangible and intangible aspects. The latter will be dealt with when service excellence is discussed.

The *tangible aspects* are the physical and visible parts of your guest house. This includes the rooms, décor, beds and other physical conveniences as well as their quality; the garden and the exterior facilities; breakfasts and other meals; and your physical location and its convenience for guests. These aspects are measurable and can be graded and assessed according to set criteria – which guarantees their quality. It is imperative to follow a Total Quality Management (TQM) approach with regard to your product(s). It is no use having the best breakfast in town but your bathrooms are of inferior quality. Remember that clients buy a total product offering and tend to remember the negative experiences.

When defining your product, make a note of why some people choose to stay in guest houses and why others prefer not to. Your product will have to include most, if not all, of the positive reasons and as few of the negative ones as possible. Some of the reasons why people choose to stay in guest houses (in terms of product quality) are the following:

- Convenient location.
- Appropriate and attractive facilities: the personal style and uniqueness of a guest house plays an important role in pleasing guests.
- Good personal security and safety.

- Personal service: people enjoy being made to feel special on a more personal level. Generally speaking, people feel that services rendered by guest houses are more personalised than those rendered by large providers of accommodation.
- Privacy: guests can enjoy reading the newspaper in the privacy of the garden or on the patio.
- Peace and quiet: there is much less hustle and bustle at a guest house, which enables business travellers the opportunity to work in peace.
- Good food: successful guest houses provide excellent home cooking prepared individually for each guest according to his or her own tastes and requirements.
- Attention to detail: a good guest house ensures that guests receive their coffee the way they like it and see to the small touches that make the experience special.
- It is a “home away from home” but without the normal chaos of family life.

On the other hand, people tend to hesitate before booking accommodation in a guest house unknown to them, as everyone has heard stories of bad experiences at guest houses. Bad news travels fast and the unprofessional conduct of one guest house unfortunately affects others. A range of guest house visitors conveyed the following examples of unpleasant experiences related to the quality of the product:

- Some guests complained that the guest house facilities were unacceptable. Complaints included problems as basic as insufficient hot water in the shower and the bedroom being too hot or too cold. Many guests reported experiencing some relatively minor discomfort that could easily have been prevented, while others recounted examples of more serious discomfort such as sleeping on a bad mattress.
- Some guests complained that they did not receive what was promised to them in the guest house brochure and advertisement, on the website or verbally. An example of this was an occasion on which a confirmed reservation was changed without consulting the guest. The guest was expecting a bathroom with a bath, but received a bathroom with a shower. Other complaints included discovering only upon arrival that the bathroom had to be shared with other guests.

Remember that when you upgrade guests to better rooms, you must tell them that you have done so; otherwise they may expect the same luxury room at the lower rate when they visit again. Upgrading is an excellent marketing technique as it makes your guest feel valued. Make sure, however, that it is possible to upgrade the guest without it costing either party anything extra. For effective marketing management purposes, it is important to consider the phase in the product life cycle where your guest house currently fits. If it is a new guest house (introductory phase or question mark) in the market, it needs substantial marketing efforts aimed at communication of the features of the product(s) to the market. Simultaneously, the product needs development to its optimal level.

The same approach is more or less applicable during the growth (star) phase of the product where fine-tuning of the product also takes place. The next phase (maturity

or cash cow) is characterised by the fact that the product is now well-established and fully developed. Here, marketing efforts are aimed at reminding clients of the existence of the guest house (“we are still the best”-approach). The product development focus shifts towards maintenance and/or the identification of new product ideas to replace and support existing ones in future. If this phase, which is the most desirable one, is not managed properly, it will move your guest house into the decline (dog) phase which may lead to failure.

It is also important to brand your product in order to distinguish it from competitors in the market place. You can do this through the development of your own logo (e.g. the Coca-Cola logo, known worldwide), slogan (Everything keeps going right – Toyota) or symbol. By marketing your brand name you may in future become a household name in the South African accommodation industry such as City Lodge, for instance. In a nutshell, your product is defined not only by you, but also by the actions (both positive and negative) of others in the industry. Take this into account in your marketing actions – and remember, too, that how you run your establishment will have an impact on the guest house sector as a whole in South Africa.

4. Providing service with a smile

When people buy accommodation, they expect more than just a room with a bed and a bathroom. Service is about how people are treated. Guests’ service expectations start with the perception that the very least of their needs will be taken care of. It is not just about being able to order a cup of coffee, but about the manner in which it is served. People will forgive a bad cup of coffee presented with a friendly and helpful smile, but they will not forget an unpleasant service encounter with anyone in your establishment, whether it be the most menial worker or the manager. The dissatisfied guest will not return to your establishment and research shows that, on average, he or she will tell at least 11 other people about the bad experience. Selling accommodation in a guest house implies highly personalised service.

Research also shows that most people believe that choosing a service is riskier than purchasing a physical item – which implies that they perceive choosing an appropriate guest house as risky. Guest feedback often includes statements such as “I never quite know what I will get in a guest house” because many guests have experienced both wonderful and terrible service at different establishments. This perception is likely to make it difficult for you to draw guests away from guest houses that they are happy to stay at – and also much easier for you to keep them if they are satisfied.

People will remain loyal to a particular service provider if their needs have been met. We therefore cannot overemphasise the importance of excellent, professional service and a good relationship with your guests. A range of guest house visitors conveyed the following examples of unpleasant experiences with regard to service:

- Some guests complained that the guest house owner took personal attention and hospitality too far and never left them alone, treating them as friends and non-paying house guests.
- Some guests said their requests or complaints were not promptly attended to, or not attended to at all. Everyone in your guest house should be taught how to deal with any complaint quickly and effectively, be it directly related to his or her job or not. This means, for example, that the cook will have to know how to deal with a complaint about a bedroom. Similarly, the gardener will have to know that a complaint about the food should not be ignored but referred to someone in the establishment who can deal with it. The manner in which you and everyone else in your business deal with complaints is most important in reassuring guests. In fact, the continued loyalty of guests is determined more by the manner in which a complaint is dealt with than by the complaint itself.
- A fast response is associated with efficiency. A delayed reaction to a request, no matter how thorough, reflects negatively on you. When guests want to shower and request soap or a towel, they do not want to be kept waiting. Similarly, if you are requested to change the TV channel or provide another blanket, it must be done immediately. Give your guests more than they expect and more than you promised. Do what you promise when you promise to do it. If you promise to change the TV channel, then do it. If you promise another blanket, do not forget it. If you promise a cup of tea, bring it – and add a biscuit.
- Some guests felt that the guest house manager was inflexible in meeting their needs – for example, by being unwilling to provide an early breakfast when they had to leave early. The fact that guest houses have the capacity to be more responsive to guests' needs makes them more desirable. Use this to your own advantage – serve breakfast at 5 am if necessary, well dressed (not in a track suit) and with a smile.
- Some guests felt that the guest house – in particular, the towels, bed linen and bathroom – was not spotlessly clean. Be consistent with regard to the services and facilities you offer, as well as in your standards of cleanliness, politeness, friendliness and good humour. Guest will feel reassured about what to expect from you. People do not enjoy unpredictability in standards or behaviour.
- Some guests complained that the guest house manager – or even the most menial of staff – did not treat them courteously.

Remember that the guest who has made a reservation and arrives at your establishment is visible proof of the success of your marketing. You may have spent a lot of money, time and effort in getting them there so make sure that you do not disappoint them and that you deliver what you promised in your marketing! Keeping your guest happy is the single most important factor that will guarantee your success and the profitability of your guest house. Happy guests will spread the word and tell people that they can stay with you without any hesitation.

Many guest houses treat the wishes of their regulars as divine and will do anything to avoid upsetting them. People are fickle, however, and they may well desert your establishment for another more attractive option. Do not miss out on new business opportunities and potential new regular guests because you want to always be available for your regular guests. Your regulars must realise that some events – for example, major conferences in your area – will affect their plans and that they should make reservations well ahead of time.

The most important marketing tool in the guest house sector is word-of-mouth referrals. The most important contributor to guest satisfaction and subsequent referrals is excellent service. It has been shown over and over again that level of service is the one thing separating success from failure. Excellent service will provide you with many advantages and will eventually save you thousands of rands in marketing expenses.

When guest houses change ownership, it is critical that the nature of the service remains the same. There are many examples of goodwill and a solid guest base, built up over years, being destroyed in a very short period. The facilities remained the same and the only factor that changed for the worse was the service level. It is important to note that service is rendered not only to your guests but to all the people involved in making the reservation. Do not forget to provide good service to the following parties, as bad service to them will cost you dearly:

- The secretary or personal assistant who makes a reservation on behalf of a guest of the company she works for, or on behalf of her director. Treat her with courtesy and make it easy for her to make the reservation, and she will do so time and time again. Take care of all details and do not forget any special requests. Her reputation also depends on whether the person for whom she made the booking enjoys his or her stay.
- Travel agents, other reservation agents and tour operators. Confirm their reservations promptly. If you accept the reservation, do not argue about commission (it can be as much as 20%), as this is an implicit part of the arrangement. It is unacceptable to ask agents to add their commission onto your rate (and in fact illegal in many parts of the world) and places them in an invidious position with regard to the guests they send to you. Commission is an excellent marketing expenditure as you pay only for actual business received, as compared with paying for advertising, which offers no guarantee of successfully attracting guests to your establishment. Above all, pay commission promptly. Do not keep on hassling agents for payments – they also need to get payment from the guest. Treat them and their guests well and they will continue to support you.
- Your colleagues in the tourism industry. Honour your commitments to them regarding reservations and keep your promises. Treat them with respect and add value to their service. Send referrals to them when you are fully booked, mostly for the sake of rendering service to the guest rather than always for return commission. Co-operate with the tour operator offering airport transfers and support the restaurants in the area by making reservations for your guests. Goodwill created cannot be measured in terms of monetary rewards. It is vitally important that you develop a relationship of mutual trust with all of these people.

Make an effort to contribute to the improvement of the guest house sector and your local tourism industry. Do not always expect payment for services rendered that will eventually benefit everyone. Think service first and the profits will follow. When you think profit first, your service will suffer and your profitability will be adversely affected.

Regrettably, guest houses are often referred to as “Mom and Pop Shops” which certainly does not convey an image of professional service. Unfortunately this label is often deserved. Incorrect reservations, double bookings and money-related issues such as adding on amounts after confirmation or problems with invoicing are some of the reasons for this perception. The policy of “first come first served” sounds fine superficially, but if a room has been reserved it is unethical and unprofessional to allow someone else the use of it. Another temptation is to change the details of one booking for a more attractive reservation – for example, taking a single person out of your luxury suite (which he asked for) because a double and longer reservation came your way.

In order to judge your own service performance, put yourself in your guests’ place to evaluate their experience of your guest house. Always ask for their opinion on your establishment. Listen carefully to what they say they like and dislike – and then, if necessary, do something about it! Try to provide your guests with an experience that will be enjoyable and memorable. This will not necessarily cost you anything. A good example would be to offer to wash a guest’s car if he has travelled a long distance or over dusty roads to get to you. He will probably be delighted – and might even offer to pay for the service.

Remember at all time that service does not only take place when the guest is at the guest house. Service provision should take place at three levels:

- Pre-sale service, which refers to services that take place before the guest actually arrives. Examples are a prompt reply to quotations, friendly telephone etiquette during guest enquiries, etc.
- Transaction service, while the guest is at the guest house.
- Post-sale service. Do not forget about your guests once they have left your establishment. Keep in touch regularly – at least once every three months. Follow up on visits to find out about any problems they may have encountered or things they may have particularly liked. Ask whether they were satisfied and whether they intend returning.

In conclusion it can be stated that guest houses will only be able to take pride in their service excellence once they are able to meet the minimum requirements in terms of the following determinants of service quality:

- Reliable in terms of consistency of performance, dependability and accuracy;
- responsiveness which involves the timelines of service;
- competence of management and staff;
- access in terms of a convenient location and hours of operation;
- courtesy which involves politeness, respect, consideration and friendliness;

- good communication skills;
- credibility which involves trustworthiness, believability and honesty;
- security in terms of physical safety of clients, financial security and confidentiality;
- understanding/knowing the customer and the provision of individualised attention; and
- the provision of tangibles of quality e.g. physical facilities and appearance of staff.

5. Setting the rates of your guest house

The providing of value for money is often given as a reason why customers prefer to stay in a guest house. Unfortunately, it is also often the reason why they don't stay in guest houses. *How much should you charge for your product?* The price of your product is very important from a marketing point of view. Your rates have a direct influence on your profit margins. They must not only fit in with the character and product of your guest house, they must also be competitive and in tune with other guest houses in your area. Many guest houses experience difficulty in setting their rates. Your rates should be determined by your costs, by the rates of your competitors and by what guests will be prepared to pay to stay at your establishment.

This means that, in order to keep your rates competitive, you will need a thorough knowledge of your own costs and what your competition charges for more or less the same product. Make sure that you compare apples with apples: do not compare a five-star guest house's rate with those of a two-star establishment. You may discover too late that you have charged unrealistically high rates or that you cannot cover your costs and the debts you have incurred. Do not expect your guests to pay for your mistakes or over-capitalisation. Your rates must provide for a full recovery of costs as well as an adequate profit. If you do your market research properly, you will know what the market can bear in terms of rates.

A guiding principle in the guest house sector is "value for money". A person's decision to make a first reservation in a guest house is often based on the convenience of the location and the right price or rate. Guests will return if your service and facilities are good enough. Your rates affect the profitability of your guest house directly and are a very important marketing tool. How you set your rates will assist you in becoming more profitable and in getting more business.

Bear in mind that your rate for two people in the same room is not simply double the single rate: the accepted ratio is that the double rate should be about one-third more than the single rate. It does not really cost you much more than an additional breakfast and the washing of extra towels to accommodate two people in one room. The practice of some guest houses of selling a room at a set rate regardless of how many people are accommodated in it is normally not popular with guests as it makes single occupancy very expensive. Rates normally include bed and breakfast, while dinner or other meals, drinks, telephone calls, laundry and so forth are quoted and invoiced separately. Your normal rate is what is known as the "rack rate" in the travel trade. Travel agents expect to

be quoted the same rack rate as your other guests and commission is paid on the normal rack rate for bed and breakfast only.

5.1 How should you set your rates?

When you determine rates for your guest house, you need a thorough knowledge of:

- the rates that clients are prepared to pay for your product – as determined through research;
- your own costs as it is imperative to ensure that they are covered and provision is made for a fair profit when rates are determined;
- your competitors' rates. It is preferable that your prices are in line with those of your competitors, simply because nobody wins in a price war among guest houses. Exceptionally low room rates affect profitability and create the perception of inferior quality, while unrealistically high rates affect occupancy. Rather gain the competitive edge by offering better value for money.

Apply the principle of psychological pricing in the determination of rates. This means that R199,99 creates a more favourable perception in the minds of consumers than R200. The determination of room rates was discussed in theme 1. Here is a further example to refresh your memory: The Whalehaven guest house has four en suite bedrooms. The owner has calculated the monthly operational expenses when the guest house is fully booked at R8 680 and has assumed that a month consists of four weeks. How much should the daily rate be?

1. As a rule of thumb, we advise that you try to limit your operational expenses to about 40% of your income.
Start by calculating how much income you should generate when you are fully booked.
Income to be generated per month = (monthly expenses) x 100 ÷ 40
= R8 680 x 100 ÷ 40
= R21 700
2. Calculate the maximum number of rooms that can be sold.
(4 rooms) x (7 days) x (4 weeks) = 112 rooms
3. Calculate the single and double rate per room.
The single rate per room should be at least: R21 700 ÷ 112 = R193,75
The recommended double rate should be about: R193,75 x 1.33 = R257,69
Round these rates off to psychological rates of about R199 (single rate) and R259 (double rate).

The above-mentioned rates will only be applicable if they compare favourably with the rates that clients are prepared to pay and with the rates of competitive guest houses. As a general rule of thumb, always try to establish rates a bit lower than major competitors and client perceptions of a good rate.

5.2 How can you use your rates as a marketing tool?

Because the rates of an establishment are such an important consideration when people are deciding whether to buy your accommodation, you can use your rates very effectively as a marketing tool. For example, use special rates as an enticement to get people to stay over, perhaps in the low season or during slow times. Once they have experienced your wonderful service and facilities, they may consider paying the full price on the next occasion or they may refer other people to you.

Never compromise on the quality of your service, whatever your rates. Other ways of using your rates may be to:

- offer better value at a better price than your competitors;
- offer special rates as an incentive to a valuable source of guests – for example, a major local institution that requires accommodation for visitors on a regular basis;
- reduce your prices outside of peak periods;
- give discounted rates for group reservations. It is always worth your while to give special group rates and to let tour operators stay free of charge when they bring a group with them;
- offer lower rates to guests staying longer than a week;
- offer weekend specials, low-season specials, midweek specials or bridal specials;
- apply the principle of yield management when changing your rates. This means that you need to be flexible and that under certain circumstances you may sell the room for less than your usual rate. It is far better to sell your room at cost than not to sell it at all. Remember, you can never sell last night's empty room again.

Try to avoid the following pitfalls when setting your rates:

- Setting rates that are not market-related. Rates should not be set to offset a high bond repayment or to recoup high expenditure on the building or interior decorations. The fact that you may have expensive imported curtains does not really make any difference to the basic rate. Do not expect your guests to pay for your bad planning. First establish what the market will bear in terms of rates before deciding how much you are going to spend on decorating your guest house (rather than doing things the other way around).
- Compromising on the value of the product you offer. If you cannot afford a buffet breakfast, economise by preparing an individual meal for each guest. Organise your operations to minimise waste and guests will feel that they are getting special treatment.
- Falling into the trap of being greedy when things start going well. Everyone – including foreign visitors and large companies – is price-conscious.
- Underestimating the value of price as a marketing tool – and its potential to drive guests away. Sudden extreme increases, and even the sudden lowering of rates,

will make valuable guests feel exploited. Take a long-term view and be prepared to build your guest house business slowly, with gradual increases in your rates.

- Not making sure that your normal rates allow for the payment of commission.

6. Defining major distribution channels

The aim of distribution channels is to create a link between supply and demand or, in other words, between the guest house and the client. In contrast to the marketing of products like cell phones where the product can be taken to the client, the guest house is at a fixed location and the client/guest must be brought to the product/guest house. An organisation can choose to undertake the distribution function itself (direct distribution) or to make use of intermediaries (indirect distribution). A combination of both methods is also applicable. Direct distribution, for instance, takes place when the guest house provides its own shuttle service to and from the airport, conference venues, shopping centres, etc.

Indirect distribution can take place through using a taxi service to perform this function on your behalf – at your own cost or at the cost of the client, depending on which price strategy you are implementing. A popular method of indirect distribution is to make use of intermediaries such as tourism information offices, travel agencies, conference organisers and tour operators to distribute clients to your guest house. It is possible, for instance, to link up with tour operators or conference organisers so that they will use your guest house whenever the opportunity arises. If you are prepared to pay a decent commission to the mentioned intermediaries, this may prove to be a fruitful relationship. The key is to serve the needs of the clients and to offer value-based prices at all times.

7. Promoting your guest house

We suggest that you use a variety of methods to make your guest house known to potential guests. Bear in mind that the aim of any promotion is to generate more business in order to make more profit. This is what most people understand as marketing. There is a range of ways in which to promote your establishment to your current and potential guests (your target market). The best marketing starts at your own front door and there are many promotional opportunities that can be profitably exploited in your immediate vicinity. It is very important that you become known as “the” local guest house as visitors from other areas tend to ask the locals for their recommendations.

7.1 What do you need to promote?

In the first instance, you need to promote a unique image. In the guest house sector, you will soon realise that your core business is essentially the same as that of your competitors. They also offer overnight accommodation, breakfast, some form of service and other facilities. Your guests will probably have stayed in other guest houses before, so they will have an idea of what to expect. This means that you will have to measure up

to their expectations, formed by their experiences (both good and bad) in guest houses elsewhere, even in other countries. It is therefore important to ensure that your guests have a realistic idea of what to expect from your establishment.

If you have an informal, homely guest house, they should not expect five-star luxury. Grading by the Tourism Grading Council of South Africa will help you in this regard. The image potential clients have of your guest house will be determined by how you brand your product. Think of a hotel group and the image that they convey. You know exactly what to expect when staying in any one of their hotels countrywide, what you will be charged and what value you will receive in exchange for your money. The image of your guest house is formed by the following factors:

- The interior – including the furnishings, the style of décor, the impression of comfort, convenience and cleanliness and the level of luxury. Is it a place in which someone will be happy not only to spend the night but also to pay for it?
- The exterior – including the garden, the front door, the gates, the signage outside and even the sidewalk. Are these tidy and well-kept?
- The manner in which guests are treated from first contact to checkout. How do you answer the telephone? How efficiently and promptly are reservations dealt with? How are guests greeted on arrival? Do they get what they're promised? Does breakfast meet their expectations? Is the final account correct and available when they want to check out?
- The marketing materials such as business cards, website, brochures, stationery and invoices. These should match the style of your guest house and convey the same image throughout. It would not be suitable for a game lodge to use stationery with a floral theme any more than it would be appropriate for the Whalehaven guest house to use zebra-striped paper. When in doubt, opt for plain rather than elaborate stationery.
- Your appearance and behaviour, as well as that of your staff members. Your friendly but professional demeanour at all times is of vital importance in conveying a good image.
- Small personal touches – for example, a room smelling of fresh flowers from the garden, or the smell of home-baked cookies and fresh coffee brewing. These things will all help make an indelible impression on your guests.

The image of your guest house can benefit substantially through participation in the country's tourism grading scheme. Ensuring that your guest house adheres to minimum standards is an effective marketing tool. It is in your own best interests to be graded according to the Tourism Grading Council of South Africa's standards, as this will provide positive reassurance to your guests that they will enjoy a problem-free stay in your establishment. Being graded is not compulsory, but it will definitely work in your favour in terms of marketing. Being a finalist or a winner in local and national accommodation competitions is also a valuable way of gaining national and even international recognition.

Effective promotion can be based on the application of the following components:

7.2 Advertising

This is a well-known promotional method, but also an expensive option. Many guest houses have made costly mistakes by allocating too much of their promotional budget to advertising. An advertisement is simply a marketing message communicated via traditional media such as radio, television, pamphlets, newspapers, magazines and the Internet. The two most important factors to consider when evaluating an advertising proposal are: (1) cost and (2) how many potential guests it will reach. This information will enable you to decide whether you have a reasonable chance of gaining more business from it.

The following points about advertising are important to remember:

- “Above-the-line” (conventional) advertising is expensive. To determine whether it is effective (in other words, whether it has resulted in more business for your guest house), we advise that you keep a record of the results of all your advertising decisions. When people contact you, ask them how they got to know about you. This will enable you to cancel any advertising that does not result in business.
- The new business generated by an advertisement should, at the very least, pay for the cost of the advertisement. For example, if you are approached to advertise in a bridal magazine at a rate of R4 000 per advertisement and your rate is R250 for your special bridal room, you will have to sell 16 rooms ($R4\ 000 \div R250 = 16$) to brides to cover the cost of the advertisement. Bear in mind that most people get married on a Saturday in spring or summer. This might take care of 16 brides in 16 weeks, but will you be able to sell enough rooms during the remaining 36 Saturdays to make a profit on the advertisement?
- Even the best advertisement will not succeed if it does not promote something that potential buyers want. Be honest and state briefly and clearly what the best and most appealing aspects of your guest house are – for example, its excellent location and value-for-money rates. Focus on what most people look for in a guest house, and tell them how yours will meet their expectations.
- It is vital that you use the right advertising medium to reach your target market. If your guest house is located near a hospital, for example, it may be worth advertising in a medical journal. An upmarket full-service guest house may also consider advertising in a financial magazine read by business people, but not in a magazine for budget-conscious travellers. Advertising on radio, in a national newspaper or on TV is often not cost-effective: while these media reach millions of people, they are not necessarily all your target market – and such advertising is very costly.
- Even the best advertisement will soon be forgotten if it appears once only. To be effective, an advertisement must be repeated regularly – which makes it even more expensive. Think of how many advertising messages you encounter daily,

from advertisements for soap powder to motor cars. Your advertisement will have to compete with all the thousands of promotional messages your target market is exposed to daily. Research has shown that repetition is one of the most important prerequisites for effective advertising campaigns. Rather repeat an advertisement in a specific type of media (e.g. radio) than use various media each on a once-off basis.

- In order to establish how effectively your advertisement has reached its target market, consider including a special offer. For example, people who mention the advertisement when they make a reservation could get a 10% discount. Add a time limit to induce people to respond quickly.
- A print advertisement must have an eye-catching headline. Depending on the size of the advertisement, it will generally be enhanced by an attractive photograph or logo. A small black-and-white photograph is seldom effective while a full-colour photograph usually is – but using colour will increase your costs. Try not to include too much information in your advertisement: rather concentrate on your three top marketing strengths for maximum effect. Don't forget to include your full contact details as well as your grading level and guest house association membership.
- Advertising is a highly specialised field. While some media companies offer free assistance with designing and developing advertisements, it is nevertheless important that you have an idea of what will work and what appeals to you. Employing a graphic artist to design an advertisement, logo, brochure and stationery for you will ensure that you convey a professional image in all your marketing activities. This will probably also save you time and money in the long run.
- If excellent service, good facilities, the right price and a convenient location do not support your advertising, the advertising will not succeed in gaining more business for you.
- If possible, find out where your advertisement will be positioned in a publication. It is disheartening to discover, for example, that your advertisement for your luxury guest house has been placed right next to the local garden refuse removal company's advertisement. Is this really a logical place to look for accommodation?
- Before committing yourself to spending a great deal of money on an advertising campaign, ask current advertisers in a particular medium whether their advertisements have succeeded in gaining business for them. If you are unsure about whether placing an advertisement in a particular publication will be worth your while, advertise for a trial period of three months only before committing yourself to a contract for a year. Don't try to evaluate the success of the advertisement after only one placement.
- Make use of the free advertising offered by many local tourism associations' publications and websites. Ensure that they have the correct contact details of your establishment. And don't forget about the obvious places in which people look for

information – a bold entry in your local telephone directory or in the Yellow Pages is highly likely to pay off.

- When you open your guest house, you are likely to receive many requests to advertise in various publications. You could easily end up spending a lot of money on advertising that does not result in more business. Be cautious and sceptical about the claims of these publications.
- Consider advertising as part of a group of guests houses as this saves costs.
- Advertising in local business guides can sometimes be very effective. Businesses in your community will then know how to contact you when they need accommodation for their visitors.
- When evaluating an advertising proposal, place yourself in your potential guest's shoes. Would a business traveller really arrive in town and decide where to stay only when a brochure, with your advertisement in it, is pressed into his or her hand at the airport? Would a local brochure advertising a special offer at the butchery down the road really reach your potential guests? Regardless of the claims made by the sales agent about impressive distribution and readership figures, you would probably be wasting your money by advertising in these publications.
- If your initial attempt at advertising proves unsuccessful, think again about the ways in which your guest house meets the needs of your guests – and accentuate one or more of these strengths in your next advertising message. Correct language and spelling are prerequisites. Critically evaluate your advertisement's appearance, impact and message before automatically blaming the media for the poor response you received to it.

Below are examples of the most popular forms of advertising for guest houses:

Brochures

An appealing brochure can be useful in marketing your guest house and can play an important role in conveying its image and identity. People usually want some idea of what services you offer and what your guest house looks like, and a concise brochure with attractive colour photographs is an effective way of meeting this need.

However, the role of the printed brochure in the marketing strategy of a guest house is often overrated, as it is sometimes seen as the most important, if not only, marketing tool. In fact, it can at best support your other marketing actions and you should not rely on it to produce hundreds of enquiries or reservations. It is important not to fall into the trap of thinking that you have marketed effectively just because you have distributed a thousand printed brochures. Your success rate depends entirely on who will be receiving them and what will be done with them. Use them judiciously.

Consider the following points before designing and compiling your brochure:

- Think carefully about what your guests enjoy most about your guest house. Focus on these points when deciding what your brochure should look like and what information it should contain.
- Full-colour printed brochures can be very expensive and run into thousands of rands – a cost that many guest house owners can ill-afford while still getting established. However, there are a number of effective alternatives and it is likely that expensive printed brochures will soon evolve from being a must-have to being a nice-to-have.
- Electronic brochures are becoming increasingly popular as a marketing tool. With growing international interest in South Africa as a tourist destination and an increase in the number of reservations being made via the Internet, it is vital that you have instantly available information and photographs that you can forward to enquirers as e-mail attachments. An electronic brochure is easy and inexpensive to design and can be altered quickly. It is cheaper than a website, as there are no Internet hosting fees involved.
- Another alternative is to have a set of postcards printed. Use a photograph of your guest house on the front and include your contact details somewhere on the back.
- A simple leaflet containing your rates and other details can also be effective. This will not cost much and will be quick and easy to alter or update. An electronic leaflet in jpg-format will also be much easier to e-mail.
- If you do decide to go the printed brochure route, remember that it will probably have to compete with a drawer-full of other guest house brochures. It therefore needs to be eye-catching in order to stand out.
- An effective brochure must reflect the character and level of luxury of a guest house. While it is not necessary for a small bed-and-breakfast establishment to use the most expensive glossy paper on the market, cheap paper will not be appropriate for a luxury guest house.
- Stick to elegant, classical and stylish colours that are eye-catching but soothing. Neon greens and purples may be striking but they can be off-putting!
- A printed brochure should preferably be a standard A5 size. Avoid strange shapes and cut-outs and steer clear of things like feathers, twigs and dried flowers!
- The grammar and spelling of your brochure must be 100% correct – few things create a worse initial impression than spelling mistakes.
- Avoid clichés and flowery language – every second guest house nowadays has an “ambience”, an “atmosphere” and even an “aura”! Resist the temptation to use grand-sounding words and understate rather than overstate. A straightforward description is most effective, as your beautiful photographs should tell their own story.

Ensure that your brochure also includes the following:

- clear and accurate information about your guest house's location – for example, near a highway, university, hospital, shopping centre, airport, major institution or other business source that you have identified in your market research;
- grading and assessment information with dates and categories, details of your membership of appropriate associations and an indication of any awards you may have won;
- professional photographs of your guest house, taken on a sunny summer's day. You will need photographs of the front view of your establishment, a bedroom interior and the guest lounge. If space permits, you can include smaller photographs of, for example, an attractively set breakfast table, a sparklingly clean en suite bathroom and guests enjoying themselves at the pool. Do not try to economise by taking the photos yourself and do not use misleading pictures – guests should not be disappointed when they see the real thing;
- information about the number of rooms available (essential for group reservations), including the allocation of beds (e.g. double beds only) and all facilities on offer (e.g. en suite bathrooms with a bath and/or shower). Also indicate whether you can provide for the needs of disabled individuals;
- an indication of whether bedrooms have telephones and television sets and of whether you offer satellite TV, a swimming pool, office facilities and Internet access;
- information about all services available, such as dinner on request, laundry and airport transfers;
- a clear and easy-to-follow map;
- your telephone, fax and cell phone number; your e-mail and website address and your physical and postal address;
- details of which credit cards and other methods of payment you accept;
- an indication of any international languages, such as French or German, spoken by your staff;
- an indication of whether children are welcome or not;
- details of your smoking policy, bearing legislation in mind; and
- information about your ability to cater for special requests such as kosher, Halaal or vegetarian meals.

Please note: Your rates can be included on a separate sheet, but they should not appear in the printed brochure as a price increase will immediately render the brochure out of date.

A price list

When compared with a printed brochure, a separate tariff list is a less expensive option to alter. International travel agents involved in the guest house sector strongly recommend using the following checklist when compiling a rate sheet:

Specify the dates over which your rates are applicable.	
Define your peak-season and out-of-season prices clearly and list the periods, seasons and public holidays during which you will be closed.	
Indicate next to every rate quoted whether it is per person, per person sharing or per room, etc. If applicable, include the cost of a third adult sharing. Give details of your deposit and cancellation policies, as well as of how and when payment must be made. Also indicate which methods of payment you accept – for example, credit card payments (in which case, specify which credit cards are acceptable), electronic payments, etc.	
Indicate whether you will pay commission to an agent. This is usually 10%, but can be as much as 20%.	
List any inclusions and/or exclusions – for example, breakfast, drinks, VAT, a tourism levy and other levies, etc.	
Indicate check-in and check-out times.	
Be specific about whether you offer specials throughout the season or during certain periods only. State clearly whether a minimum period applies. Include discount rates for weekends and public holidays. Provide rates for groups and possibly a discounted rate for the tour leader.	
Provide a clear description of the different types of rooms available – for example, indicate whether you offer double, twin or single beds – and state how many additional adults or children may share a room.	
Indicate whether children are allowed and whether they will have their own rooms.	
Include your postal and physical address; your e-mail and website details; your telephone, fax and cell phone numbers; a contact name and a map indicating the various routes to your guest house.	

A website and e-mail address

Having your own website, or being part of the website of an organisation such as a guest house association, is rapidly becoming an essential marketing instrument. It is also important that you are available via e-mail. Guest houses with a website and e-mail access are clearly gaining a competitive advantage in terms of new business. Potential guests want to see before they buy and a website provides a far superior option to a printed brochure. The Internet has become a means through which many people make enquiries and direct bookings. Take a good look at as many guest house websites as possible to see what you like and find effective. Your website should be designed by a professional so that it has maximum impact.

Remember that having a spectacular website is not enough if it shows up as the 800th hit in a search! The webmaster hosting your site should register it with the main search engines at least once a month. We suggest that you take the following recommendations into account when developing your website:

- Select the correct search words to link your site during a search. You are usually allowed about 30 search words or phrases per site, including those such as “accommodation”, “bed-and-breakfast”, “geographical area” and “guest house”. Bear in mind that information on the Internet is not organised neatly like it is in a library, so the search words you choose are an important means of guiding potential guests to you. At the same time, however, do not expect the website to work on its own for you – it needs to be actively promoted.
- Compare quotes from several reputable service providers. While the initial design and placement of a website can be fairly costly, minor changes will be relatively cheap. Keeping your site active on the Internet will probably cost you less than a regular monthly advertisement in the printed media. It is also relatively inexpensive to place your guest house on an existing tourism website. This publicity will normally take the form of a photograph and a brief caption. This option is obviously not as effective as having your own website, where you can show off your beautiful guest house and the friendly, smiling people who work there!
- Make sure that your website is user-friendly and that it downloads quickly and easily. Potential guests are likely to become frustrated and be put off if they have to wait for ages while they download large photographs that take up too many megabytes. Ask for professional advice in this regard. A major advantage of a website, as opposed to a printed brochure, is that changes can be made quickly and easily.
- As with a printed brochure, ensure that the grammar and spelling on your site is flawless, avoid clichés and flowery language and do not use misleading pictures.
- Unless you are confident beyond any doubt that your website will be updated on a monthly basis, it is better not to include your prices on it. Rather state that room rates will be given upon enquiry and have a separate rate list available to e-mail

to anyone who requests it. We have seen far too many examples of guest house websites with outdated rate cards – including one on which the single rate was quoted at R95 per person, whereas our enquiries revealed that the rate had since gone up to more than R400. Bottom line: no sale!

Check that your website contains the following details (you will note that these requirements are virtually identical to the details required in a printed brochure. The major advantage of a website, however, is that you are not restricted by space limitations):

Information about your guest house’s location (e.g. near a university, hospital, shopping centre, airport, major institution, other business source, etc.)	
Grading and assessment information, including dates, categories and details of your membership of relevant associations and any accommodation awards won.	
Professional photographs of your establishment, including a bedroom interior, the front view of your guest house and the lounge. You may also wish to add photographs of a breakfast table, an en suite bathroom, the patio, garden and pool, etc. This is a great opportunity to show off your special features!	
Information about the number of rooms available (this is often forgotten but is essential for group reservations), the allocation of beds and additional facilities such as en suite bathrooms. Also indicate whether you can provide for the needs of disabled people.	
An indication of whether there are telephones and television sets in the bedrooms and of whether you offer satellite TV, a swimming pool, office facilities and Internet access, etc.	
Details of all services available, such as dinner on request, laundry and airport transfers.	
A clear and easy-to-follow map.	
Your telephone, fax and cell phone number; your e-mail address; and your physical and postal address, etc.	
Details of which credit cards and other methods of payment you accept.	
An indication of which international languages are spoken at your guest house.	
An indication of whether children are welcome or not.	
Details of your smoking policy.	
Information about your ability to cater for special requests, such as kosher, Halaal or vegetarian meals.	

Outdoor advertising

Advertisements on lamp poles are a very popular form of advertising amongst owners of guest houses. If well-placed at popular entrances to your town/city, they may catch the eye of the tourist passing through, who may be looking for overnight accommodation. A golden rule is to keep to the regulations of your local authorities in this regard. Also adhere to the principles of total quality as already discussed.

Travel, marketing and reservation agents

These people are a vital part of the tourism industry and it is important to establish a good working relationship with them as they will be able to refer many guests to you. Identify the agencies in your area and make sure that they have brochures and information about you available to give to their clients. They will also welcome a personal invitation to breakfast! Big organisations often have their own “in-house” agents who are responsible for the accommodation arrangements of their visitors. Do not neglect to give them priority in your personal marketing. Bear in mind, however, that in-house agents usually charge a minimum commission of 10% and can charge up to 25%. Remember that you are a very small fish compared with hotels. Should you do business with a large travel agency, be prepared to wait for payment – three months is not unusual. They normally provide a voucher as confirmation that you have to “bill back” (i.e. return to them for payment). They will then deduct their commission directly.

There are a number of central reservations organisations in South Africa. This is also a well-known concept abroad. These organisations normally advertise widely, have a solid guest base and undertake marketing actions that may not be feasible for an individual guest house owner. They may, for example, be in the market on behalf of large tour groups that cannot be accommodated in one guest house only.

Such agents normally charge a commission of between 10 and 20% on reservations made and impose a variety of conditions on associated guest houses. These conditions range from requiring national accreditation as a minimum standard, to personal inspection. Make sure that you are dealing with a reputable agent. Are you comfortable with the conditions, commission charged and possible annual fee? Does the agent specialise in your type of establishment? Will he or she protect and promote your interests?

A relationship of trust is essential. No one agent can fill all your beds every month, but he or she can make a substantial contribution to your profitability from time to time. However, be careful of agents or agencies with no minimum requirements. They do not have the interests of the guest at heart and you may find yourself associated with an inferior type of establishment, which will eventually reflect negatively on you. The same applies to reservation services with hundreds of establishments on their books. You are one of many and will be very fortunate indeed to get any business from them. An agent should recommend acceptable rates – after all, how can he or she sell your beds if the rates are not market-related? While you should heed their advice, avoid being negotiated down to a level too low to be able to run profitably.

Be sceptical of agents charging monthly fees only. What incentive is there for them to actively market your establishment and recruit business for you? The commission system, together with a small annual membership fee, guarantees that you pay only for business received. It is not acceptable for an agent to impose the requirement that you pay commission on all business you get, whether referred by the agent or recruited by yourself.

Pay commission on all business received from an agent promptly and correctly. Bear in mind that commission is payable every time an agent's client stays with you, not on first referrals only. It is unethical to try and steal an agent's clients away from them. Honour your obligations and you will reap the benefits. See the commission payments as part of your marketing budget. Commission is normally charged on bed and breakfast only and not on other meals or services.

7.3 Personal selling

This is without a doubt the most successful method of marketing your guest house. When you do your market research, you will identify certain potential guests. When your guest house opens for business, contact these potential guests to let them know that you are in business and that you can offer them the accommodation they want.

Personal marketing is an effective way to establish a positive image of yourself and your guest house in the minds of potential guests – and to make sure that any negative perception of guest houses in general does not apply to your establishment. This is normally much cheaper than advertising and allows potential guests to see for themselves how their needs will be met.

You will also get direct and immediate feedback regarding whether or not your marketing actions have gained you new business. Because you are in close contact with your target market, you will be able to react quickly to any changes in their needs or requirements. Personal marketing also entails building up good business relationships with people who are in a position to refer business to you, such as the secretaries of large businesses, travel agents, chambers of business and so forth. The only disadvantage of personal marketing is that it is very time-consuming and labour-intensive. This becomes quite clear when you consider the following pointers on how to do personal marketing.

- Start at your front door and tell everyone in the neighbourhood, including friends and family, about your new business.
- Invite potential guests (those you have identified in your market research) to view your guest house. In this way they will be able to see firsthand how well you and your establishment can meet their accommodation needs. Do not underestimate the importance of your own personality and style during this promotion.
- Consider hosting a champagne breakfast or cocktail reception. Compare the cost of this with the cost of one advertisement in a newspaper. It will probably be much cheaper, but the goodwill you gain and the impact you make will be far greater.

Once people have seen for themselves what you have to offer, business is sure to follow. Use your brochure to reinforce the impression you have made.

- Think of original ways to show off your guest house. What about arranging a music evening (it may be advisable to do this on a quiet night when guests will not be bothered by the noise), or a lunch for the local chamber of business committee members?
- New guests could also be identified by a telephonic survey of likely sources of business. The chances are excellent that the business in your immediate vicinity will be a good source of business for you.
- Build up a database of potential, current and past guests and keep in touch with them on a regular basis (about every four to six months). Keep your database up to date – the secretary that used to make use of your establishment may have resigned. Write personally to potential guests (this is known as a direct mail shot) and, if possible, address the letter to a specific person. Avoid long letters and use any excuse to make contact: special offers, low-season rates, new facilities or services you have introduced and so forth. Include your brochure or name card and forward a calendar or sticker with your telephone number on it at Christmas time.

7.4 Sales promotions

Sales promotions encompass all other forms of promotion that do not fit into the categories of advertising, personal selling or publicity.

Underneath are examples of the most popular forms of advertising for guest houses:

Sponsorships

Sponsoring a local event such as a golf tournament (or even the prizes for a school raffle) will help you become better known. It is likely to create public goodwill and exposure for your guest house, although it will not necessarily lead to more business. However, it could provide you with media publicity – and out-of-town participants may even become guests.

Free samples and premiums

Examples of free samples include a night at the guest house free of charge for regular clients or a membership card according to which the loyal customer qualifies for special treatment (e.g. a free meal) after, for instance, ten overnight visits.

Coupons

Discount coupons for certain products can be sent to potential or regular clients.

Consumer competitions

An effective way of advertising is to link the concept of consumer competitions to your website. In this case, potential clients are forced to visit your website in order to collect information to answer a question to qualify for a special prize in the form of a discounted meal, accommodation, etc.

Exhibitions/displays

This type of sales promotion can be used especially to introduce and demonstrate new and existing products and to arouse consumer interest. Examples are the annual Tourism Indaba in Durban and the Getaway Show.

Point-of-purchase exhibitions

This involves the use of exhibition shelves, brochures and other printed material at the place of purchase. Guest house owners can, for instance, place brochures at the local Tourism Information Centre.

Other forms

Other forms of sales promotions are branded ashtrays, pens, ties, caps and key holders which are used to advertise your guest house.

7.5 Publicity

When a newspaper or magazine publishes an article and/or photograph of your guest house, this is known as publicity. Such publicity is usually free, but it is only given if the editor of the medium concerned is convinced that it is newsworthy. Publicity is valuable because it carries much more credibility than an advertisement. Remember that you will need a strong news angle – such as a unique offer or national accommodation award – in order to get the editor interested. Some of your personal marketing actions could be newsworthy – for example, consider inviting journalists to your music evening. Other forms of publicity may include media tours, press releases and distribution of a newsletter – especially on e-mail.

8. General

Make sure that you are an active member of your local tourism and guest house associations. Attend meetings regularly and make an effort to get to know as many other members as possible. The many benefits of networking include the following:

- You will remain informed about local developments that could affect tourism and your business. You will also keep abreast of new requirements or standards in the guest house sector.

- It is common practice for members of a guest house association to refer their guest overflow to other members. This is particularly valuable when you start your business and are not yet well known. Remember that it is usual for members to charge each other a 10% commission for such referrals, as a contribution towards marketing expenses. They will also provide peer support in bad times and invaluable information about the market in the area.
- A group of guest houses can promote themselves together – for example, by producing a combined brochure, website or advertisement. This will make advertising much cheaper for all. They can also arrange a guest house morning and combine their personal marketing efforts. The group can exhibit together at major tourism trade fairs, sharing costs that may be too high for a single guest house. A group of guest houses can offer a wider and better choice to guests and a more comprehensive product.
- A group of guest houses can offer many more rooms than a single guest house. Collaboration builds the capacity to accommodate larger groups and increase your market share by competing with other accommodation providers for conference delegates or tour groups.
- You will become well known in the tourism industry in your area and will get to know other tourism service providers such as travel agents, tour guides, bird-watching experts and restaurant owners. They may all be in a position to refer business to you, while you can add value to your services by referring your guests to them in return.
- A group of guest houses has more negotiating power than a single guest house in matters relating to the industry. You could, for example, request better signage from the local council or negotiate discounted rates on credit card commissions with major banks.
- Most guest house associations in South Africa have very strict membership standards. They also provide recourse for guests who experience problems or have complaints. Knowing that you belong to such an association will reassure your guests that they are in trustworthy hands.

9. Summary

Marketing is a continuous process. You will need to spend at least 50% of your management time on marketing when starting your business and 25% when you are better established. Do not despair if your marketing actions do not seem to yield any results at first, as it takes a long time to become well known. Marketing is like sowing seeds – they take time to grow and flourish. You should never stop marketing your guest house – and remember that satisfied guests are the most effective marketing tool in the business. Look after them well as they are your best investment. How will you know whether you have succeeded in your marketing efforts? Guests who return time after time and spread the word about

your guest house will be all the proof you need! Below is an example of a guest satisfaction questionnaire which may be used by guest houses.

WHALEHAVEN GUEST HOUSE – GUEST RESERVATION FORM

29 Pinot Noir Street, Hermanus, 7200 * P O Box 375, Hermanus, 7200 * Tel: (028) 348 0245
*** Fax: (028) 348 0246**

Help us to serve you better! Please give us feedback on our performance.

	Poor	Average	Good	Excellent
Service				
Staff attitude and performance				
Room’s neatness				
Room’s comfort				
Room’s equipment				
Food quality and service				
Beverage quality and service				
Overall impression and value for money				

Any suggestion on how we can improve?

.....

How did you get to know about our guest house?

.....

The input of Ronelle Henning, author of *Your own Guest House* and *Effective Guest House Management*, is gratefully acknowledged.



1. What is this theme about?

A guest house can be an existing or a renovated house, or a building that has been specifically designed to provide overnight accommodation. A guest house should have more than three rooms, and public areas must be used by guests only. It should further have a host/representative who must be available on the property to check guests in and out, or who lives within 10 minutes' drive of the property. Rooms must be serviced daily (seven days a week). Changing of linen and towels, the removal of rubbish and cleaning of rooms must be done on a daily basis. Bathrooms must be en suite. In the case of bathrooms which are not en suite, a bathroom should be available for each guest room's guests, even if it is not en suite. In order to accomplish the above entry-level requirements to qualify as a graded guest house, the guest house manager/owner must ensure excellent standards in the accommodation department. This will ultimately result in return or repeat business, which is the most important aspect of the accommodation sector.

The aim of this theme is to assist guest house managers/owners to implement or improve their accommodation and housekeeping services through the four-stage guest cycle.

2. Introduction

All guests staying in a hospitality situation follow the flow of business which is commonly referred to as the guest cycle or the arrival chronology. This follows guests from the moment they make a reservation at the guest house or hotel, up to the moment that they have settled their account and checked out. All staff of the guest house should be aware of the activities that take place at each stage of the guest cycle. By using this guest cycle, a guest house owner/manager can analyse the activities that are taking place in each stage and take note of the documents that should be used in each stage, in order to better satisfy the guest. In this theme, the stages of the guest cycle, the main activities needing to take place and the accounting and housekeeping functions will be discussed.

3. Guest Cycle Stage One – Pre-arrival Stage

The pre-arrival stage in the guest cycle includes all activities which take place before the guest arrives at the guest house. The most important activity which occurs during the pre-arrival stage of the guest cycle is that the guest makes a reservation at the guest house.

3.1 Reservation enquiries

Guests may contact the guest house via telephone, the guest house website, e-mail, fax or in person to make a reservation or to enquire about making a reservation. Travel agents or companies usually have one specific person who will contact the guest house to make a reservation for their clients or employees. It is important that the channels that guests use to make reservations or enquiries be updated regularly and that they work at all times.

3.2 Types of reservations

In the hospitality industry, there are **two main types of reservations**. The one is a guaranteed reservation, which is the most preferable, and the other is a non-guaranteed reservation. In order for a reservation to be considered guaranteed, the guest must have paid a deposit or paid the full amount (prior to their stay) to the guest house. A deposit may be paid in cash, but is usually paid via Internet transfer, bank deposit or credit card. Cheques should not be accepted, as the risk of fraud is very high and the waiting time for the cheque to be cleared is a risk factor.

The preferred way for a guest to pay either the full amount or a deposit is with a credit card. It is wise for the guest house to acquire a speedpoint machine from a reputable bank, in order to assist guests in processing deposits, payments and settlements with their credit or debit cards. Guests may also pay via direct Internet banking. After the guest has completed his or her reservation at the guest house, the guest house sends the guest a confirmation letter (usually e-mailed or faxed) and a **credit card authorisation form** is attached with this letter, as well as the guest house banking details in the case of a deposit or Internet transfer.

Generally speaking, most guest houses prefer **full payment in advance**. In other words, if the guest is staying 3 nights and the room rate is R500 per night, the guest house will request $3 \times R500 = R1\ 500$ for the room for all three nights from the guest. Any extras (like meals or telephone usage) will depend on additional services and facilities that the guest house offers. A five-star guest house, for instance, may have more services and facilities on which guests can spend their money than there would be in a three-star guest house. The extras will then be paid for before the guest departs from the guest house. However, it is usual for guests to arrange for extra meals in advance also, and in such cases these will also be paid for in advance.

Some guest houses may charge only a percentage of the room rate as a deposit, but payment in advance (PIA) lowers the risk for the guest house, in the case of the guest

cancelling his or her reservation, not showing up or even stealing something from the guest house.

A **guaranteed reservation** guarantees that the guest house will keep the room for the guest on their day of arrival, and it also guarantees that the guest will honour his/her promise to arrive at the guest house. If the guest decides to **cancel** his/her reservation and does so more than 24 hours in advance, the guest will receive the entire amount back. If the guest cancels in less than 24 hours before the arrival time, then the guest house may retain an amount equal to one night's stay (to cover that night's room charge and then find a new guest for the following evening).

If the guest **does not arrive** on the scheduled arrival date, the guest house will usually retain an amount which covers that night's stay (to cover that night's room charge and then find a new guest for the following evening). If the guest has made a reservation through his/her **company or travel agent**, then the reservation will be automatically guaranteed, and the company or travel agent will be responsible for the payment of the night's stay, whether the guest cancels the reservation (less than 24 hours in advance) or fails to arrive at the guest house.

A **non-guaranteed** reservation is made for guests who do not pay in advance or who do not pay a deposit. The guest may not want to pay the deposit or the full amount as they may be unsure of their reservation, or they may simply not have the money available at that moment to pay. Guests must be properly informed that not paying a deposit or the full amount means that the guest house has the right to sell the room to another guest, if the original guest has not arrived by 18:00 on the scheduled date of arrival. This particular time may differ from one guest house to another, but industry-wide it is known as a "6pm release" or "6pm hold" room, indicating to the guest that if they do not arrive by 6pm (18:00), the room may be released back into the system to be sold. With this type of reservation, the guest house has no recourse if the guest cancels the reservation or fails to arrive. The guest house has no money belonging to the guest and therefore is not able to retain any money. This type of reservation may result in lost revenue for a guest house.

3.3 Recording reservations

Depending on the marketing strategies of the guest house, a guest could call to make a reservation, make a reservation in person, use an e-mail, or, if the guest house has a website, make a reservation enquiry via the website. This section will focus on the information that needs to be recorded in order to make a reservation for a guest. A guest contacting the guest house will usually enquire as to whether there is a room available for a specific date. There are three possible scenarios: if the guest house has a room available that suits the needs of the guest, the guest house will accept the guest's reservation; if there is not a room/rate that suits the guest's needs, then alternatives may be given to the guest, in the form of another room, an alternative date or even an alternative rate.

The third scenario is that the guest house may be fully booked and cannot accommodate the guest. In this case the guest house should be able to refer the guests to another guest house in the area that offers the same or similar services and rates.

If the guest requests a reservation on a specific date, the receptionist should be able to assist the guest by checking whether a room is available and that it suits the guest's needs. This can be done by checking on a **reservation chart** (refer to Annexure A) which shows rooms available and for which dates. Any bookings already confirmed will appear on such a chart, as well as the number of days these guests will be staying and the rate they will be paying. A reservations chart should have a column for each room type and a row for each day of the month. Colouring dates of weekends, public holidays or big events in a different colour will also assist the receptionist to see important dates that are coming up, which may be cause for a change in rates.

When the guest makes a reservation for a specific room type and specific dates, the receptionist should make a note of the surname of the guest, and also how many persons will be occupying the room. It is best to complete such a chart in pencil, as guests may cancel, change their reservations or even postpone their reservations to a different date. If the guest agrees to the date and the rate, then the reservation can be created for the guest. A reservation is usually done by completing a **reservation form**, which includes personal information of the guest as well as information pertaining to the reservation, room and rate. It is important when making the reservation that as much information about the guest as possible is recorded. The receptionist should be very knowledgeable about the products and services that the guest house has to offer, in order to best satisfy the guest's needs.

3.4 Telephone etiquette

Professional telephone etiquette should be maintained at all times. The receptionist should always have a pen, paper, reservations chart and reservation form at hand when answering the telephone. Especially in a guest house environment, someone should always be available to answer the telephone or redirect the telephone to a handheld when leaving the front desk area. All calls should be answered promptly and efficiently. The best way to answer the telephone is to provide a greeting, then identify the property and yourself, and then offer assistance. For example "Good morning, this is Bloemfontein Guest House, Sarah speaking, how may I assist?" When ending the telephone call, it is best to say "Thank you for your call, have a good day".

It is important to remember that all guest information is private, and someone calling the hotel to speak to a guest should only be put through to the guest's room once you have checked with the guest if they would like, and are able, to accept the call. Never give information about the guest out to anyone who is calling, as this is your guest's private information. Messages taken for guests can be typed out and placed under the guest room door, to ensure that they receive their messages. The same applied to faxes or packages accepted on behalf of the guest.

3.5 **Confirming the reservation**

Before ending the telephone call with the guest, remember to repeat their reservation information back to them. This also assists you to confirm that you have the correct information. Of particular importance is their telephone number and e-mail address. Once the guest reservation has been made, always send the guest a confirmation of their reservation. This will ensure that the information is correct and will prevent misunderstandings. It is best to use a standard template for a **reservation confirmation** (refer to Annexure C) and just fill in each guest's information. It is important to remember that a confirmed reservation merely means that the guest has confirmed their details and the details of the reservation. Such a confirmed reservation will remain non-guaranteed until the guest has paid a deposit. Only then does the reservation become guaranteed. To aid in the payment of a deposit, a reservation confirmation letter should always be accompanied by a **credit card authorisation form** (refer to Annexure D) that should be completed by the guest and faxed back to you.

3.6 **Guest house policies**

Your confirmation letter should include a brief description of your policies. This should include:

Cancellation policy – this is important in the case where a guest fails to arrive, and does or does not cancel his or her reservation. This policy should be clearly explained to the guest to avoid any misunderstandings. The policy will only apply to guests who have paid a deposit. A **cancellation form** should also be used.

Non-arrival (“no-show”) policy – this is important when the guest does not contact the guest house to cancel, and does not arrive on the date of the reservation. The guest house could lose money if guests do not arrive and have not paid, because it might be too late to resell the room. If guests have paid a deposit the policy will provide for the room to be covered in the event that the guest does not arrive.

Other possible policies could cover the following:

Facilities that guest may use, smoking areas, pets, locking-up and opening times, guest's access to telephone facilities, check-in and check-out times, availability of extra pillows/blankets, meal times, and any other services you may offer.

3.7 **Organising reservation forms, confirmation letters and credit card authorisation forms (or any other proof of deposits), cancellation forms**

It is best to file your reservations for the year in a file which has a divider for each month of the year. Then use dividers with numbers to indicate each day of the month, filing each guest reservation (see Annexure B) and information under the correct date.

3.8 Before the guest is due to arrive

You should know which guests are due to arrive each day, as well as which rooms are available for them to check into. This will assist you in preparing for the guest's arrival. Housekeeping should ensure that the correct guest rooms are clean and tidy, and ready according to the requirements of the guest. This may include extra blankets or pillows or even an ironing board or a baby cot in the room. Guest rooms are usually cleaned in the following sequence: first the rooms from which guests have already checked out, then the rooms in which a guest is already checked in and scheduled to sleep in again, and lastly rooms from which a guest is due to check out today. This should be adhered to unless a guest has requested that his or her room be cleaned early in the morning.

Guest rooms and bathrooms should be cleaned daily and all laundry (towels and bedding) should be done regularly. For new guests due to arrive, the laundry should be done before the guests arrive. For guests who have already checked in and are staying over, laundry may be done only every second or third day. Guests may be given the choice to have their towels washed daily or to use the same towels during their stay. The housekeeping attendant should first check which rooms should be cleaned and then check the specific requirements of the guest.

When housekeeping attendants have all their cleaning supplies ready to clean the room, they should knock softly three times on the guest room door, stating "housekeeping" with each knock. This will ensure that the guest is aware of someone at the door. If there is no response from the guest room, the housekeeping attendant may open the door and announce him/herself, for example "Good morning, this is Jane from Housekeeping". If, after knocking and announcing him/herself, the attendant realises that the guest is in the room, politely ask when would be a more convenient time to come back and clean the room. If the guest has placed a "Do not disturb" sign on the outside of their door, the guest should under no circumstances be disturbed. A message can be placed under the door to advise the guest that the attendant was there and has seen the sign; it should indicate that the guest is free to call the front desk and ask for the room to be cleaned whenever it is convenient.

3.9 Cleaning of guest rooms

Guest rooms should be cleaned from the left side of the room to the right side, from the top of the room to the bottom of the room. This ensures that all surfaces will be cleaned and that the housekeeper will not need to retrace his/her steps around the room. All the lights should be switched on and the curtains opened. Windows should be opened to let in fresh air. The cleaning supplies should be brought into the room, with the exception of vacuum cleaners, which can remain outside until needed. Empty any dustbins into a large rubbish bag. Strip the bed of all the linen and re-make it with clean linen. The bed should be made up first, especially in the case of guests who are staying over. These guests may return to the room while it is being cleaned, and a freshly made up bed is a sign of a clean

room, even if you are still busy cleaning the rest of the room. Never place clean linen on the guest room floor, but rather on a couch or chair nearby.

Place all dirty linen together in a separate area of the room. Dust the rest of the guest room. Clean the bathroom. Replenish any guest supplies such as soaps, coffee, stationery, etc. Check that the TV, air conditioner and all the lights in the room are working. Check that the television guide is adjusted to the correct date. Vacuum all carpets and clean the bathroom floor. Check the room one final time. Close all windows, draw the curtains and switch off all the lights. Lastly spray some air freshener in the room. Then alert the manager or receptionist that the room has been cleaned and of any maintenance issues. The manager or receptionist can then go to inspect the room. This may be done according to a short checklist, indicating all the items which need to be cleaned and replenished in the room.

Good practice is to use a whiteboard in an out-of-the-way area of the guest house, for example the kitchen or storeroom, where housekeeping staff can see the updated status of the guest rooms. This whiteboard may simply have columns next to each room number, indicating the surname of the guest who is checked into the room, whether the guest is currently in the room, and how long the guest is staying. This can assist housekeeping staff to know at all times the status of guest rooms and also to know which guests are due to arrive and which are checking out. This is also an easy way to indicate to staff which rooms only need the towels to be replaced and when the laundry needs to be changed. Any special requests, such as extra blankets, can also be indicated to staff using this board. The manager should update this board regularly during the course of the day, so that the staff do not need to ask the manager, but can just check for themselves on the whiteboard.

Once the room has been cleaned, it is good practice to inspect the guest room to ensure that everything is perfect. From the front office point of view, it would be nice to prepare a personalised **welcome letter** to welcome guests to their room and the guest house. The welcome letter should contain only essential information about guest house procedures, such as guidelines for charges and emergency procedures. If it is a special occasion, such as a honeymoon, birthday or special celebration, the guest house can leave a small gift with the welcome letter, such as a fruit basket or bottle of sparkling wine in a wine cooler.

4. Guest Cycle Stage Two – Arrival Stage

4.1 *When the guest arrives*

There should always be someone present when a guest arrives to check him/her into the guest house. The guest should be greeted warmly and the person receiving him/her should always smile and introduce him/herself. Make guests feel welcome by enquiring about how their journey was and assisting them to check into the guest house.

4.2 Registration

When the guest has been greeted, their details (taken during the reservation) should be confirmed. A **registration form** (refer to Annexure E) can be used to check guest details. It is essential to check how guests will pay for their stay and also for the guests to complete any additional details which may have been left out during the reservation, such as the registration number of vehicles.

You should ask the guests for their surname when they arrive. Ideally, you should know which guests you are expecting to check in each day. Ask them to complete the **registration form**, and then check to see if they have completed it correctly. It will also be beneficial to record the time that the guest arrives, in order to bill them correctly from the moment that they checked in. It is also important to verify if a guest has already paid a deposit, so that you can remind him/her of how much they have already paid.

Once registration is completed, provide the guest with the guest room key and offer to assist him/her with luggage, etc. Show guests the main facilities of the guest house, indicating the public areas and important information, such as where to park, which times the doors are locked at night, and breakfast times. Once you have arrived at their room, open the door for them, let them enter before you, and place their luggage in a convenient place. Show them how to manage the most important features of the room, such as the air conditioner and anything else which may require explanation. Wish the guest a pleasant stay and offer details of how and where they can get hold of you if there is anything additional that they may require.

4.3 Guests who arrive at the guest house without having made a reservation

Some guests may simply arrive at the guest house requesting a room, without actually having contacted the guest house before the time, and therefore not having a reservation. It is up to the receptionist to check the reservation chart (Annexure A) to see if there are any rooms available and the rates of these rooms. If the room and rate match the guest request, then the same procedure as with other guests should be followed. A reservation should still be completed for the guest, a deposit should be paid and the guest should complete a registration form.

5. Guest Cycle Stage Three – Occupancy Stage

5.1 While the guest is checked into your guest house

After checking into a room, a guest may have queries with which he/she requires assistance. Such enquiries may include directions to major landmarks in the city, such as the mall or airport, and information regarding restaurants in the area. Employees should be knowledgeable and offer assistance to guests. It may be a good idea to collect information about major attractions in the area, and keep them in an information directory at the front desk or in a file in each room. Important information contained in

this file could be maps, menus of restaurants or Mr Delivery, information on museums, movies, theatres, airports, etc. It is good practice to remember a guest's surname and be friendly to the guest whenever you see them. Ensure that you use their correct title, such as Mr or Professor. Be sensitive to your guest's needs and anticipate any requirements that he/she may have.

5.2 Each day the guest is still checked in

For each day that the guest is still checked into the guest house, the room should be cleaned and inspected and any specific requests should be adhered to. Employees should check with the guest if there is anything additional that they may require in order to make their stay more pleasant. An employee should always be present at the guest house and the guests should have an after-hours number where they can easily contact the employee for any information.

6. Guest Cycle Stage Four – Departure Stage

6.1 On the day of your guest checking out

Check-out time is usually 10:00 or 11:00, depending on the guest house policy. This allows sufficient time for the room to be cleaned and prepared for the next guest. Unless guests ask to check out later than the check out time, the guest house could call the guest room to ask if they need assistance with their luggage. This may remind the guest of the pending check-out time. The guest can also be reminded at breakfast.

Ensure that you have mentioned a specific time that guests must check out of their rooms, and that you have confirmed this with the guest when they check in. This will avoid any misunderstandings on the day of check-out, and ensure that there is sufficient time for the guest room to be cleaned and prepared for the next guest's arrival. Ask the guest how their stay was. You can also provide the guest with a comment card in their room, which they can hand in when they check out. Any complaints at check-out should be dealt with as quickly and efficiently as possible. Any complaints or suggestions from guests offer an opportunity for the guest house to improve, and such comments should be welcomed by all staff.

Ensure that you are ready for the guest to check out, by checking their **account/bill** (refer to Annexure F) and also the charges that they have incurred while at the guest house. Remember to check that you have entered the deposit correctly. Check that the length of the guest's stay and the rate charged is correct. Ensure that you are ready to provide the guest with a copy of their account/bill when they check out. Ask the guest to confirm that their account/bill is correct and then ask them to pay. Use a proper method of payment. Provide the guest with a copy of their account/bill and proof (a receipt) that they have paid their account. Remember to collect the guest room key from the guest, and be sure to ask the guests if they have removed all their belongings from the room. Ask the guests

if they require assistance with their luggage and/or directions to their next destination. Wish them a pleasant journey and thank them for their business.

6.2 Payment of the guest account/bill

Guests can pay in cash or with credit/debit cards (if the guest house has such facilities). If the guest pays in cash, ensure that you have received the correct amount from the guest and that you have the change available to give the guest. If the guest pays with a credit or debit card, ensure that you check the expiry date on such cards, and compare the guest's signature with the signature on the back of the card.

With a company or travel agency reservation, the receptionist should take note of what the company/travel agent will be paying for and what the guest needs to pay for. The company or travel agent's account/bill needs to be settled by the company or travel agent, according to the procedures negotiated in the original contract. Companies and travel agents usually receive a negotiated rate for the guests and therefore the rate that they pay is different from the rate that other guests will pay. Arrangements for the length of time the company/travel agent has to pay its account with the guest house also need to be clearly set out when negotiating with the company/travel agent.

6.3 Once the guest has left the guest house

It is important to inform the housekeeping attendant that the guest has checked out, so that the guest room can be cleaned immediately and readied for the next guest to check in. If the housekeeping attendant notices any of the guest's belongings that might have been left in the room, they should immediately report this to the receptionist. The guest should be contacted as soon as possible and informed of the item/s that was left in the room. If they still require these items, the guest house can make further arrangements with the guest to return the items to the guest.

It is important to keep guest information for future reference. The guests may return to the guest house in the future, and then you will not need to ask for all their information again, as you already have it. This will speed up the reservation process and will show the guests that you remember them.

7. Summary

The aim of this theme was to assist guest house managers/owners in implementing and/or improving their accommodation and housekeeping services. The accommodation and housekeeping services were discussed according to the four-stage guest cycle.

Annexure A: Reservation chart

Bloemfontein Guest House		
Reservation Chart		
1 Park Road, Willows, Bloemfontein, 9301 * Telephone 051 507 3238 * Fax 051 507 3263		
	April 2012	
Rooms	Standard room	Luxury suite
	Room 1	Room 3
Rates – Single	R200	R250
Rates – Double	R300	R400
Breakfast	Included in rate	Included in rate
Beds	Double or twin	Queen
Capacity	2	2
1 April – Monday		
2 April – Tuesday	Mr Pieterse (2, husband and wife)	
3 April – Wednesday	Mr Pieterse (2, husband and wife)	
4 April – Thursday	Mr Pieterse (2, husband and wife)	
5 April – Friday	Ms Brooks (1)	Ms Collins (1)
6 April – Saturday	Ms Brooks (1)	Ms Collins (1)
7 April – Sunday		Ms Collins (1)

Annexure B: Guest reservation form

Bloemfontein Guest House
Guest Reservation Form
1 Park Road, Willows, Bloemfontein, 9301 * Telephone 051 507 3238 * Fax 051 507 3263

Guest surname _____ First name _____

Telephone number (home) _____ Telephone number (cell) _____

Telephone number (work) _____ Fax number _____

Postal address _____

Physical address _____

E-mail address _____

Arrival date _____ Estimated time of arrival _____

Departure date _____ Number of nights _____

Rate R _____ Room type _____

Special requests _____

Method of payment _____

Credit card number _____

Credit card type _____ Expiry date _____

Credit card holder _____

Last three digits at the back of the card _____

Account instructions _____

Reservation made by _____ Date _____

Status Confirmed To be confirmed

Deposit details _____

Deposit amount to be paid R _____ By date _____

Deposit status Guaranteed Non-guaranteed

Annexure C: Reservation confirmation form

**Bloemfontein Guest House
Reservation Confirmation Form**

1 Park Road, Willows, Bloemfontein, 9301 * Telephone 051 507 3238 * Fax 051 507 3263

To: Rainbow Bank
Attention: Mr John Smith
Fax: 015 404 4191 (1 page)

Confirmation of your reservation

Dear Mr Smith

Thank you for your inquiry about accommodation, which we received on 1 March 2012. I am pleased to confirm the availability of accommodation as requested:

Arrival: Friday 10 May 2012
Departure: Monday 13 May 2012
Room: 1 x luxury suite @ R250,00 per person per night (single accommodation)

The rate above includes a full breakfast. A three-course set-menu dinner is offered at R100,00 per person subject to prior arrangement, or we can make a dinner reservation at a nearby restaurant on your behalf. Attached, you will find a credit card authorisation form. Please complete this form and fax it back to us. On receipt of your completed form, a deposit of 50% of the total accommodation rate ($R250 \times 3 = R750/2 = R375$) will be debited to your credit card account.

Once confirmed, we reserve the right to charge full accommodation rates for the total period reserved unless the reservation is cancelled at least 12 hours before the scheduled date of arrival.

Otherwise, our banking details for direct deposits are:
North Bank, Main Street Branch (branch code 456 215)

Account number 07 40 93 41 26

We look forward to your reply and to welcoming you to the Bloemfontein Guest House.

Kind regards,
Reneé Minnaar
Owner and Manager: Bloemfontein Guest House
Cell phone Number: 082 652 8761

Thank you for your support.

Annexure D: Credit card authorisation form

Bloemfontein Guest House
Credit Card Authorisation Form
1 Park Road, Willows, Bloemfontein, 9301 * Telephone 051 507 3238 * Fax 051 507 3263

Guest surname _____ First name _____

Telephone number (home) _____ Telephone number (cell) _____

Telephone number (work) _____ Fax number _____

Postal address _____

Physical address _____

E-mail address _____

Arrival date _____ Estimated time of arrival _____

Departure date _____ Number of nights _____

Total cost R _____

Credit card number _____

Credit card type _____ Expiry date _____

Credit card holder _____

Last three digits at the back of the card _____

I confirm that I am the legal and rightful holder of the above-mentioned credit card and hereby authorise Bloemfontein Guest House to debit the above credit card account with a 50% deposit of the total accommodation cost indicated in this credit card authorisation.

In the event of this reservation being cancelled less than seven days before my arrival date, I understand that Bloemfontein Guest House will retain the 50% deposit. A further 50% will be debited to my credit card account if the reservation is cancelled less than 12 hours before my scheduled arrival date.

Credit card holder's signature _____

Date _____

Kindly fax this form back to us on 051 507 3263 within 48 hours.
Thank you for your support

Annexure E: Registration form

Bloemfontein Guest House	
Registration Form	
1 Park Road, Willows, Bloemfontein, 9301 * Telephone 051 507 3238 * Fax 051 507 3263	
Guest surname _____	First name _____
Telephone number (home) _____	Telephone number (cell) _____
Telephone number (work) _____	Fax number _____
Postal address _____	

Physical address _____	

E-mail address _____	
Arrival date _____	Estimated time of arrival _____
Departure date _____	Number of nights _____
Rate R _____	Room type _____
Advanced deposit _____	
Method of payment _____	
Passport/Identity number _____	Nationality _____
Guest signature _____	Date _____
Check-out time is 11:00.	

Annexure F: Guest folio

Bloemfontein Guest House			
Guest Folio			
1 Park Road, Willows, Bloemfontein, 9301 * Telephone 051 507 3238 * Fax 051 507 3263			
Mr John Smith 3 Cherry Lane Tableview Cape Town 2001		Arrival: Friday 10 May 2012 Departure: Monday 13 May 2012 Room: 1 x luxury suite @ R250.00 per person per night (single accommodation) Room number: 3 Folio: 203	
Date	Description	Detail	Amount
03/03	Advance deposit		- R375,00
10/05	Telephone	011 555 2222	R20,00
10/05	Accommodation		R250,00
11/05	Accommodation		R250,00
12/05	Accommodation		R250,00
		Balance due	R395,00

THEME 6

PLANNING YOUR BREAKFAST MENU

Liza Jacobs



1. What is this theme about?

A winning formula for any guest house is to have a breakfast menu that lures guests into believing that every morning they spend at your establishment is a leisurely Saturday morning. Assume that guests want to indulge in a substantial breakfast which they do not normally do. Guests remember good and bad experiences when they visit an establishment and the standard and quality of the breakfast they receive is likely to be discussed with others. This word of mouth feedback is very valuable for your guest house and could assist your establishment to gain a reputation for excellence. Guests do not only consider the taste and appearance of the food and drinks, but also how and where it was served and with whom they shared it.

In other words the whole experience should contribute to a memorable experience and most importantly ensure that customers not only return to your establishment but also entice others to do so. The expectations of guests should be exceeded especially when it comes to the breakfast you serve. This theme provide some ideas for making your breakfast menu interesting and tempting. As a hearty breakfast is usually associated with and even expected from a guest house, the focus of this theme is on breakfast menu planning, as opposed to other types of meals that guest might require.

Guests have differing breakfast requirements. Some might like a full hearty breakfast that will last them throughout the day, while others prefer a good cup of coffee and a slice of toast to keep them going until lunchtime. For the health-conscious, a small fruit platter and a scoop of Bulgarian yoghurt will be more than enough together with a glass of freshly squeezed orange juice. Whatever breakfast guests prefer they will be more impressed and appreciative if you are creative with your food presentation and choice, and if you make sure that the appearance as well as the taste are spectacular and served with a smile.

Be sure to insert pictures of the establishment along with photographs of the food actually prepared there as part of your marketing and do not underestimate the importance of providing value-for-money breakfasts in a cosy and well appointed area.

Always remember that the experience you create could be the deciding factor especially in ensuring return customers. Although every guest house differs in terms of location, target market, ambience, type of facilities and service, it is always important to make sure that you rather under-promise and over-deliver as this will ensure that guest expectations are exceeded.

After reading this theme, you will be able to:

- plan a breakfast menu;
- cost a breakfast menu;
- search for the correct equipment to provide the best service;
- manage the stock levels;
- manage hygiene and safety;
- set up the dining room;
- serve and present food and drink with the correct skills;
- consider the nutritional value in your breakfast menus;
- plan for guests with special dietary requirements;
- select the best suppliers for your establishment's needs; and
- conjure up recipes and breakfast ideas for special occasions.

2. Introduction to menu planning

Menu planning covers a broad spectrum. The reason for this is that the menu affects virtually every aspect of the management and operation of an establishment. The purpose of the menu is to list the products offered for sale to the guests. It is a vital communication link between management and the guest. The type and variety of products listed are crucial to the success of the guest house. For most of us the word menu conjures up an image of a document showing the food and beverages offered but in actual fact the menu is much more than this. Everything starts with the menu because it dictates how the operation will be organised and managed, the extent to which it will meet its goals and even how the interior of the guest house may be designed and constructed.

The following aspects are thus crucial:

For guests the menu is much more than just a list of available foods. The menu communicates the image of the operation and contributes to the overall dining experience by helping to set a mood and build excitement for the food and beverage service. For the employees of the operation the menu dictates what food must be prepared as the tasks of employees are surely affected and influenced by the items offered on the menu. For managers the menu is the in-house marketing and sales tool. The menu tells what food and beverages must be purchased, the types of equipment that will be needed, the number of workers that will need to be employed and the level of skills needed in those workers. In summary

the menu has an impact on almost every aspect of the operation's food and beverage service. The menu is the backbone of the food and beverage service of any operation and because of its many uses, it may well be considered as a working document for operations. Beyond the obvious, however are a number of other management functions, as presented in Figure 1, that are performed through the menu.

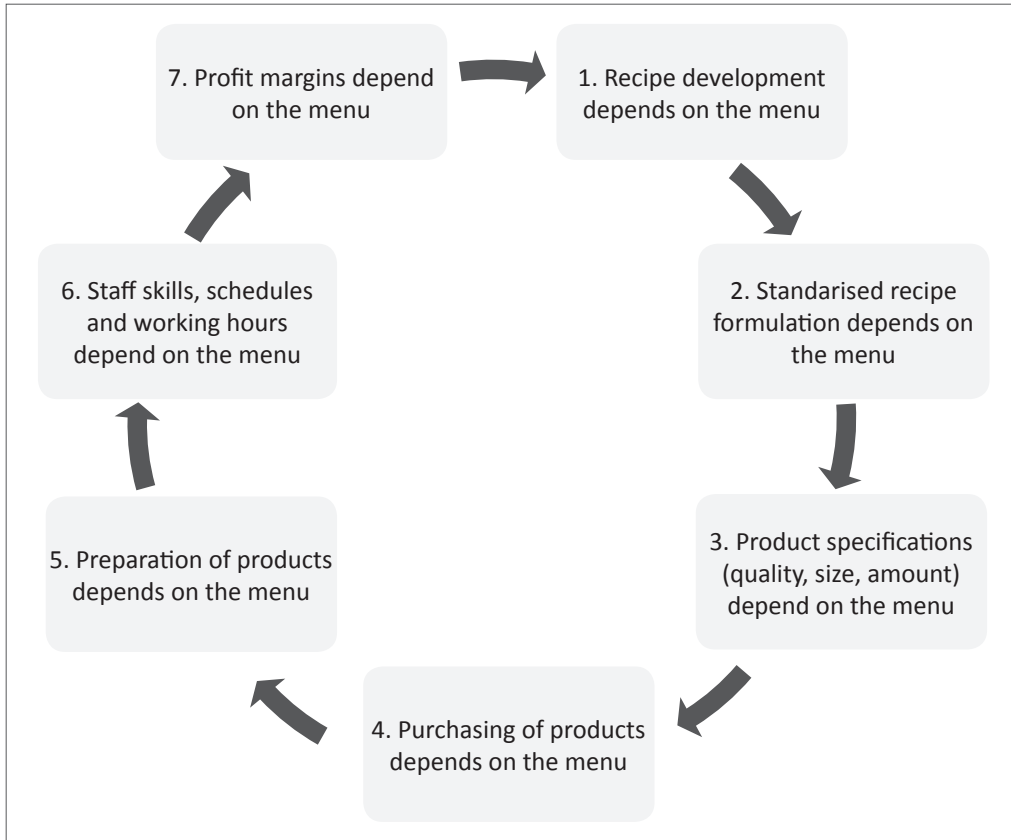


Figure 1: The management functions performed through the menu

Even though guest houses often only focus on providing breakfast, the importance of menu planning is often overlooked as a key factor that influences the profitability of the guest house. Many guest houses tend to serve elaborate breakfasts at ridiculously low prices that eat into their profits. Quality and service delivery need not be sacrificed, however, in providing the best quality meal to guests at a fair price. It is therefore very important to make sure that you have considered all aspects before setting up the menu and working out the costs involved in offering a tantalizing experience. A lot of effort needs to be directed towards menu planning, taking into consideration all aspects: guests, food and the operation.

Table 1 below lists and summarises the four major factors and the sub-factors that must be taken into consideration when planning a menu:

Table 1: Factors to be considered when planning a menu

1. Know your guests	2. Know your guests' needs
<ul style="list-style-type: none"> ■ Customer background and information ■ Feasibility studies ■ Customer surveys ■ Personal knowledge ■ Competition ■ Age groups ■ Ethnic origins ■ Education, occupation and income ■ Popularity polls 	<ul style="list-style-type: none"> ■ Physiological needs ■ Social needs ■ Environment ■ Situational expectation ■ Cultural factors ■ Psychological needs ■ Food habits and preferences ■ Geography ■ Time and seasonal variation
3. Know your guest house	4. Know your food characteristics and combinations
<ul style="list-style-type: none"> ■ Target market needs ■ Number of guests/occupancy levels ■ Time ■ Season and product availability ■ Cost/budget and selling price ■ Equipment availability ■ Physical capabilities ■ Product flow ■ Number of staff ■ Staff skill level ■ Type or theme of the menu ■ Equipment capability ■ Type of service ■ Theme of the operation 	<ul style="list-style-type: none"> ■ Flavour ■ Texture ■ Colour ■ Shape ■ Consistency ■ Temperature ■ Cooking method

3. Plan a breakfast menu

Once you have figured out what the needs of your guests are, what you will serve and how you will serve it, you can determine what and how much equipment and staff your guest house will require for food and beverage services.

It is very important to use the breakfast as a marketing tool and to serve a breakfast that will not only make a statement but that is also value for money. A slice of toast and a cup of coffee as a standardised breakfast will hardly impress guests, whereas fruit, yoghurt, cereal and pastries followed by a hot breakfast will most definitely impress them. The breakfast is also usually the last contact with your guest so make sure that the meal you serve will leave a lasting impression that will encourage them to return.


Aspects to keep in mind when planning a breakfast menu


- Think what your guests are likely to expect and surprise them with the unexpected. Small helpings of plated food look more attractive, appetising and fresher than piles of food standing on a chafing dish.
- Enquire about special dietary requirements during the reservation stage. This can help you a great deal with your planning and conveys the message to guests that you care about their well-being and preferences.
- Cost the breakfast per person. Make sure that the breakfast is in line with the type of service you are offering and also in relation to your room rate. If your rooms are sold at a low cost your breakfast menu cannot offer menu items such as smoked salmon, asparagus, mature cheddar or wild mushrooms.
- Serve your breakfast in a unique style that will add the 'wow' factor and also give you a competitive edge. It is not difficult to turn basic breakfast items into culinary masterpiece dishes.
- Make sure you understand the concept of 'value for money'. It is better to under-promise and over-deliver than not to deliver what has been promised. You should also realise that your guest house is not a five-star hotel and therefore you should not try to compete or copy the breakfast of such an establishment. Guests will expect a well-cooked wholesome meal and not a buffet with a wide variety of dishes to choose from.
- Do not deviate from your set breakfast times. Do so only upon request from guests who may, for instance, need to leave early in the morning. In the case of such a request make all the necessary preparations the night before such as laying the table and setting up the kitchen, etc.
- Decide whether you want to serve your guests individually, in time slots or all together. This will have an impact on your kitchen space, dining room space, washing-up area and staff.
- If you choose to offer a breakfast-in-bed service or a self-service option, select food that will be easy to eat in bed or in the guest's room. Make sure that the food will still look good, taste good and be at the right temperature when served. The right choice for such service can make or break the breakfast.
- When guests are staying for a few nights it is advisable to have a menu with variety to select from. It can become very boring to have the same breakfast every morning. A variety here can also provide you with a competitive edge. Plan to serve food that does not only vary in item but also in colour, texture and taste.
- A quality cup of filter coffee will guarantee a kick start to almost every person's day and therefore it will also contribute to the overall perception of a good breakfast. Coffee should be served hot, fresh, fast and full of aroma. Also, offer alternative options such as cappuccino, decaffeinated coffee and a selection of

teas with Rooibos and English breakfast tea being prerequisites. Make sure that the alternative options are also served at the same standard as that of the coffee.

- Make sure that you have all other accoutrements (accompaniments) available such as sugar (white and brown), artificial sweetener, honey, lemon, milk (variety of fat %), cream and coffee creamer.
- As mentioned earlier it is a good idea to find out about special dietary requirements when guests make reservations. This can also be done by making use of a breakfast choice card. The questions that work best when trying to determine a guest’s special breakfast needs are: “What do you normally have for breakfast?” and “Do you have any special dietary requirements?” Once you have established the guest’s needs you can go and buy the necessary food items required.
- Your approach to breakfast will mainly depend on how much time you have to spend with your guests. If you have another job your breakfast procedure is likely to be less leisurely and intimate than it would be if this were your full time job. If you are running a large guest house, you are also less likely to have much time for individual guests. It will make your life much easier and save you so much time in the morning if your guests fill out a breakfast choice card the night before as you will then know exactly what and how much of each item you need to prepare. This will contribute to a more efficient breakfast service. The card can be left at the front door or in the room with the instruction to hand it in at the front desk, whatever you find to work best for you. An example of a breakfast choice card is presented below.

Example of a breakfast choice card:

 GUESTHOUSE	
Dear guest We serve breakfast between 6:00 and 9:00 in the morning. Should you require breakfast at a different time, please advise us before retiring for the evening. In order to make your breakfast service more efficient and enjoyable we request that you fill out this form and leave it on the front desk counter. Thank you for your cooperation!	
Your name and room number:	
At what time would you like breakfast?	
Please indicate by ticking which breakfast service you prefer: Sit-down continental breakfast _____ Sit-down full breakfast _____ Breakfast in bed _____ Self-service breakfast _____	
Please specify any special dietary requirements:	

Please indicate your breakfast preferences by ticking next to the appropriate options below:		
Fruit platter	Tomato	Brown bread
Yoghurt, muesli and honey	Mushroom	Seed loaf
Poached dried fruit	Potato dish	White bread
Seeds and nuts	Sausage	Toast
Instant cereal	Bacon	Fresh fruit juice
Hot/cold milk	Cheese griller	Coffee
Pastry basket with accoutrements	Poached smoked haddock fillet	Decaffeinated coffee
Hot porridge	How many eggs?	Cappuccino
Cheese plate	How would you like your eggs to be done? Indicate your choice with a tick: boiled, poached, scrambled, omelette, fried (sunny side up, soft eggs, well-done eggs)	English breakfast tea
Cold meat plate		Rooibos tea
Any other requests: <div style="text-align: right;">  </div>		

3.1 Costing a breakfast menu

When costing a breakfast menu the following should be kept in mind:

- Decide on a few main dishes that work well and are very tasty. Rather serve a few well prepared dishes than a variety of average dishes. Less is definitely more.
- Cost the ingredients of one full dish or breakfast serving depending on the type breakfast (see example below).
- Ensure that the cost of the breakfast does not exceed 10% of the room rate if the cost of the breakfast is included in the room rate, as the guest does not realise what the cost of the breakfast is.

- If you decide to offer a breakfast feast, remember to adjust your room rate accordingly. When the breakfast is used as a marketing tool make sure to mention it on the marketing and promotion material or add pictures of the dishes served on your website and in pamphlets or brochures.
- Note that a breakfast buffet usually costs more than an individual plated breakfast and wastage is higher with a buffet set-up. A buffet needs to be topped up all the time to keep the appearance up to standard and the amount of food to be prepared is also double the amount of that prepared for plated dishes. Many of the foods prepared go to waste as not all people want the same foods such as bacon, mushrooms and hash browns, for instance.
- It is important to decide whether you are going to serve a continental breakfast, a full breakfast or a combination breakfast and if you are going to add the options of breakfast-in-bed or self-service breakfast for the early travellers.
- Make sure that the food stocks needed for the breakfast are available at local stores and that you at least have three competitive prices from different suppliers.
- Make sure to recycle as many items as possible and use them in creative ways in order to save on costs. Almost every properly cooked item can be used again in a creative way if the food items are handled and stored under the proper conditions and temperatures.

Example of a costing sheet for an early-bird breakfast

The cost of food is always calculated excluding VAT as follows (price including VAT divided by 1.14 = price excluding VAT):

Most unprocessed items for example (fresh fruit & vegetables) are VAT exclusive or zero-rated items. Check your till-slip to ascertain which items are VAT exclusive.

Step 1:

Start by listing the prices of all the ingredients, excluding VAT.

Ingredients	Price (incl. VAT)	Price (excl. VAT)
250 g bacon (12 rashers)	R18,99	R16,66
½ dozen Jumbo eggs (6)	R9,89	R9,89 (Zero rated item)
1 kg Rosa tomatoes	R11,75	R11,75 (Zero rated item)
200 g button mushrooms (1 punnet)	R16,95	R14,87
1 kg beef sausage	R24,99	R21,92
1 loaf white bread (20 slices)	R11,99	R10,52
250 g coffee (20 cups per packet)	R38,75	R33,99
1 box tea (50 bags per box)	R17,88	R15,84
1 litre orange juice	R15,49	R13,59
1 box butter pats (100 pats per box)	R154,79	R135,78
1 box jam pats (100 pats per box)	R186,77	R163,83

Step 2:

Calculate the cost of the breakfast per guest, excluding VAT.

For example to calculate the price of two eggs per person:

$(1 \text{ egg}) / (6 \text{ eggs in a } \frac{1}{2} \text{ dozen}) \times R9,89 = R1,65 \times 2 \text{ eggs} = R3,30$.

Breakfast portions	Quantity bought	Price (excl. VAT)	Price per item
100 ml orange juice	1 000ml	R13,59	R1,36
2 bacon rashers	12 rashers	R16,66	R2,78
2 eggs	½ dozen	R9,89	R3,30
50 g Rosa tomatoes	1000 g	R11,75	59 c
50 g mushrooms	200 g	R14,87	R3,72
100 g beef sausage	1000 g	R21,92	R2,19
1 slice white bread	1 loaf (20 slices)	R10,52	53c
2 cups of coffee	250 g (20 cups)	R33,99	R3,40
1 butter pat	100 pats	R135,78	R1,36
1 jam/honey pat	100 pats	R163,83	R1,64
Total			R20,87

Step 3:

- We have added up the per portion prices to calculate the food cost per breakfast.
- The total cost of the breakfast amounts to R20,87 (excl. VAT).
- You also have to take your labour cost and overheads into account.
- As a rule of thumb, the figure arrived at by multiplying the food cost by 3, which gives you the raw total cost of R62,61.
- This amount can be rounded-off to R60,00 depending on the market.
- It is wise to price the ingredients for your recipe at the most expensive shop as this will give you the maximum food cost.
- Re-cost all your recipes at least once a month as well as every time the petrol price changes.

3.2 Search for the correct equipment to provide the best service

Your need for kitchen equipment will depend largely on the type of breakfast you serve, the space available, the labour required as well as the maximum number of guests that can be served at the same time. Organise your kitchen so that it is practical and easy to use for the person who will be doing most of the cooking. When purchasing equipment buy the most durable equipment that you can afford. Cheaper home appliances tend to break, resulting in higher long term costs. It is therefore advisable to invest in industrial-quality appliances. Storage areas of equipment should be well ventilated and item

specific meaning cooking equipment should be stored separately, as should crockery and glassware. Proper storage conditions for all equipment should be provided.

The list below details the most basic equipment that a guest house will need to start off with:

Fridge	Sealable Tupperware and containers for airtight storage
Freezer	Double-sided wash sink
Stove with an oven	Drying rack
Microwave	Dishcloths and other dish-washing equipment
Food processor	Colour-coded chopping boards
Electrical hand mixer	Proper knife set and other small utensils such as peelers and cutters
Filter coffee machine with a coffee mill	Measuring spoons, cups and jugs
Kettle / Urn	Citrus squeezers
Dishwasher	Set of sieves in various sizes
Geyser	Mixing bowls
Toaster	Good quality thick-based pots and pans
Electric knife	Spoons in various sizes, ladles and draining spoons
Griller/frying pan	Oven-proof casserole dishes
Lighting over work surfaces	Baking trays
Power sockets for all plugs	Balloon whisks
Garbage bin	Food tongs and cooking equipment
Shelves, work surfaces and cupboards	
Spice rack	
Fire extinguisher (powder-based)	
First-aid box	

3.3 *Manage the correct stock levels*

It is extremely important that you do not run out of basic stock items of food and cleaning materials. However it is also important that you do not keep too much stock on hand as this will have an effect on the cash flow of the establishment.

It might be a good idea to go shopping twice a week and to rotate your stock by making use of the FIFO (first in first out) system. A proper stock-take should also be done once a month as a person tends to forget what is on hand and also to exercise proper control over the stock items. This will prevent waste and it will limit the amount of stock that the establishment has to carry. It might be effective to look at your expected occupancy to determine the amount of stock you require.

Below is a list of the most essential items that a guest house will need to provide a basic breakfast setting. Of course, these will also depend on the breakfast items that will be served and can be changed accordingly.

Stock item	Amount / quantity per person
Eggs	2 eggs per person + 6 extra
Bacon	2 rashers per person + 1 packet extra (can be kept frozen)
Rosa tomatoes	5 per person + 1 packet extra
White button mushrooms	50 g per person + 1 packet extra
Beef sausage	100 g per person + 1 kg extra (can be kept frozen)
Orange juice	100 ml per person + 1 litre extra
Onions	Keep 1 kg on hand
Cereals (variety of 3)	Ensure you have a sealed box extra of each
Yoghurt	Use individual portions per person + 10 extra
Fruit	Keep a variety of seasonal fruit on hand
Bread	Buy this daily and work on 2 slices per person
Coffee/tea	2 cups per person and keep 1 sealed packet of each on hand
Coffee creamer	Keep 1 extra sealed packet on hand
Sugar	Keep 1 extra sealed packet on hand
Artificial sweetener	Keep 1 extra sealed box on hand
Honey	1 pat per person; buy this in large quantity boxes
Jams	1 pat per person; buy this in large quantity boxes
Butter	1 pat per person and keep a 500 g block frozen for cooking
Milk	Buy this daily and work on 300 ml per person
Salt and pepper	Keep a sealed grinder of each on hand
Oil	Keep a sealed 1 litre bottle on hand
Dishwashing liquid	Keep at least 1 extra sealed bottle
Scouring cream	Keep at least 1 extra unopened jar
Pot scourers	Keep 1 spare packet
Washing cloths	Keep 1 spare packet
Drying cloths	Keep 1 spare packet and provide for 2 each day
Dishwasher soap	Keep 1 spare bottle

3.4 Manage hygiene and safety

It is crucial to manage and maintain the highest standards of hygiene in any establishment where food is prepared. In order to prevent the spreading of harmful bacteria and substances, the surfaces and all areas that come into direct contact with food should be cleaned regularly and thoroughly to remove the dirt, dust, food particles and any

grease that could cause contamination and cross-contamination. It only takes one guest becoming ill in your establishment to cause severe damage to your reputation.

Uncooked food is one of the main sources of harmful bacteria in a kitchen. When uncooked food comes into any kind of contact direct or indirect with cooked food, cross-contamination takes place and can cause the growth and spreading of harmful bacteria and diseases. Prevention is better than cure, and cleaning is the best means of prevention. Remove dirt from all areas, surfaces, equipment and utensils. This should not only be restricted to the kitchen but should be done in all areas of the establishment on a constant basis. We will only be touching on certain basic aspects of hygiene and safety. See the stipulations contained in the Occupational Health and Safety Act (Act 85 of 1993).

Safe and hygienic transportation of food

Frozen and refrigerated food should be transported in a cooler box and stored appropriately as soon as possible. Plan your shopping expedition and make sure that you buy the cold items last on your way back to the guest house to prevent severe temperature changes.

Damaged containers may result in bacterial contamination. The containers in which you transport food should be adequately secured so that they cannot move around too much. Handle and load all containers in a way that ensures minimum damage of any kind.

When the transportation of food requires physical lifting, make sure that you pay special attention to safe lifting techniques.

Always make sure that you store items in accordance with the correct temperature and storage guidelines as per product type.

Maintaining and operating electrical equipment

Electricity is one of the most dangerous hazards in any kitchen and should be handled with the utmost care.

One needs to exercise caution when operating, cleaning or taking apart electrical equipment.

Any electrical equipment that is new to you should not be used without help or explanation by an expert who has knowledge of the use of the piece of equipment, especially with regard to the safety measures that apply to it.

Make sure that you switch off any electrical equipment that is not in use.

Never use electrical equipment close to water or damp areas.

Always unplug all electrical equipment (especially slicers) when you want to take them apart for cleaning or when they are not in use.

Always read the manufacturer's instructions carefully before operating electrical equipment and also make sure that you send equipment in regularly for servicing or check-up.

Cleaning of work surfaces

Work surfaces should be cleaned and washed before food comes into direct contact with them, and washed when necessary during the preparation and handling of food.

This is essential to prevent cross-contamination from work surface to food and vice versa.

Work surfaces include the following: metal surfaces, wall tiles, floor tiles, vinyl floors, painted surfaces, laminated surfaces and glass surfaces.

The following procedure should be followed to clean work surfaces:

- Wash off any crumbs or dirt with detergent and hot water, as this helps to dissolve the grease and dirt and also kills some bacterial growth.
- Cloths and sponges should be disinfected daily and be disposed of regularly to prevent them from redistributing bacteria from one surface to another and to equipment.
- Rinse the surface with a disinfectant added to water. This disinfectant solution must remain in contact with the surface for the time recommended by the manufacturer so that all bacteria are killed. Once the time has expired rinse the surface with hot water.
- Ensure that no cleaning material or disinfectant remains as this may pollute the food.

Cleaning of equipment

Equipment is expensive and the better it is looked after and maintained the more money will be saved in the long run. There are five basic steps for any cleaning process to be effective. These steps apply to all types of food establishment and include the cleaning of equipment, utensils, crockery, cutlery, floors and walls:

- **Pre-cleaning** – scraping off food, rinsing off grease and sweeping out of dirt.
- **Main cleaning** – scrub with detergent diluted in hot water to remove the debris.
- **Sanitising** – rinse and soak with a chemical sanitiser and hot water.
- **Air-drying** - allow items to air-dry naturally on a clean, dry sanitised surface.
- **Post-cleaning** – rinse all sinks thoroughly and wash the drains. Also clean the cloths, mops and buckets and allow them to air-dry properly in the sun.

Precautionary tips on cleaning:

- Do not breathe in the fumes from oven cleaner.
- Remember to rinse areas where caustic solutions or foams have been used.
- Use insulated gloves when cleaning equipment that is still hot.
- Use a spray-on glass cleaner for the glass panels on ovens.
- Never apply cold water to a hot glass panel since the glass will almost certainly crack.
- Never clean any electrical equipment with wires still plugged in or near moisture.

It is advisable to make use of a trustworthy and dependable cleaning supplies company to purchase a range of cleaning products for use on the different pieces of equipment. Below is the chemical cleaning chart from Ecolab Cleaning Supplies which serves as an example of the products available, for what and how they should be used as well as the safety instructions.

ECOLAB – Cleaning products chart:

PRODUCT	ITEMS	METHOD	FREQUENCY	SAFETY
Dish guard 71	Pots, pans, utensils, surfaces	Dissolve in warm water or use in a tab feeder.	As required.	Protection on hands is recommended when used frequently.
Multipurpose	Walls, general equipment and cleaning equipment	In a spray or a wall mount dispenser.	Daily.	Protection recommended when used frequently.
Grease strip plus	Ovens, grills, oil filters, deep fryers, extractor canopies	Use from a spray bottle.	After each use.	Wear protection, avoid eye contact and inhaling.
Sanitiser	Preparation areas and utensils	Use from a spray bottle and do not rinse.	Daily after each use.	Protection recommended where necessary.
Solid silver powder	Silverware, silver plates and platters	The soak dip method.	As required.	Protection recommended.
Floor guard 30	Heavy duty -kitchen floors	Scrub and mop.	Three times daily.	Use hand protection.
Disinfectant tablets	Heavy duty kitchen floor cleaning	Scrub and mop.	Daily at the end of each day.	Use hand protection.
Bleach	Cleaning equipment	Soak and wash.	Daily at the end of each day.	Use hand protection.

4. Setting up the dining room

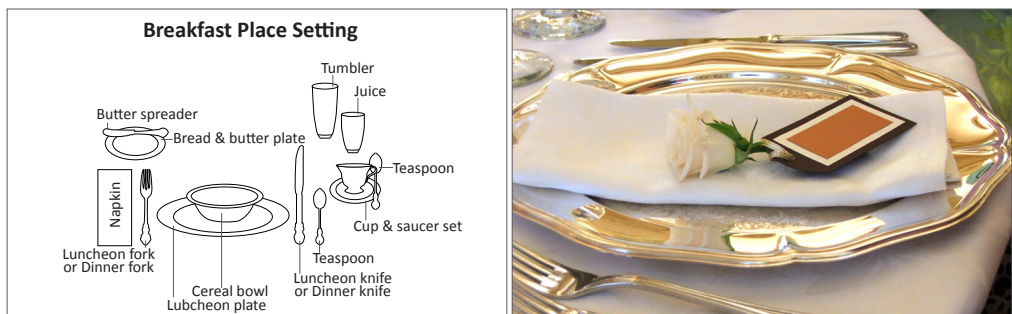
As mentioned previously, guest houses should ensure that guests truly have a great experience. If possible, place your tables in cosy nooks or with good viewpoints in your dining room, making sure that guests do not sit facing a blank wall. Remember that the spots you choose should be easy to reach from the service area as staff will have to carry food to and from these settings. Always set an attractive breakfast table. Remember that most guests do not usually eat like this at home – and that a great breakfast experience is likely to enhance the likelihood of repeat business.

The following points are of value:

- You can avoid having to get up at the crack of dawn by setting your breakfast tables the night before. At the very least, decide which tablecloths and what crockery you will be using in the morning and make sure that they are clean and ready for use.
- Check each piece of tableware and equipment, and make sure that the kitchen is tidy and hygienic.
- Check your stock the night before to avoid running out of breakfast ingredients.
- Do not put cans and boxes on the table. Use good crockery and items that will contribute to the display of the breakfast such as baskets lined with colourful cloth, platters lined with lacy paper doilies and attractive glass containers.
- Make sure that you have a floral centrepiece in the dining room and change it often. Use fresh flowers from your garden or rotate flowers that you have at various spots in the guest house.
- When guests make their reservations, remember to enquire about any special dietary requirements or occasions (such as birthdays or wedding anniversaries) that they may be celebrating during their stay with you.

4.1 *Setting the table*

A neatly-set table adds to a positive breakfast experience. No matter what type of breakfast you choose to serve, the basic table setting illustrated below on the left remains the same. Keep the setting as plain and natural as possible with a few added special touches. It is a good idea to change your table decorations such as the flowers, glasses and serviettes daily.



The following points should be observed when setting a table:

- Think carefully about what combination of linen to use. Plain but durable linen remains a classic favourite.
- You may choose to use a tablecloth with a different-coloured overlay. Alternatively, if you have a beautiful wooden table that you would like to show off, just use a runner to protect the table surface.

- Make sure the table is clean and dry, and then drape the tablecloth evenly over it.
- When setting cutlery, it is useful to put a plate on the table in line with one of the chairs, and then position the cutlery around it. Remove the plate and repeat with all the settings, making sure that the cutlery lines up neatly. It is best to position the cutlery at least 2.5 cm from the edge of the table so that it does not get caught on clothing and fall to the floor.
- Place the side plates on the table, ensuring that they are in line with each other and on the left-hand side of the setting.
- A cup and saucer may be placed at the top right-hand corner of each setting. Ensure that the cup handle is turned to the right. Place a teaspoon on the saucer.
- Place a neatly-folded serviette in the centre or on the side of each place setting (linen serviettes look more elegant and add a touch of quality that may appear as value for money).
- Place salt and pepper on the table. Other condiments can be offered when the hot dish is served, or be placed on the buffet.
- Position a table decoration at the centre of the table – fresh flowers as a table decoration will always add a special touch.
- Ensure that the size of your table decoration does not overpower the table.
- Interesting glasses also add special touches, and especially colourful glasses can add a fresh look.
- Last but not least, the attractive presentation of your food is essential.

4.2 Buffets



As discussed earlier, full buffet breakfasts are not cost-effective as you have to prepare more food than will be required and replace hot items regularly before they begin to look dreary and unappetising. However, if you have reason to present a full buffet breakfast for a group of guests or for any specific occasion, keep the following points in mind:

- Drape a reasonably large table with a plain white tablecloth that hangs to the floor (or if the table is a wooden one, do not use any table cloth). Varying the height of your dishes will make your display more interesting.
- Place a hotplate at one of the ends of the table if the hot dishes are not going to be plated.

- At the other end, place your fruit displays, cereals and yoghurt, along with the appropriate crockery.
- Place an appropriate selection of breads, cheeses and cold meats between the fruit and the hotplate.
- Place your hot food items in attractive dishes on the hotplate and, if possible, do this just before the food is to be served.
- Ensure that there is enough serving equipment for each dish.
- Replace the food on the buffet regularly, ensuring that dishes are always at least half full and look appetising and fresh.

4.3 Beverage service



Beverage service is the broad term used to refer to any type of liquid refreshment. This includes alcoholic beverages (wine, beer and spirits) and non-alcoholic beverages (sodas, unfermented fruit juices, tea and coffee).

While few guest houses have full bar facilities in their bedrooms, some do provide an 'honesty bar' or mini bar. This is usually a small fridge from which guests may help themselves to beers, etc. They are usually expected to note any items consumed on an appropriate form.

This generally works well, but be careful as the South African Liquor Law clearly states that providing liquor to the public is regarded as 'selling' it, even if you do not actually charge for it. As indicated in the chapter concerning the legal aspects, all actions associated with the provision of liquor in a business require a liquor licence. Most guest house owners have discovered that the cost of obtaining a liquor licence far outweighs the benefits of possessing one.

The three most popular beverages served in any guest house are tea, coffee and fruit juice. Sodas may be provided on an honesty bar basis. Most guest houses provide fresh fruit juice only at breakfast and do not charge for tea and coffee.

You may choose to allow your guests to make their own tea and coffee. If you go this route ensure that a kettle, cups, mugs, teaspoons, tea, coffee, sugar, sweetener and milk are available in each guest room.

Alternatively, you may choose to serve tea and coffee to your guests. In this case, you will need a coffee pot, a teapot and a tray, as well as items such as cups, mugs, teaspoons, sugar, sweetener and milk. Ensure that the tray looks elegant and attractive. Make the tea or coffee, pour it into the pot and place it on the tray, along with the other items. Take the tray to your guests and place it carefully in front of them. Most guests are quite specific about their tea and coffee preferences.

The following points will assist in keeping everyone happy:

- Use an electric drip pot (called a percolator in South Africa) instead of instant coffee.
- Ensure that you have a large enough coffee pot.
- Do not reheat coffee.
- Do not keep coffee warm for longer than half an hour as it goes bitter.
- Never re-use coffee. Always place fresh ground coffee in the machine.
- Buy a good brand of filter coffee for your machine.
- Ground coffee goes stale, so check it regularly and don't buy too much at a time.
- Store your ground coffee in an airtight container in the freezer. In this way, your coffee will last for about a month, as opposed to about 10 days in the fridge.
- Storing coffee near strong-smelling foods or in a damp atmosphere will diminish its flavour.
- Serve coffee with the option of fresh cream or full-cream milk, as well as white or brown sugar or artificial sweetener.
- Brew tea for three to five minutes. This ensures maximum flavour.
- Never re-use tea bags.
- Serve tea with the option of honey, sugar or artificial sweetener, as well as with lemon slices.
- Always use fresh cold water when preparing tea or coffee. Never use pre-boiled water.
- Always serve tea or coffee in a pot, accompanied by the appropriate cups or mugs.
- Earthenware or glass serving jugs, coffee pots and tea pots are better than metal ones; they do not alter the taste of the milk, tea and coffee.

Serve and present food and drink with the correct skills. The following points will help you to perfect your service:

- Never sit down at the table with your guests. Be friendly, but not over-familiar.
- You should be clean and neatly dressed whenever you serve a meal.
- Smile and be attentive.
- Greet your guests as they arrive for breakfast, and chat to them without being intrusive.
- Pull your guests' chairs out for them (women first) and allow them to sit down.

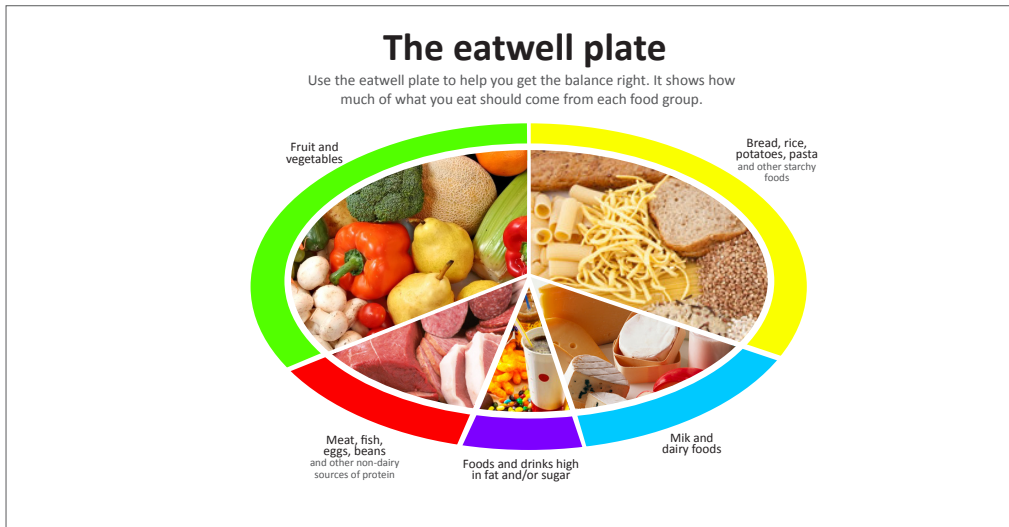
- As soon as they are comfortably seated, offer your guests a choice of tea, coffee or juice – and serve it to them immediately.
- Allow guests to add their own milk and sugar to their tea or coffee.
- Take your guests' breakfast orders and give them to the person on duty in the kitchen.
- Leave your guests to chat undisturbed until their breakfast is ready.
- If the breakfast is taking a little longer to prepare than expected, approach your guests and inform them that their food will be ready in a little while. Do not tell them that there is a problem in the kitchen – they don't need to know this!
- Once the breakfast is ready, take it to your guests and serve them from the right, placing the most attractive side of the meal in front of each guest.
- Wish your guests an enjoyable breakfast.
- Offer your guests more tea, coffee or juice – and serve it to them immediately.
- Leave your guests to enjoy their breakfast in peace.
- Keep an eye on each table and, once your guests have finished their meal, remove the dirty plates (once again starting from the right-hand side).
- Ask your guests whether they have enjoyed their meal.
- Once guests have left their table, wish them a pleasant day and begin preparing the table for the next guests immediately. Dirty tables look extremely unattractive and are likely to offend guests entering the dining room.
- Add a positive touch by providing a daily newspaper in the breakfast room.

4.4 Consider the nutritional value in your breakfast menus

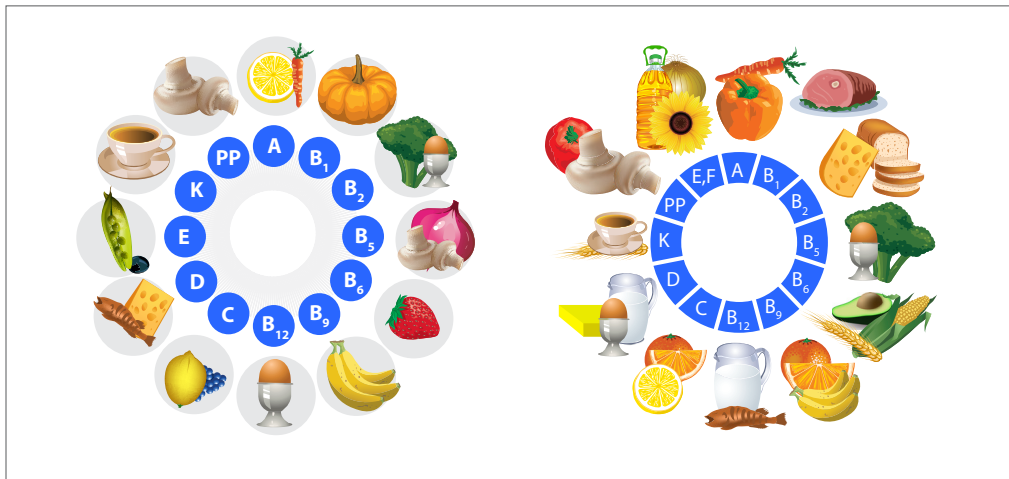
Food nourishes the body and contributes to the amount of water our bodies take in. Food also acts as the vehicle that supplies carbohydrates, proteins, lipids, vitamins and mineral (nutrients). It is important to keep the following in mind when planning well balanced breakfasts. Nutrients are chemical substances that the body uses for different functions:

NUTRIENT	FUNCTION
Carbohydrates	Major source of energy that enables the body to execute all physical activities such as working, exercising, keeping warm and keeping the body functioning when resting.
Proteins	Build body structures and help repair the body in times of injury.
Lipids	Contain familiar fats and oils and provide the most concentrated source of energy.
Vitamin and minerals	Responsible for the protection of the body against disease and regulate the body's chemical reactions.

A well-balanced meal should include all of these nutrients in appropriate portions as illustrated below.



It is important to know which vitamins are found in which types of food. The table below provides an illustration of the vitamins, their functions and in which food sources they can be found.



VITAMIN	FUNCTION	FOOD SOURCES
Vitamin A	<ul style="list-style-type: none"> ■ Helps you see in poor light ■ Maintains healthy skin and membranes ■ Aids growth and reproduction ■ Helps boost immunity 	<ul style="list-style-type: none"> ■ Fish oils ■ Egg yolk ■ Liver ■ Fortified margarine

VITAMIN	FUNCTION	FOOD SOURCES
Vitamin D	<ul style="list-style-type: none"> ■ Aids growth of bones and teeth ■ Assists kidney functioning ■ Maintains healthy skin and membranes 	<ul style="list-style-type: none"> ■ Dairy products ■ Cod-liver oil ■ Sunlight
Vitamin E	<ul style="list-style-type: none"> ■ Antioxidant – helps prevent cell damage ■ Helps boost immunity 	<ul style="list-style-type: none"> ■ Seeds ■ Vegetable oils ■ Margarine ■ Green leafy vegetables ■ Liver
Vitamin B1 (Thiamine)	<ul style="list-style-type: none"> ■ Energy production ■ Converts carbohydrates to energy ■ Aids nervous system functioning 	<ul style="list-style-type: none"> ■ Wheat germ ■ Pork ■ Liver ■ Oysters ■ Whole-grains ■ Pasta ■ Yeast ■ Peas
Vitamin B2 (Riboflavin)	<ul style="list-style-type: none"> ■ Helps to release energy ■ Aids normal cell growth and development 	<ul style="list-style-type: none"> ■ Milk ■ Organ meats ■ Dark-green vegetables ■ Whole-grains
Vitamin B3 (Niacin)	<ul style="list-style-type: none"> ■ Assists brain function ■ Helps energy production ■ Converts carbohydrates to energy ■ Necessary for metabolism of carbohydrates, proteins and fats 	<ul style="list-style-type: none"> ■ Liver ■ Poultry ■ Legumes ■ Fish ■ Grains ■ Nuts
Vitamin B5 (Pantothenic acid)	<ul style="list-style-type: none"> ■ Boosts the nervous system ■ Converts carbohydrates to energy ■ Aids carbohydrate, fat and protein metabolism 	<ul style="list-style-type: none"> ■ Whole-grains ■ Organ meats ■ Eggs ■ Vegetables
Vitamin B6 (Pyridoxine)	<ul style="list-style-type: none"> ■ Helps protein metabolism ■ Boosts red blood cell formation 	<ul style="list-style-type: none"> ■ Liver ■ Whole-grains ■ Avocados ■ Bananas ■ Peanuts ■ Yeast
Vitamin B12	<ul style="list-style-type: none"> ■ Boosts red blood cell formation ■ Aids nervous system functioning 	<ul style="list-style-type: none"> ■ Organ meats ■ Meat ■ Fish ■ Eggs ■ Poultry ■ Milk

VITAMIN	FUNCTION	FOOD SOURCES
Folic Acid	<ul style="list-style-type: none"> ■ Boosts red blood cell formation ■ Assists in growth regulation 	<ul style="list-style-type: none"> ■ Liver ■ Dark green vegetables ■ Yeast ■ Wheat-germ
Biotin	<ul style="list-style-type: none"> ■ Energy, protein and fat metabolism 	<ul style="list-style-type: none"> ■ Egg yolk ■ Green vegetables ■ Liver ■ Milk ■ Yeast
Vitamin C	<ul style="list-style-type: none"> ■ Antioxidant ■ Helps in connective tissue formation ■ Maintains healthy bones, teeth and blood vessels ■ Boosts immunity 	<ul style="list-style-type: none"> ■ Citrus fruits ■ Green peppers ■ Tomatoes ■ Guavas ■ Strawberries ■ Yellow and red vegetables

4.5 Plan for guests with special dietary requirements

Guests from all walks of life and from various cultures and backgrounds might stay at your guest house. It is important to be open-minded, informed and well prepared for all the different cultural differences to make all guests feel welcome and at home. It is important to know the basic rules that accompany various cultures with respect to their dietary requirements. These are elaborated upon in the table below:

CULTURE	DIETARY RULES
Hindu	They do not eat beef or pork. Many are vegetarians.
Jew	They do not eat pork or any other food that is unclean according to their religion (non-kosher). They do not eat meat and milk together. Dietary restrictions and preparation methods are very strict. A specialised kosher kitchen is needed.
Muslim	They do not consume any alcohol. They do not eat any food that is not certified as Halaal. They do not eat meat that was not slaughtered according to the Islamic Dietary Law.
Vegetarian	They do not eat red meat, but they may eat fish.
Lacto-ovo vegetarian	They do not eat meat or fish but they do eat milk products and eggs.
Lacto-vegetarian	They do not eat any meat, fish or eggs but they do eat milk products.
Vegan	They do not eat any animal products.
Fruitarian	They are vegans but they eat fruit, nuts and honey.

It is very important to ask guests for any dietary requirements during the reservation stage, in order to know whether you will be able to provide them with the necessary requirements and to plan for them in advance.

4.6 Select the correct suppliers

A wonderful setting, with gorgeous rooms and great service is of no use if you do not have trustworthy suppliers that are committed to supplying you with the best equipment and freshest ingredients. As a consumer you have the following rights:

Does the law prohibit false marketing?	Yes, goods and services may not be marketed in a manner that is false or misleading.
Can a retailer refuse to sell me something because of my race or gender?	No, all consumers have the right to equality in the consumer market.
Do I have the right to cancel bookings or services?	Yes, you have the right to cancel bookings or advance reservations. The supplier may charge a reasonable cancellation fee.
Can I demand quality services and goods as a consumer?	Yes, every consumer has the right to fair value, good quality and safe goods and services.
Can I claim compensation if I am injured while shopping?	Yes, if the premises were not safe or there was inadequate warning of potential risks or hazards.
Can I claim compensation for food poisoning?	Yes, where the food provided causes you illness.
What happens if I'm hospitalised and forced to cancel a booking?	The supplier is not allowed to claim forfeiture of a deposit or cancellation fee if the person who made the booking was hospitalised or has passed away.
Can I refuse unwanted marketing?	Yes, every consumer has the right to restrict and refuse unwanted direct marketing.

It is important to remember that these rights also count for your guests as they are your consumers and you their supplier. In order to prevent any possible negative scenarios it is important to search for and select the best suppliers. Also make sure that you always have at least three competitive prices to compare in order to get the best product at the best price, but still make enough profit. It is important that once you have selected your suppliers, you build good relationships with them for even better service, prices and bargaining power.

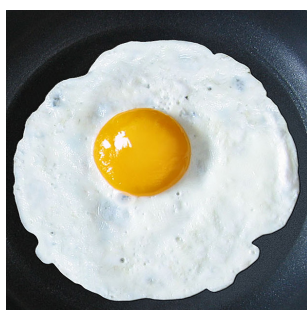
5. Food tips and breakfast recipes

How do you know if an egg is fresh?

- The easiest way is to fill a clear jug with water.
- Carefully place the egg in the water.

- A fresh egg will sink to the bottom and lie on its side.
- Semi-fresh eggs will stand on end and bob in the water.
- Old eggs will float to the top and should be discarded.
- The older the egg, the larger the air pocket inside the shell.
- When you crack an egg onto a side plate, the yolk should stand round and firm and have a good, even colour. The egg white shouldn't be watery, but firm and intact.
- Eggs should be stored in their containers, in a cool place away from strong smells like onions, fish or strong-smelling cheese. The shell is porous and easily absorbs strong odours.

Any way you like eggs...




Fried eggs: Heat a non-stick pan and add a little oil or butter. Break the egg into the pan and reduce the heat. Cook by spooning the oil or butter over the egg, until the white sets and a film forms over the yolk.




Scrambled eggs: Cook eggs slowly, folding the mixture rather than stirring it. Remove the eggs from the heat when they still appear a little underdone as they will continue cooking. Add cream instead of milk for a more luxurious taste and texture.




Poached eggs: A little bit of vinegar added to the water helps set the eggs. Simmer for three minutes for a soft poached egg. Lift out with a slotted spoon.

	<p>Omlets: Always add few drops of water to the beaten eggs as this will create steam, making it a little lighter. Use a non-stick pan and as the egg cooks, lift up the edges and tilt the pan so that the egg pours underneath and cooks. Any chopped items can be used inside an omelette such as onion, mushrooms, peppers, cheese, tomatoes, herbs and leftover meat.</p>
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	<p>Soft-boiled eggs: Eggs at room temperature cook faster and are less likely to crack. Place eggs in a saucepan and cover with warm water, don't cram the eggs together, as they will knock against each other. Add a little salt. Bring to the boil. Remove from the heat and leave for one to two minutes or longer if you prefer them harder.</p>
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The following section provides some useful menu ideas that you can use in your guest house:

<p>Summer fruit smoothie</p>		
<p>A refreshing summer drink that can also be served poured over ice on a hot day. A perfect way of getting your portions of 5-a-day fruits!</p>		
<p>Serves 2</p>		
	<ul style="list-style-type: none"> • 1 mango, peeled, deseeded and sliced • 450 g strawberries, washed and hulled • 50 g blueberries • Grated zest of 1 lemon • 500 g natural yoghurt • Sprigs of mint to serve 	<ol style="list-style-type: none"> 1. Place all the ingredients into a blender or food processor and blitz until smooth. 2. Pour into 2 glasses, either with or without ice. 3. Serve with sprigs of fresh mint.

Bircher muesli

Dr Bircher advocated that healthcare was more than just medical treatment and invented this recipe for his patients – it is now one of Switzerland’s most popular dishes, widely eaten around the world. It is a really filling but very healthy brunch.

Serves 6-8



- 1 banana, peeled and sliced
- 1 apple, cored and chopped
- Juice of ½ lemon
- 100 g blueberries
- 100 g raspberries
- 100 g walnuts, roughly chopped
- 175 g rolled oats
- ¼ tsp ground cinnamon
- 400 g natural of fruit flavoured yoghurt

1. Squeeze the lemon juice over the sliced banana and apple to stop the fruits going brown. Place the fruit, nuts, oats and ground cinnamon in a bowl and mix well.
2. To serve, layer the fruit and nut mixture with yoghurt in glasses or bowls, ending with a small sprinkling of fruit and nut mixture on top. This can be mixed together completely but looks much nicer served in layers.

Honey granola

Granola is a crisp, sweeter version of muesli and can contain different dried fruits and nuts. This one is great served layered in a glass or bowl, with fruit compote and yoghurt. Having oats for brunch is also a good way of keeping your energy levels up for the day.

Serves 6-8



- 1 ½ tbsp honey
- 1 ½ tbsp maple syrup
- 1 tbsp sunflower oil
- 1 tbsp warm water
- 3 tbsp dark muscovado sugar
- Pinch of salt
- 110 g Jungle oats
- 55 g whole almonds
- 30 g whole Brazil nuts, chopped

1. Preheat the oven to 140 °C.
2. Whisk together the honey, maple syrup, oil, water, sugar and salt in a large bowl.
3. Stir in the remaining ingredients and mix really well.
4. Spread the mixture on a baking tray lined with greaseproof paper and bake for 20-30 minutes stirring after 15 minutes. Keep an eye on the cooking time as the mixture can burn quite easily.
5. Leave to cool on the baking tray before storing in an airtight container.
6. Serve with fruits and yoghurt.

Cinnamon and pecan porridge

A traditional Scottish dish that everybody has their own version of!

Serves 2



- 200 g porridge oats
- 600 ml milk
- 300 ml water
- 50 g pecan nuts
- ¼ tsp ground cinnamon
- 25 g dark muscovado sugar

1. Put the oats, milk, and water into a pan and bring to the boil then reduce the heat and simmer gently, stirring frequently, until the mixture thickens.
2. Meanwhile toast the pecan nuts in a small frying pan with the ground cinnamon – keep an eye on them because they will burn quickly – they just need to be slightly browned.
3. Pour the porridge into two bowls. Take the pecans off the heat and stir in the muscovado sugar before sprinkling over the porridge. Serve hot.

Fruit Danish

Try this pastry with strawberries and raspberries in the summer for a real treat. A sprinkling of grated nutmeg also adds a little zing.

Makes 8



- 250g puff pastry
- 8 tsp apricot jam
- 2 tbsp raisins
- 2 nectarines or peaches, stoned and sliced into 8 pieces each
- 2 tsp granulated sugar

1. Preheat the oven to 200 °C.
2. Roll out the pastry to approximately
3. 24 x 30 cm. Cut into eight rectangles. Place the pastry rectangles on a baking sheet.
4. Spread each piece of pastry with a tsp of apricot jam, leaving 1 cm clear around the edge. Sprinkle with sugar.
5. Top each one with four slices of nectarine or peach then sprinkle with sugar.
6. Bake for 20-25 minutes until golden and risen around the edge.
7. These can be eaten warm, or cool on a rack to eat later.

Raspberry and banana muffins

Most fruits work well in muffins, so you could try others too – blueberries, strawberries, blackberries, and mango are all delicious cooked this way. Serve these warm with large dollop of crème fraîche.

Makes 12



- 225 g plain flour
- 100 g caster sugar
- 2 tsp baking powder
- Pinch of salt
- 1 egg
- 250 ml milk
- 125 ml sunflower oil
- 1 banana peeled and roughly chopped
- 1 100 g fresh raspberries

1. Preheat the oven to 200 °C. Grease a muffin tin or place 12 paper cases in a muffin tin.
2. Mix together the flour, sugar, baking powder and salt in a large bowl.
3. In a separate bowl or jug beat together the egg, milk and oil.
4. Pour the wet ingredients into the dry ones and stir just until they are mixed together – do not over mix, the mixture should still be lumpy.
5. Gently stir in the banana and raspberries.
6. Spoon the mixture into the muffin tin or paper cases and bake for 20 minutes until well risen and springy to the touch. Remove from the tin and cool on a cooling rack

Banana and orange bread

This loaf is great served on its own but is even better spread with butter and lemon curd.

Serves 6-8



- 75 g butter
- 110 g caster sugar
- 1 large egg, beaten
- 225 g plain flour
- 2 tsp baking powder
- 4 medium bananas, peeled
- Grated rind of 2 oranges
- 50 g walnuts, chopped

1. Preheat the oven to 180 °C. Grease and base line a 8.5 cm x 19 cm loaf tin.
2. In a large bowl, cream together the butter and sugar until light and fluffy.
3. Gradually beat in the egg, making sure the mixture doesn't curdle. Sift in the flour and baking powder and gently fold them in.
4. Place the bananas in a bowl and mash to a pulp with a fork. Add to the cake mixture with the orange rind and walnuts and mix well.
5. Spoon into the prepared tin and bake for 45-55 minutes until the loaf is golden and well risen.
6. Leave to cool in the tin for 10 minutes then turn out to cool completely on cooling rack.

Smoked salmon and egg bagels

Bagels are characteristic of Jewish and particularly New York Jewish cuisine.

They are traditionally served with salt beef or cream cheese and smoked salmon.

Serves 2



- 125 g smoked salmon, cut into thin strips
- 4 tbsp single cream
- 2 bagels, halved
- 15 g butter
- 4 eggs
- Salt and freshly ground black pepper

1. Place the smoked salmon strips in a bowl and pour in the cream.
2. Lightly toast the bagel halves on both sides.
3. Melt the butter in a pan. Break the eggs into a bowl and whisk lightly with a fork.
4. When the butter is foaming pour the eggs in and stir continuously until they start to solidify. Quickly pour in the salmon and cream and continue to cook and stir until the liquid has gone.
5. Check for seasoning then spoon over the toasted bagels and serve.

Cheese and herb scones

These are best made with a really strong cheddar cheese, but you could also substitute with blue cheese if you prefer.

Makes 12



- 50 g butter
- 225 g plain white flour
- Pinch of salt
- 1 tsp baking powder
- 110 g strong cheddar cheese
- 1 tsp English mustard powder
- 2 tsp fresh thyme leaves
- Pinch of cayenne pepper
- 125-150 ml milk

1. Preheat the oven to 200 °C.
2. Place the butter, flour, salt and baking powder into a food processor and blitz until the butter is worked into the flour and the mixture resembles breadcrumbs.
3. Add two-thirds of the cheese, mustard powder, thyme, and cayenne pepper. Pulse once or twice to mix them in.
4. With the machine running, add the milk gradually until the dough comes together – do not overwork it.
5. Tip out onto a floured work surface and roll or press out to a thickness of 1.5 cm. Cut into rounds with pastry cutter or glass approximately 8 cm in diameter and place on a baking sheet.
6. Sprinkle with the remaining cheese and bake for 12-15 minutes until golden. Eat with butter while still warm.

Breakfast tortilla

Tortilla is the Spanish version of an omelette and the filling can be varied to include roast peppers, onions, ham, chicken or even prawns and fish. This can also be eaten cold so is perfect for taking to work as a snack.

Serves 4-6



- 4 tbsp olive oil
- 4 rashers bacon, chopped
- 425 g potatoes, peeled and diced
- 6 large eggs
- 150 g cherry tomatoes, halved
- Salt and freshly ground black pepper
- Chopped fresh parsley to garnish

1. Heat half the oil in a frying pan and cook the bacon for 6-8 minutes. Remove with a slotted spoon.
2. Add the potatoes to the pan, lower the heat and cook for 12-15 minutes, turning occasionally, until they are cooked through. Remove with a slotted spoon.
3. Beat the eggs in a large bowl with the seasoning and stir in the bacon, potatoes and tomato halves.
4. Heat the remaining oil in the frying pan again, and pour the egg mixture into it whilst on a high heat. Cook for 1-2 minutes before turning the temperature.
5. Cook for 12-15 minutes, keeping an eye on the edges to make sure it is not getting too cooked underneath – the top will still be runny.

Eggs Benedict


This is a very traditional brunch or breakfast dish, said to date back to the 1960s in America. Don't be scared of making hollandaise sauce as it is really very easy.

Serves 4



- Hollandaise sauce
- 2 large egg yolks
 - Salt and freshly ground black pepper
 - 2 tsp lemon juice
 - 2 tsp white wine vinegar
 - 110 g butter
- 4 large fresh eggs
 - 8 slices of pancetta
 - 2 English muffins, split in half horizontally

1. To make the hollandaise sauce, place the eggs in blender with the seasoning and blend for 1 minute.
2. Heat the lemon juice and white wine vinegar to a simmer in a small pan. Pour this slowly into blender whilst it is running.
3. Melt the butter in the small pan and pour this into running blender in a thin, slow trickle. This will give you a thick, smooth buttery sauce.
4. Poach the eggs in boiling water. Grill the pancetta until crisp and toast the muffin halves on both sides until golden.
5. Top each half of muffin with 2 pieces of pancetta and a poached egg.
6. Pour over the hollandaise sauce and flash under a hot grill for 30 seconds then serve immediately.

Eggs Florentine		
Another very traditional brunch dish – spinach topped with a poached egg and cheesy sauce. For a summer treat, try it with some fresh crabmeat stirred into the spinach.		
Serves 4		
	Cheese sauce <ul style="list-style-type: none"> • 20 g butter • 20 g flour • Pinch of mustard powder • 300 ml milk • 75 g strong cheddar, grated <ul style="list-style-type: none"> • 450 g fresh spinach, cooked and chopped • 15 g butter, melted • Salt and freshly ground black pepper • Pinch of grated nutmeg • 4 large eggs 	<ol style="list-style-type: none"> 1. To make the cheese sauce, melt the butter in a pan and stir in the flour and mustard powder. Cook stirring for 1 minute to make a roux. 2. Pour in the milk and whisk to remove any lumps of flour, and then cook over a gentle heat, stirring continuously, until it begins to boil. 3. Turn the heat down to a simmer and stir in 55 g of the cheese – you should have a thick, smooth creamy cheese sauce. 4. Make sure the cooked spinach is well drained and then turn in the melted butter and season with salt, pepper and nutmeg. Place in an ovenproof dish. 5. Softly poach the eggs then drain and place them on top of the spinach. Pour over the cheese sauce and sprinkle with the remaining cheese.

Herb baked eggs		
These are great for children – a fun way to get them to eat eggs, with a little cream and some herbs, all served up in a neat ramekin.		
Serves 4		
	<ul style="list-style-type: none"> • 50 g butter • 1 shallot, finely chopped • 100g mushrooms, chopped • 1 tsp freshly chopped parsley • 1 tsp chopped chives • Salt and freshly ground black pepper • 4 large eggs • 4 tbs single cream 	<ol style="list-style-type: none"> 1. Preheat the oven to 180 °C. Lightly butter 4 ramekin dishes. 2. Melt the remaining butter and cook the shallot for 1-2 minutes until soft. 3. Add the mushrooms and cook for another 3-4 minutes. Add the herbs and seasoning. 4. Divide the mushroom mixture among the 4 ramekin dishes, making a dip in the centre of each. Break an egg into each dish and top with a tablespoon of single cream. 5. Stand the dishes in a roasting pan half-filled with hot water and bake for 10-15 minutes until the whites are just set and the yolks still runny. 6. Serve with crusty bread.

The author acknowledges the contribution of A Gorny and S Niemand in Guest House Management (2006).

THEME 7

UNDERSTANDING INTER-CULTURAL DIFFERENCES

Jeanine Nothnagel



1. What is this theme about?

One of the aims of managing your own guest house is to keep your customers satisfied so that they will return to your establishment. This theme will assist you to know more about, and develop an understanding of, different cultures and how service should be rendered in a multi-cultural environment.

After reading this theme, you will:

- understand what culture entails;
- understand the difference between norms and customs;
- understand the terms tolerance and respect;
- comprehend cultural sensitivity in the hospitality industry; and
- be aware of the managerial challenges related to inter-cultural communication in the hospitality industry.

2. Introduction

Due to the multi-cultural nature of the hospitality industry it is imperative that management and staff develop a comprehensive understanding of the nature and extent of intercultural differences. Cultural variation in value orientation and social behaviour has a direct impact on the holiday experiences of tourists. The guest house owner/manager and staff play an important part in ensuring that guests from different cultural groups are not just satisfied with services delivered but that they actively enjoy their overall holiday experience. It could be argued that the hospitality industry and the experience of being exposed to different cultures are inextricably linked – it is often the search for a cultural exchange that motivates tourists to travel.

To meet expectations in this regard, there is a need for cultural awareness, both on the part of the individuals travelling and, equally importantly, tourism businesses. Success in this rapidly growing and important industry depends on our ability to understand

cultural differences – whether they are as complex as a tax code or as simple as a personal greeting. If you know your guest is from Germany, for instance, greet him with *hallo* (informal), *Guten Tag* (formal; pronounced gooten tahg), *Tag* (very informal; pronounced tahg). Just by knowing how to greet a person in his/her language, you will make him/her feel important.

3. Culture and your guest house

Culture can be the source of cooperation, cohesion and progress, rather than conflict, disintegration and failure. What is important is for society to learn and use diversity to the advantage of all human beings, specifically in the hospitality industry where diversity issues are prominent.

Culture is a concept that has many meanings. It is a practice shared by people within a community, the filter we use to interpret our existence and direct our actions. Our own culture is something that makes us feel at home in our place of work, in our country, our family, among the colleagues of the same profession, and in our ethnic groups. Culture is what we say and do together with other people in ways which distinguish us from other groups. Within our own cultural community, we take culture for granted and do not think about it. When misunderstandings arise between people of different cultures, they may often be explained by reference to the cultural differences between them, because it is so obvious that they speak different languages, perhaps dress differently and have different body language and ways of greeting.

As long as we are amongst people of our own culture, we are, in a sense, on “autopilot” because we are moving in a known environment, where routines and ways of acting and speaking are automatic and a matter of habit. It is easy to understand others because they ascribe the same values and behavioural norms. As soon as we enter a different cultural environment, the “autopilot” must be deactivated, and we have to engage manual control and pay more attention to the situation: we might not be quite certain what the right or wrong thing would be to do or say. We have to become aware that we are “wearing our cultural glasses” and that others are wearing their cultural glasses and therefore perhaps experiencing things differently.

Culture influences every aspect of our lives and often people are unaware of why they do and see things in a particular way. Only when we step outside our cultural boundaries can we see how our actions are determined by the culture in which we live. One of the biggest problems in the customer service exchange within the tourism industry is the assumption that everyone has the same needs, expectations and behavioural patterns, when in fact the actions and reactions of people are a result of their cultural conditioning and therefore may differ.

Mastery of the person’s language is not required, but trying to learn just a few simple words and acknowledging customs can make a big difference to their level of enjoyment and subsequent satisfaction of guests. Greeting a guest in his/her own language may

cause the guest to feel important and even surprised. When a person from France walks in you can greet him, depending on the time of day as follows: *salut* (informal; silent ‘t’), *allo*, *bonjour* (formal, for daytime use; ‘n’ as a nasal vowel, pronounced “bon-shore”), *bonsoir* (good evening; ‘n’ is a nasal vowel), *bonne nuit* (good night).

Learning about customers and their values, beliefs and motivations helps one to understand their responses and ultimately to better interpret their requirements. Another aspect of culture is body language and though subtle, it is possible to cause offence through inappropriate gestures that demonstrate a lack of respect and subsequently undermine the business relationship.

3.1 Norms and customs as part of culture

Culture relates to the norms, values and beliefs that influence and shape individuals, businesses and destinations. People of different cultures have different norms and customs, and therefore also different expectations. If service managers are unaware of core cultural expectations of customers it could result in a gap in performance of service. There are two options: one, we can accept that because some customers are different from us we cannot satisfy them, so the best is just to ignore the problem, or two, we can make the effort to learn about their cultural values and customs. It might even happen that foreign customers are prepared to settle for less because of language and other barriers. The following could be used as guidelines in comprehending cultural values:

- **Sense of self and space:** What confirms one’s sense of self in a particular group? What comprises adequate space between individuals such as distance or closeness? Personal-space requirements, for example, vary among European peoples, and generally, people in the Mediterranean and Eastern European countries tend to be more intimate and stand close to one another. In other European countries, people are more reserved and prefer greater personal space. It is important to be aware of this – you might offend a European by backing away if he stands close to you.
- **Food and feeding habits:** Look at presentation of food, diet or religious needs, use of cutlery or chopsticks or hands. Indian people may prefer spicy food while a hamburger, French fries, and a soda might be considered a typical American meal.
- **Time and time consciousness:** Not everyone in the world views the concept of time in the same way. In fact, in some cultures time is a rather unimportant factor. Some cultures are unconcerned about the passage of time, while others run their lives by the clock. For example, the Japanese are very conscious of time, as are the Americans. Nonetheless, the Japanese tend to feel less rushed and frustrated than the Americans do; they seem to have achieved a greater handle on time management and extremely efficient lifestyles. The Japanese have a low tolerance for tardiness and delay, and are able to run their lives at a very efficient pace, time-wise.

Tolerance and respect for each other’s differences should be cultivated in guest houses that serve the needs of multi-cultural guests. Tolerance means to refrain from objecting to

something that you don't agree with, and allowing freedom of choice and behaviour, no matter what the colour or creed of the other person is. As a further example, your guests may not have the same religion as you, but you must respect and tolerate theirs. Codes of tolerance and respect include:

- Those in the minority should respect the culture of the majority and be tolerant of their religion, culture and behaviour. Do not demand too much of the other side, whether a majority or a minority, but rather balance your approach.
- Each and every day we must practise tolerance in our families and society; we must make every effort to live in peace in an increasingly international world with human beings who are unlike us.
- Accept that people are different and let them live as they wish, unless they harm others. Tolerance requires the recognition of cultural differences.
- Each person must treat others the way they want to be treated.
- Education is the best weapon against intolerance. Learn about and study other cultures and civilisations to see how rich they are and also what lessons could be learned from them.
- Management and staff must be sensitised to show tolerance and respect to all guests, irrespective of their cultural background.

4. Cultivating cultural sensitivity in your guest house

Any service trade, whether in a guest house or any other service-rendering business, will sometimes involve service encounters and dealings with consumers from other cultures. The term 'service encounter' is widely documented and indicates the contact between customer and service provider. Service encounters in the hospitality industry are opportunities to up-sell guest house services to create a positive impression to enhance the image of the guest house. Ignorance of core culture-sensitive values often leads to misplaced beliefs that may result in guests that are dissatisfied. Intercultural sensitivity enables an individual to interact effectively with people from different cultures and it is a skill that can be learned.

Employees that are culturally sensitive are likely to provide better service to foreign guests. This is extremely beneficial for any guest house as such employees are able to generate more revenue and market share. It is thus imperative that cross-cultural training should be part of the operational life of any guest house. Some may even argue that the hospitality industry is failing to account appropriately when cross-cultural issues are contemplated. For example, when the Ritz-Carlton hotel group tried to introduce a Western-style TQM system in their Hong Kong hotel, they experienced difficulties because of the Chinese cultural value 'Guanxi', which involves the extensive use of connections and networking in all business and other relationships. Contemporary businesses are dependent on how management and staff acquire and practise cross-cultural sensitivity and skills in dealing with customers from diverse background.

A guest house may assess its own status of cultural sensitivity by asking the following questions:

- Do the employees seek to understand the culture of customers, other employees and suppliers?
- Do the guest house managers utilise cultural analysis and insights in terms of their own management style and public relations?
- Does the guest house manager/owner realise the value of cultural differences and promote cultural synergy?

A cross-cultural service encounter may be impacted by the lack of support systems and networks which mediate service environments with the culture of the tourists. When tourists' expectations are not met this can lead to disappointment, fear or loneliness which can result in cultural conflicts. Within any culture there could be a multitude of possible subcultures which also influence or control individual behaviour. While inseparability is a characteristic of all services which involve co-production, where the customer is a part of the service production process, cross-cultural encounters pose greater challenges by being impacted by different cultures.

Service failures in any situation need to be followed with a 'service recovery' attempt and this attempt often contributes to customers' final level of satisfaction. If there is no attempt at recovery from a service failure, the consumer locks in the experience and evaluates the service as low. Good service recovery strategy often provides an opportunity to obtain better ratings from the customer than if the failure had never happened. Cross-cultural service failures often become easier to recover if customers consider it to have happened due to cultural difference or confusion. In other words openness to cross-cultural sensitivity provides a benefit of doubt in recovery from service failures. Such opportunities must not be ignored, and should rather be built upon to create a better comprehension of inter-cultural differences.

5. Managerial challenges

Guest houses serve both national and international guests and there is an inevitable blending of modern and traditional cultures, as well local and foreign cultures. Guest house managers/owners thus need to comprehend cross-cultural issues and consider the following aspects:

- It is important that employees are sensitive and aware of cross-cultural issues. A cultural sensitive person understands the cultures of other groups of people and their way of life, which means that prejudice and stereotyping are minimised.
- A good comprehension of the core cultural values of other cultures enables guest house owners/managers to customise and adapt services, where possible. The behaviour of employees towards guests from diverse cultural groups is likely to determine whether or not they will return in future.
- All customer complaints should be handled in an efficient and friendly manner. This especially applies to complaints where cultural confusions are apparent and

staff needs to be adequately trained in handling these issues. Needless to say good interpersonal, communication and conflict management skills are needed – especially from managers.

- Service recovery from failures is extremely important, and sensitive recovery attempts in cross-cultural service encounters are perhaps easier due to the challenges intercultural differences may create. Hence, a recovery attempt must always be made to make sure your guests will return.

It may be concluded that culture influences and guides our behaviour on individual level. As an owner/manager of a guest house, you cannot achieve your business goals without being open and sensitive to the culture of your guests. It should also be added that the attitudes of staff and managers play a crucial role in defusing intercultural tension – making sensitivity and inter-cultural training an important imperative that should not be neglected.

6. Cultural Awareness

Cultural awareness matters to all stakeholders in the guest house industry, both to the tourists themselves and to the service providers. In many cases this is a subconscious requirement and it generally only becomes apparent when things go wrong. For tourists, understanding the culture of the people at the destinations visited is likely to enhance their experience and increase their enjoyment, whereas a lack of understanding may have the opposite effect. Culture conditions people to abide by certain norms and expectations, and if the hosts fail to recognise these it makes for a less positive experience. Employees should also be culturally aware in order to provide effective customer care that meets the needs, and exceeds the expectations, of customers.

From a business perspective, guest house managers/owners need to have an understanding of cultural diversity as they are responsible for making decisions and formulating policies that affect culturally diverse tourists. One of the difficulties faced by the tourism and hospitality industry at large and guest houses more specifically is the multi-faceted nature of the industry and the wealth of stakeholders involved. Tourists tend to judge the total holiday experience. It is therefore important that everyone from transport and accommodation providers to restaurants and tourist attractions make cultural awareness a priority. Cultural awareness also relates to the ability to empathise and suspend judgment. It is imperative to learn how others would like to be treated, how they think and feel, and to collect as much information as possible about cultural norms and values before evaluating a situation.

Learning simple cultural do's and don'ts can prevent misunderstandings, help to generate respect and understanding and ultimately lead to repeat business through customer satisfaction. These attitudes and behaviours can be learned through cultural awareness training. The type of inter-cultural training is a further consideration: whether culture-specific or culture-general. Culture-specific training offers training about a limited

number of cultures, whereas culture-general training offers an overview of different cultures. Clearly the choice is dependent on the level of cross-cultural contact involved but whatever the type selected, it will ultimately lead to an increased understanding and enhanced service quality.

The first step to meeting customer expectations is to understand customers. Understanding the needs and expectations of the consumer and designing products and services to meet these is a relatively straightforward concept, but it is also vital to consider the factors of cultural background and conditioning. Service quality perception and satisfaction are affected by a person's cultural background. In order to enhance service provision and ultimately attract and retain loyal customers, tourism businesses should be aware of important cultural characteristics, including values, attitudes, language, etiquette, customs and manners.

6.1 Basic guidelines for cultural awareness

The following are basic guidelines that can be considered when receiving guests:

- **Language:** This may seem basic, but remember that not everyone speaks English. Learn a few words and phrases commonly used in social and business situations. When speaking English, remember to speak clearly and simply. Avoid using jargon, slang or overly complex sentence structures. Remember that words can have different meanings, even in the same language. For example, the British only use the word “exciting” when referring to children’s activities.
- **Body language:** When we interact with others we communicate with more than simply words. By means of our expressions, gestures and other body movements, we convey messages to other people. Body language exists in every culture, but not all forms of body language mean the same thing in different cultures. Body language communication can be as effective as words. The “vocabulary” of gestures can be expressive and entertaining but can also be dangerous. The same gesture may mean something completely different and some may even be taboo.
- **Greeting:** There are nuances to be aware of when meeting with guests from other countries. Guests from Northern Europe will give a quick firm “one-pump” handshake. For people from Southern Europe, Central and South America, a handshake is longer and warmer – and the left hand usually touches the clasped hands, the elbow, or even the lapel of the other person. Turkish people consider a firm handshake as rude and aggressive. In certain African countries, a limp handshake is the standard. Men in Islamic countries never shake the hands of women outside the family.
- **Eye contact** is an essential feature in some cultures, such as in France, yet highly offensive in others, such as in Japan. Asians, North Americans and most Northern Europeans prefer to keep some distance between themselves and others, while Middle Easterners, Latin Americans and Southern Europeans tend to be more “up close and personal”. The Japanese are very punctual for business meetings, but

tend to arrive fashionably late for social occasions. How and when to make eye contact depends entirely on who you are with, and the social setting.

Some cultures, and also some religious groups, consider eye contact between men and women inappropriate. In many Asian cultures, avoiding eye contact with a member of the opposite sex or a superior is seen as a show of respect. In many Middle Eastern cultures, deep eye contact between people of the same gender is often a symbol of trust and sincerity while between opposite genders, especially in Muslim cultures, anything more than short eye contact is considered inappropriate. In Asian, African, and Latin American cultures, extended eye contact is considered a “challenge”. The Japanese tend to find even brief eye contact uncomfortable, and in some cultures, a woman should look down when talking to a man.

- **Touching:** Touching other people should be avoided, especially when dealing with guests from another cultural group.
- **Personal space:** People can get uncomfortable when someone gets too close to them. However, in some cultures it is normal to be near to other people. Keep in mind that the awareness of personal space will differ for everyone based on their upbringing. If you are unsure, start with your own comfort zone, and let the other person move to where he/she is comfortable. There are different ways in which people of different cultures experience the distance between two people. For example when a person from Sweden and a person from Spain are having a conversation during a reception, one may notice the Swede slowly backing away in order to increase the distance between them. The Spaniard experiences greater distance as a weak contact which may be about to be broken and the Swede experiences short distance with insecurity and a feeling that the other person is very pushy. When the Swede meets a Japanese person, however, it may be the Japanese who will be backing around the room.

In conclusion, if you are in doubt, use your common sense. Address people by their appropriate title and full name, ask if unsure, and avoid controversial topics like religion and politics. Understanding and appreciating cultural differences can mean the difference between success and failure. It is very important that you know that these differences exist and that you treat others in the same way that you would want to be treated. Once again, the best policy is to let the other person lead the interaction if you are unsure. That way, you can never be wrong!

7. Summary

It is unavoidable that guest house staff and management will interact with culturally diverse customers – thus they need a comprehensive understanding of inter-cultural differences. When dealing with visitors from diverse cultural backgrounds, the priority is to make sure customers are satisfied while at the same time the unique character of the

guest house is maintained. The attitudes of staff and management are crucial in dealing with inter-cultural differences.



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Guest houses are an important contributor to the local economy of any region, as they attract both local and international tourists with the aim of providing them with a taste of local food and hospitality. This creates much-needed job opportunities and revenue for local regions.

As the successful managing and running of a guest house has its own set of challenges, the intention of this book is to provide a practical guide to assist both guest house owners and managers in effectively managing their establishments. In order to provide a comprehensive view of guest house management the book is divided into seven themes:

- Theme 1: Your guest house and the law.
- Theme 2: Basic management principles.
- Theme 3: Basic financial management.
- Theme 4: Marketing your guest house.
- Theme 5: Accommodation and front office management.
- Theme 6: Planning your breakfast menu.
- Theme 7: Understanding intercultural differences.

About the editor

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