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SAN PIETRO HOTEL

A FULL EXPERIENCE BETWEEN TRADITION AND INNOVATION

EXPLORING DIGITALIZATION, EXPERIENCE AND SUSTAINABILITY

AT HILTON WORLDWIDE (*Giovanna Del Gaudio*)

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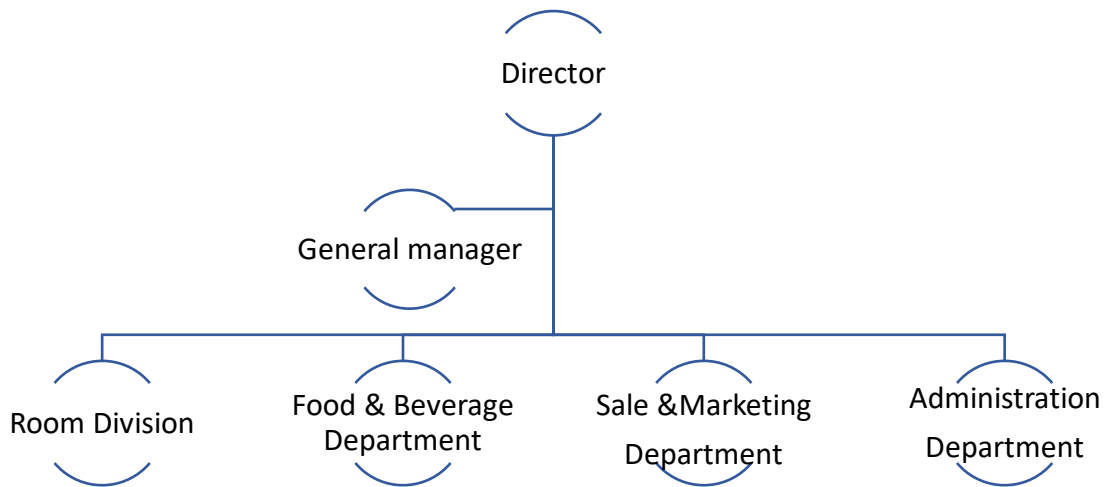
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Abstract

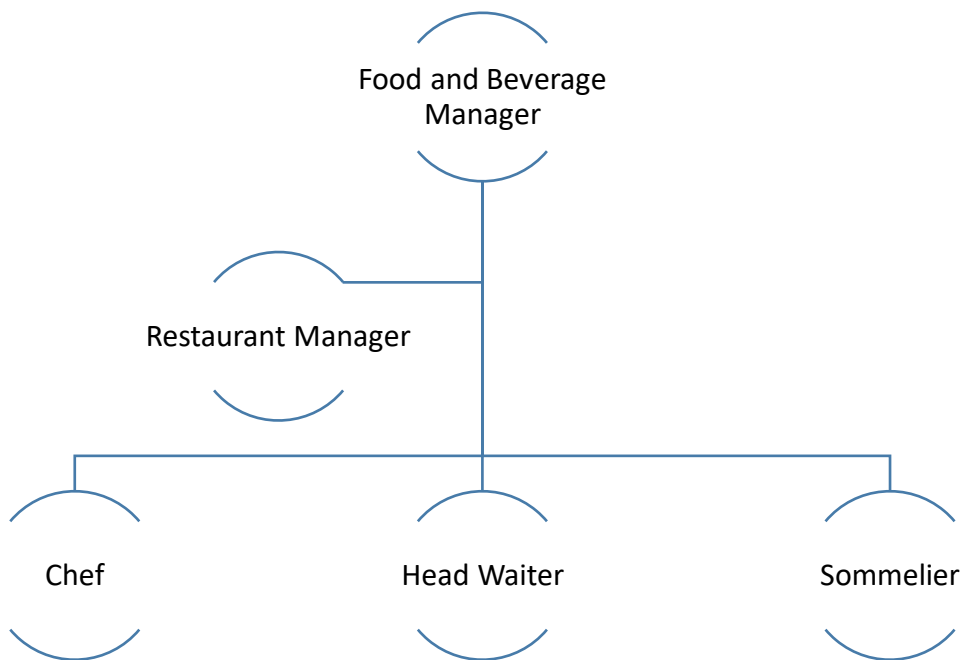
This case study is a classic example of a luxury family hotel at its third generation. In its evolution, the firm is gradually opening itself to entrust the management to third parties, which is a critical phase in business family firms. The aim of this case study is to describe the organizational asset and the relation between management and ownership and the main drivers in the firm's management.

This work is divided in four parts: the first part, where the history and tradition and the organizational asset are explained and described and the second part, in which an analysis of the internal and external context is conducted, according to the theoretical frameworks adopted in the textbook: *Resource Based Theory*, the *Vrio Analysis* and *Porter's Model*, *Swot analysis*. The third part is related to the marketing strategy and in particular on the experiential approach that has transformed *The San Pietro* form an Hotel to a Resort. The fourth final part is mainly focused on the sustainability policies applied in the organization and on the relation with other operators to ensure the authenticity of the place.



Source: our elaboration

Taking in consideration the organizational structure, this case study cannot avoid focussing the attention on the food and beverage department. The hotel has two restaurants: *The Zass*, Michelin starred restaurant, and *The Carlino* (only for resident guests) directly located on the sea.



Source: Our elaboration

Analysing the context of the structure, attention has to be paid to the location: indeed, the structure is in *Laurito* district, commonly known as “*La Punta*”, it is elevated and excavated into the rock. The hotel structure was set up from a craggy precipice and now an elevator was installed from the main lobby 88 metres (288 ft) down to connect to 22 m (75 ft) long horizontal tunnel out to a seaside sunbathing platform and bar.

Due to the high quality of the service, the hotel is characterized by a high customer loyalty level.

Indeed, the hotel offers an experience strictly connected with the territory. For example, activities such as Free Italian lessons, Cocktail Masterclasses and a personalized tasting with the sommeliers favor a sensorial experience for the customers.

Besides, extra services such as the free boat shuttle to and from *Positano*, and the free cruise (from May to September) well fit the hotel in its wonderful surroundings.

To create a full experience connected to the authenticity of a territory, sustainability plays a key role, this study case will be focused on the sustainable policies adopted to the hotel and on the relational network with other operators of the coast.

History: A success born from an intuition



San Pietro Hotel represents the story and tradition of a family. The story of this hotel starts before its building, when *Carlo Cinque*, also known as “*Carlino*”, born in 1911, asked his father “*Alfonso*” to build his small house in the center of Positano and to convert it in a small Hotel, the future “*Miramare*”. The idea was considered “*Bizarre*”: in 1930 Positano was a fishing small village and was not internationally known, there were not many tourists and in that period the town was affected by immigration; locals moved into nearby cities and to United States to find their future. The hotel “*Miramare*” was opened in 1930, located in the center of the town on the beautiful “*Scalinatella*” that starts from *Punta Reginella* to the *Marina*. *Carlino* managed the hotel supported by his sister and his nephews Virginia and Salvatore, the small hotel became a springboard and a training ground for the future San Pietro Hotel.

“*Carlino Cinque*” was always in love with his family land, the “rock” in *Laurito*, a fraction of *Positano*, 2 km far away from the center of the town. The land belonged to *Carlino*’s brother’s in law, *Giuseppe Casola*, that wanted to sell this property to foreigners in order not to underestimate the value of the property. *Carlino* that desired the ownership, through a stratagem involving an American guest into the real estate purchase could regain the possession of the rock without underestimating the heritage and with the approval of Giuseppe.

The San Pietro Hotel opened on 29 June 1970, the opening day was not casual, the hotel building is strongly connected to the territory and with the sense of belonging to Positano, and the tradition tells that in his journey from *Holy Land* to *Rome*, *Saint Peter* stopped not far from the hotel location. The hotel is in front of Saint Peter’s Chapel, the protector of sailors.

In 1984, *Carlino Cinque* passed away, leaving the management to his nephews: Virginia and Salvatore.

Thanks to their uncle and mother management, Virginia and Salvatore had fertile ground in increasing the family hotel prestige. Since 1980, the San Pietro hotel has been a holiday residence for many VIPs such as *Gregory Peck*, *Barbara Streisand*, *Rudolf Nureyev*, *Franco Zeffirelli*, *Tina Turner*, *Dustin Hoffman* and *Julia Roberts*. International journals like “*New York Times*” located San Pietro in the Olympus of the best evocative places to stay. Since the *Los Angeles Times* posted a picture of the

hotel terrace, the majolica tiled benches with their iconic view of Positano have become a must of Amalfi Coast. In 1988 the hotel joined the *Relais & Chateaux luxury group* and immediately gained the “*purple lily*”, the highest-ranking level.

The hotel has always been characterized by innovation; indeed, it was equipped with a private beach club reachable with an elevator set in the rock and a first shuttle service served by a blue-sky car Fiat “Ghia Jolly”.

In 1996, San Pietro Hotel was awarded as “*The best small hotel in the world*” by Travel & Leisure. Virginia and Salvatore were fully engaged into the management from guest relations to the reservation and booking. Many characteristics of the hotel are attributed to Virginia, as the floral decoration in the hall, the variety of roses in the terraces and in the gardens, and the original recipe of San Pietro Limoncello. In 2013 she was awarded for “*having made the history of tourism*” on Amalfi Coast.

Since 2000, under the guide of their sons - Vito and Carlo - San Pietro has been experiencing a re-modelling of the structure from a hotel to a resort. The number of rooms has been reduced in order to guarantee more space to the structure destined to become a resort and offer an experience. In 2002 a Spa was obtained by a warehouse of agricultural tools. In 2006 the hotel became part of the *Virtuoso* circuit that connected it the most important travel agencies and tour operators. The San Pietro Hotels became itself a destination inside the destination. In 2008, the *Carlino Seaside restaurant* was inaugurated, and the hotel’s new boat was completed. In 2016, through an investment of three million euros, the kitchen was re-built, 54 builders were engaged as well as three 24hour-shifts to complete the kitchen in 9 months.

In that period, Carlo was responsible of the fiscal, accountability and managerial sides, emerging as Administration Director. Vito, passionate in culinary arts, launched the *Zass* restaurant, the first hotel in Southern Italy and in Amalfi Coast to get the Michelin Star and was in charge of the marketing activities.

The closed link to the territory is evidenced by the logo that represents two dolphins sighted on the coast during the open day, the Saint Peter key that recalls the Peter Chapel closed to the structure and the initials of the hotel. Under this logo it was necessary to specify “di Positano”, but today that resort has become so popular and known in the world as the Positano Hotel that the logo was changed writing simply The San Pietro and below the writing “Positano” in smaller front.

Organizational asset

San Pietro is a family luxury hotel at its third-generation management where the property holds a key role in the administration and management. Vito Cinque is engaged in the hospitality and in the catering and Carlo is responsible of administration, accounting, fiscal questions and human resources. The management is entrusted to third parties, Andrea Zana is the General Manager and responsible of all hotel operations and direct public relations with guests.



Marco L ha scritto una recensione a ago 2020

Monza, Italia • 12 contributi • 4 voti utili



Una esperienza al top

«La posizione è a dir poco magnifica, la struttura curata in ogni dettaglio e i servizi offerti di standard eccellente dalla spiaggia, alla colazione, alla ristorazione compresa la chicca del Bee Chic con il suo sublime panino al granchio e la tartare di pescato del giorno. Quello che però fa la differenza è la professionalità e la cordialità dei tutto lo staff. Complimenti! sicuramente superiore ad hotel di pari categoria in cui abbiamo soggiornato in passato. Torneremo a trovarvi»

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Data del soggiorno: agosto 2020



Utile



Condividi



Risposta da Andrea Zana, Direttore generale presso Il San Pietro di Positano

Risposta inviata 4 settimane fa



Grazie per condividere la sua opinione di soggiorno, Marco. Quella su Bee Chic è stata una scommessa azzardata: coniugare l'eleganza allo street food in una cornice di grande suggestione. Sembra sia stata vincente. L'attendiamo presto per un'altra esperienza al top.

Source: Trip Advisor

The choice of an external manager as Andrea Zana was based on his competencies and previous experiences, commercial awareness, his human resource management abilities and motivational skills, his customer focused strategies, strategic orientation, long-term vision and the ability to identify new talents useful to the company.

The *Room Division* involves different roles. Firstly, The *Front House Manager (Lorenzo Pastore)*, who is in charge of the booking service and is leader of a front desk staff of three people that assist him in many operations related to the room sales and their occupancy. The *Front Desk Clerk* represents the first contact point with the guests and is focused on their stay. The front staff assists guests in all their hotel stay providing them with all useful information. An important role is played by *The Concierge* that assists guests in satisfying their needs in terms of places to visit. He provides information related to the hotel services, the local area, current attractions or events, restaurants and cafes, helps guests to organize and book tours. In a luxury hotel as San Pietro, there are other two important figures as the *Door Person* and the *Bell attendant*: the door person welcomes the guests and represents the first hotel impression. The Bell attendant takes care of the luggage, moving them in different areas of the hotel. He's engaged in additional services for such as showing them their rooms, booking taxi and parking guest vehicles. *Housekeeping or room attendants* organise the daily cleaning and maintenance of rooms in hotels, while the general cleaning is responsible to clean guest and employee areas.

Today, after the renewal, the structure counts 57 rooms. Each room is different from the others, first of all what distinguishes the different typologies is the size from a minimum of 25 mq to a maximum of 90 mq and the Virginia Suite, the famous old Vip room that has hosted international stars as Giulia Roberts, Tina Turner, etc. The suite room covers the full surface of the top floor (125 mq) with a private path to the panoramic swimming pool and the direct access with the elevator. All the items in the suite evocate the Amalfi landscape as the terracotta floor that stylizes the delicate waves of the sea, the sea water fabrics, the blue blown glass and the huge shell chandeliers. The Virginia suite is a synthesis of the mission of San Pietro to guarantee a comfortable and luxury experience linked with the territory.

Continuing the description of the department, The *Marketing and Sale department* takes care of the brand image and the Marketing Director (*Agostino Piccolo*) is always present in many famous international fairs. Every year the sale unit creates a presentation of the resort and is responsible for both the internal and the external communication, without the involvement of communication

intermediaries. The mission of the department is to guarantee an international position to the San Pietro, the local that competes at an international level. (see paragraph pg.8)

The Food and Beverage Department has a very articulated structure. It represents an important resource for The San Pietro, its structure is highly complex due to the existence of two restaurants: the *Zass Restaurant*, a *Michelin Starred* restaurant, and the *Carlino* restaurant, reserved to the resident guests. The structure is also equipped with two bars: *The Terrace bar* and the *Alcova Bar* where the head barman Michelangelo offers free and personalized Cocktail Masterclasses. Finally, the attention of the hotel is also focused on the street food (*Bee Chic*) with the adoption of an *Ape-car* equipped with a refrigerator, ice maker and stove.

In 2016, the *Zass* kitchen was restructured in an area of one thousand cubic meters dug into the rock, in nine working months with an investment of 3 million euros. The new kitchen consists in a space of 400 mq on two levels that provides 400 daily dishes. On the top floor there is the kitchen that is visible from the restaurant through two large shaped windows called "*Santa Chiara*". The kitchen is divided in four islands for different cookings and preparations, with induction plates, a "tailoring" system and customized refrigerators with manageable temperatures. From the "*Table du chef*" a maximum of six guests can assist the chef and its team into the food preparation.

This investment of 3 million euros reflects the food philosophy of the Executive Chef, Vanlangenaeker, "*The cooking and the experience of eating has to be true and real*". He states: "*Guests are able to see where all the ingredients come from and where they are grown in the gardens, and then they can watch the food being prepared. Everything about the dining experience is transparent and honest.*" (Departures, 2017)

Crossing the stone stairs to the private beach, there is the second restaurant "*Carlino*" reserved to guests, a "*pieds dans l'eau*" restaurant that offers more simple dishes.

The US market represents 46% of restaurant clients, followed by Englishmen, Frenchmen, Australians, Italians and Brazilians.

The staff involved in the department organization is highly skilled. The manager of the department (*Massimiliano Porzio*) is also responsible of *Carlino Restaurant* and he is lecturer of many training course in F&B management.

After a training course in the hotel, The Restaurant Manager (*Roberto Fusco*) has been holding this role for two years, managing the starred restaurant *Zass*. He won "*Best waiter under 30*" in Southern Italy.

The Chef, *Alois Vanlangenaeker*, from Belgium has been working at San Pietro since 2002. He travelled in all the world working in Japan with the most famous chef as Souvereyns, crazy for his job that told him "*If you want to become someone, you don't have to give 100% of yourself, but 200%. Not 200%, but 300%. You have to give up a lot on a personal level* "

The Sommelier, *Salvatore Marrone* offers a variety of 600 wine labels, including national and international and local wines

The Food and Beverage department produces the 20% of the total revenues, and it is always object of control systems as BI Business Intelligence for the revenue management and Menu Engineering to maximize the revenues and to manage the costs.

Scenario analysis

San Pietro Resort is a small single unit hotel in one of the most popular destination in the world "Positano", an international destination. Most of the tourists are represented by the international market. Only in 2019, the number of international stays in luxury hotels was equal to 81.908 over 86.954 total stays. In Positano there are 6 five stars luxury Hotels: *La Sirenuse Hotel*, *Villa Treville*, *San Pietro Hotel*, *Hotel Le Agavi*, *Hotel Villa Franca*, *Hotel Covo dei Saraceni*. (Source: Istat)

Taking in consideration Porter's Model, the competitive context is as follows:

Existing rivals: the most existing competitors are represented by the 5 stars luxury hotels with similar rates and ranking. The main factors that characterize these structures are: the location, the proximity to the town center, the private beach, the starred restaurants, the suite rooms and services and additional services.

The Sirenuse is the first San Pietro's competitor located within the town center, just 200 meters from the coast, equipped with an oyster bar and a Michelin-starred restaurant. The property also features a free-swimming pool, hammam and fitness center.

The low number of existing competitors doesn't represent a high threat and pushes the structures to make a tailored offer characterized by a high experiential level so to differentiate the product.

Four are the most characteristics that make San Pietro a unique selling product:

- the location, carved into the sheer rock face;
- the Michelin 1 starred Restaurant;
- the homemade production;
- the access to the private beach into the rock;

The location, unique in the world, represents a competitive advantage resource, guests can spend their holiday completely involved into the nature and reach the private beach by the lift enclaved into the rock.

The closed link with the territory is another important source of competitive advantage. Most of the ingredients of the restaurant menu come from the hotel vegetable gardens, guests (eg. George Clooney) can choose and collect what they prefer from the gardens and take them to the kitchen that will satisfy their needs. The natural location and the emotional experience make the San Pietro a competitive place unique to visit. The San Pietro is not only an Hotel but a resort involved in the nature, guest live their hotel stay among the gardens, terraces, the private beach and the attractions and extra-services.

New entrants: in the case of Positano, that is a small town known at international level, new entrants can be a threat when they get a very high local relevance. San Pietro hotel has an ancient family story and so a strong brand reputation and boasts a high loyal customer level. Its name is mentioned in many international newspapers, and today it is often associated to Positano town, finally San Pietro belongs to the group Relais & Chateaux Luxury Hotels. It is rather unlikely that a luxury resort is opened, considering that there are no sites available. Some particular suite rooms and apartment can easily be set up but they are not direct competitors for San Pietro. Therefore, this threat is rather low.

Substitute Products: luxury hotels are addressed to a specific target that requires services of high-quality level in terms of a full emotional experience. Substitute products as non-hotel structures as farm holidays and luxury villas cannot be considered, they don't offer same or similar services, San Pietro does not offer only the core product of hospitality business but a full emotional experience according to Smith's Model.

Suppliers: the bargaining power seems to be low due the high numbers of suppliers. Anyway, suppliers can apply their power raising prices, limiting availability of resources. A key role is represented by restaurant suppliers of San Pietro. The hotel uses all local products, favouring 0 km production and home-made production. Most of the ingredients present in the menu à la cart is produced in the hotel gardens. Suppliers, however, in this niche market, can have a relevant bargaining power, from construction companies to furniture companies to the rarest and most expensive products.

Buyers: they must be identified in two main groups: direct consumers (guest that book directly without intermediaries) and indirect consumers such as tour operator, travel agents, online travel agents, airline companies. The former has a bargaining power connected with the high knowledge, social level, tastes, that make him/her more demanding and hard to please and therefore that can more easily change his/her mind and structure, that if they are large size companies can have a high bargaining power. Direct consumers can therefore be considered a threat when they have many options to choose at the same quality/price level.

Travel agents and tour operator are very difficult to retain since they can decide to change the destinations and the structures to propose. However, since the San Pietro is unique both in its structure and its style, it still attracts, even being Coronavirus still around, a lot of customers and therefore of clients, especially the most loyal to San Pietro, are repeaters.

Complementors: to gain a competitive advantage hotel also need to collaborate with existing competitors and other actors of tourism industry.

At an international level San Pietro belongs to one of the most prestigious networks of luxury travel agency “Virtuous”, obtaining an international visibility among the most luxury hotels. This network puts in connection travellers, the world's best travel advisors and tourism companies as hotels, tour Operator, airlines, cruise lines, car rental companies.

At local level, considering the context, Positano is a small town known in all the world for the natural and artistic and cultural resources and it is located in a larger district that is represented by Amalfi Coast, San Pietro collaborates with existing rivals and with other local actors to implement joint policies focused on tourism development project to improve and promote an integrated offer. It is within networks of relationships with other firms of excellence that make the whole area very competitive. The strong competition among different actors makes Positano and the rest of the coast a destination able to create demand independently. San Pietro Hotel is one of the 54 actors belonging to the Amalfi Coast District, aimed to strengthen the tourist offers and to guarantee a sustainable environment. In particular, San Pietro is involved in training activity (the Growth Programme), offering training courses as: Food and Beverage Management course lead by their F&B Manager, Cost and Revenue Management course lead by the corporate finance manager, and a Strategic management course lead by the general manager. This action has the objective of training and strengthening the entrepreneurial knowledge and skills of the new talents emerging from local hospitality schools.

Vrio Analysis

After analysed the external context, an identification of internal resources is necessary to identify which of them can be a source of a competitive sustainable advantage;

- *the entrepreneurial skills and capabilities of the founder and of the third generation: Carlino's intuition and his family management from him to his great grandchildren Carlo and Vito;*
- *top management skills: the management entrusted to Andrea Zana, graduated in Economy and Tourism, with several professional experiences in various European capital, he has covered different figures from bartender and waiter to Food and Beverage Manager and General Manager in San Pietro. Its management mission consists in keeping a competitive advantage over competitors, to increasingly become a point of reference at an international level, to continue investing in technology and to increase the number of repeater guests and to find ways to acquire new skills day after day;*
- *brand image: known all the world, San Pietro name is associated to the small town of Positano; the hotel is always present at the most important international trade fairs, and is joined to Relais & Chateaux Group;*
- *location: extraordinary location overlooking the sea with an iconic view of Positano and the coast up to the Faraglioni of Capri. The only hotel with direct access to the private beach with a lift in the rock;*
- *technological investments: the kitchen of the Zass is a forward-projected technology, induction stoves, extractor ceilings, ozone sanitation system;*

- *human resources*: loyal staff for years (the staff turnover is very low, 5%) who knows the structure and guests perfectly, providing a service of excellence. Internal and external communication is all done by internal staff;
- *food and beverage department*: is well structured with high technological investments, the *Zass restaurant* represents an attraction factor. The two bars and Ape Car street food complete the food and beverage offer, guaranteeing elegant and authenticity. The chef plays a key role, with his background creating type of modern and minimal cuisine that combines the new trends of international cuisine and the local culinary art.

Competencies and skills	Value	Rarity	Inimitability	Organization	Competitive implications
Entrepreneurship of the founder and third generation	Yes	Yes	Yes	Yes	Sustainable competitive advantage
Top management skills	Yes	Yes	Yes	Yes	Sustainable competitive advantage
Brand Image	Yes	Yes	Yes	Yes	Sustainable competitive advantage
Technological investments	Yes	Yes	NO	Yes	Temporary competitive advantage
Human resource management	Yes	Yes	Yes	Yes	Sustainable competitive advantage
F & B department	Yes	Yes	No	Yes	Temporary Competitive advantage

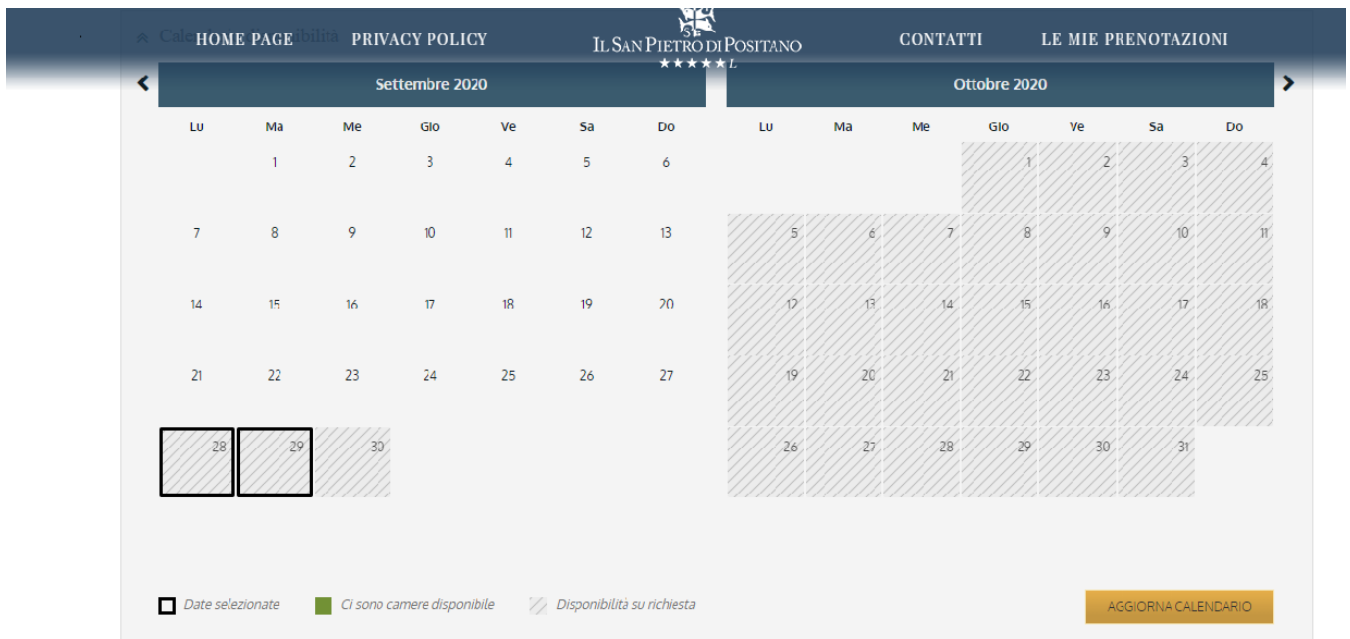
Swot Analysis



Marketing strategies

San Pietro Hotel is focused on a specific customer target, the luxury market. The 60% of guests is represented by direct consumers that book the structure directly, while the other 40% books through the travel agency channel. The 48% of direct consumers are repeaters: the success is due to the full emotional experience that the hotel offers to its guests, a mix of feelings meet the guests before the arrival, during the stay and after their leaving.

The Hotel Website represents an important resource to favour direct booking. Consumers can choose the room that more suitable with their needs and to check the availability and confirm and to check their reservation.



Source: www.ilsanpietro.com

The Sales & Marketing Office has direct and continuous relationships with travel agencies and tour operators, and it is always present at international fairs in order to guarantee an international visibility to the hotel. The hotel joined prestigious networks as a *Virtuoso* and *Relais & Chateaux Group* to strengthen the brand awareness as a luxury hotel at international level.



Hotel staff is always in contact with guests, in order to understand and satisfy their needs; the experiential side is a strength of the structure. All the staff is engaged to collect data from guests, understanding their needs in order to guarantee a full experience.

Several experiences have been created to guarantee a portfolio of activities to the guests.

Experiences at San Pietro

Garden visiting

The gardens cover half surface of The San Pietro, they are cut into the rock forming the terrace levels, they are crossed by a walking of 400 steps from the Spa to the private beach passing from the vegetable gardens. Four gardeners are engaged to cultivate all the products that supply the restaurant kitchen and to take care of the flowers to decorate the structure. An agronomist studies the crop cycles to obtain the perfect ripening period, staggering the sowing and harvesting times in order to have fresh products all year round.

The maître offers free tour guide across the walking to the private beach describing all the vegetation and in the production process. Most of the restaurant dished are made with km 0 products.

Wine tasting activities

In San Pietro the wine is a culture, its cellar is equipped with 600 hundred wine labels. Before the daily opening of the *Zass Restaurant*, the hotel sommelier leads the guest in a private itinerary in three different regions (Campania, Tuscany and Piedmont) or in tailored path to enhance the excellence and uniqueness of the territories.

Italian Classes

A mini Italian course of four classes is provided to favour guests in learning basic Italian expression to introduce yourself, to greet them correctly, to order a drink at the bar. The class can be individual according to the Italian level of the guest.

Cocktail Masterclass

In the Alcova Bar cocktail masterclasses are provided by the head barman that illustrates the ingredient, preparation process and secrets of the cocktails available à la cart, ensuring a pleasant customer experience.

Cruise experience and private yacht: on demand the hotel offers a free two hours cruise trip along the coast and a private yacht charter, the exquisite *Morgan 44 Joey* yacht.

During the Covid-19 outbreak, The San Pietro has launched another experience activity to keep itself in contact with its guests and to offer an authentic experience as the on line cooking activities lead by all the hotel staff, including the ownership, with the supervision of the chef Alois Vanlangenaeker.

“From our home to your home” is the name of the series born during the 2020 quarantine, where the spectator is lead in journey in the kitchen where chef Alois and owner Vito Cinque bring the flavors of the local cuisine to guest’s home.

The San Pietro offers many services to satisfy guest needs, offering them a full experience both within the structure and in its surroundings (Positano). It’s the only resort in *Positano* with direct access to the beach equipped with solarium and bar. An elevator in the rock quickly descends from the hall to this heavenly place, the beach club is exclusive to resident guests. The swimming pool terrace overlooking the sea and the village of *Praiano* is reserved to the resident guests.

The San Pietro Hotel is equipped with a health centre located in the shade of a lemon grove. The centre consists in a Spa, Fitness area, that includes yoga and Pilates area on the beach and a Tennis Court.

Sustainability

According to the main pillars of sustainability San Pietro Hotel takes care of the environment not only in terms of nature but also in terms of authenticity and social cohesion.

Authenticity and Environment: Taking in consideration the structure (the garden, the terrace and beach) of the hotel and its location, San Pietro is completely involved in the territory, specially into the rock. It represents a destination inside the *Amalfi Coast* destination. The hall is completely decorated with the garden flowers and vegetable gardens supply the kitchen of the hotel. The vegetables are 100% organic and produced without pesticides or chemicals contributing to a healthy diet and a homemade production: eg. homemade breakfast products and the bread made three times a day.

Always sensitive to environmental issues and pollution prevention, the hotel promotes a sustainable management certified by an Environmental Management System compliant with the UNI EN ISO 14001 standard.

The environmental policies include a variety of actions, as promotional activities addressed to guests to suggest a sustainable behavior based on eco-friendly principles, the optimal use of non-renewable resources as water and energy, the reduction of waste production and the prevention of acoustic pollution.

Technological investments play a key role in that, the new kitchen is equipped with an electrical load control system that allows to operate with only 150W against a nominal consumption value of 700W, the hotel has seen 25 percent lower energy bill. It is also equipped with a "Tri-generative" system: refrigerators and cold chambers generate energy that is used to heat water in the hotel. The executive Chef *Alois Vanlangenaeker* compares the reborn workspace to the previous kitchen as “*the difference between a Ferrari and Fiat 500*”.

In the basement, dug into the rock, there is the waste management system, which allows to reduce the waste amount by 85%. Another important measure is represented by the ozone treatment, the

kitchen is provided with a suction ceiling that allows the ozone treatment that ensures the daily disinfection of the kitchen and its plants.

Equity and solidarity: The Covid-19 pandemic has emphasized the sustainable behavior adopted by the San Pietro Hotel. As the other hotels, it was affected by the forced closure due to the lockdown and the social distance. San Pietro has postponed the 2020 season opening on July 3rd with 40 cameras instead of 57 and avoiding buffet service while the *Carlino* will be opened all day to satisfy the guest needs.

Vito Cinque, the European vice president of *Relais & Chateaux group*, has promoted a slow and responsible reopening among the associated hotels through weekly meeting and through the implementation of a digital platform and signing a contract with Veritas to define the protocols to reopen structure in safety conditions. They have shown to be efficacious and the result has been a renewed high attractiveness of the hotel, so to cover the whole capacity in the summer season.

Due to the business nature of Positano district consisting in small business family, The San Pietro Hotel belongs to a in network that involves other local 5 star luxury hotels as the *Sirenuse*, *Santa Caterina*, *Palazzo Adino* and *Don Alfonso*. Owing to the pandemic, they have proposed a voucher of 5.000 euros to use in 24 months since the hotel opening, consisting in an overstay of two nights, a transfer service from/to Naples and a gastronomic dinner at Don Alfonso Restaurant. The complex revenue amount of 217.000 has been addressed to finance the melanoma research.

The San Pietro is facing the new challenges driven by the Pandemic to answer new tourism needs- Luckily, its open space structure ensures a safe environment and promotes a slow tourism through an experiential hospitality that represents a peculiarity of Italian hospitality.

Sustainability and answers to the Pandemic: <https://www.fortuneita.com/2020/06/17/ricostruzione-cinque-san-pietro-positano/>

San Pietro told by the staff: https://www.mediasetplay.mediaset.it/video/studioaperto/lhotel-san-pietro-a-positano_F309455501586C10

The emotional side: <https://www.ilsanpietro.com/it/video/>

“From our home to your home”- Cooking activities in Pandemic <https://www.ilsanpietro.com/it/blog/spaghetti-al-limone/>

Virginia’s speech: “Reading is a gift”: <https://www.youtube.com/watch?v=YgKh8XyLE9k>

Exercises

1. According to Vito Cinque’s interview that defines “*international travellers, more willing to have dinner in a Micheline restaurant (although they don’t always have the expenditure capacity) than Italians that prefer to eat in a trattoria rather than a three-star restaurant.*” How can San Pietro hotel attract a domestic market that looks to have a different consumer behaviour respect to the international market that has always represented the main target of Positano ?(<https://www.fortuneita.com/2020/06/17/ricostruzione-cinque-san-pietro-positano/>)
2. Although San Pietro di Positano is closely connected to the territory, it belongs to important international networks. Which international hotel with similar characteristic could be a competitor? Identify the main international structures with similar characteristics and try to make a comparison.
3. Try to define the pricing policies applied by The San Pietro Hotel and those of its main competitors mentioned in the case study. Compare the different prices and try to understand which main characteristic affects the price.
4. Identify the main communication channels (Hotel Website, Virtuoso Portal, Chateaux and Relais, and others...) and define the different customer targets reached and advantages that the San Pietro can gain in terms of promotion and more.

EXPLORING DIGITALIZATION, EXPERIENCE AND SUSTAINABILITY AT HILTON WORLDWIDE

Giovanna Del Gaudio

1. The History

The history begins in 1919, when Conrad Hilton buys his first hotel to after open it in 1927. Some new opening happens in the following years such as the the Roosevelt Hilton in New York City in 1947. The next year Hilton becomes the first hotel company to introduce a multi-hotel reservations system, which is the beginning of the modern day reservation system.

In 1959 Hilton opens its first airport hotel (San Francisco Airport Hilton), becoming the pioneer of the airport hotel concept.

During the 1970s, Hilton develops the first centralized reservation service using computer technology, investing in a customer service before its competitors.

In the following decades, Hilton continues to invest in new locations and brand till the 2016 when Hilton expands in all over the world.

Indeed, nowadays, Hilton Worldwide owns 18 brands with more than 6,200 properties and more than 983,000 rooms in 118 countries and cities.

Its centenary history demonstrates how the founder, Conrad Hilton had the right vision not only to invent in the hospitality industry but also to be the first mover in innovation. As viewed, innovation at Hilton has always had a central position in technology, organization as well as in marketing activities and in the networking capabilities of the founder and of the executives, as underlined in the following paragraphs.

Indeed, the idea to strongly differentiate the brands through a strategy of umbrella brand is connected with the need to communicate different styles for different targets according to the light of Hilton concept (differentiation strategy). Indeed, the company has grouped the eighteen brands under the following concepts:

- ✓ *Luxury & Lifestyle*: the brands belonging to the concept luxury & lifestyle are expression of luxury hotels with high level service, offering extraordinary experiences. This luxurious collection is based on exclusive servicescape shaped by energizing environments for work, relax or leisure.

- ✓ *Full service:* the hotels based on the concept of "full service" invest their energy on the cure of details of each single service. This concept also contains historic hotels with a distinctive character, very difficult or costly to either imitate or replicate, able to satisfy the most curious guests. These independent hotels have the DNA of the cities in which they are located. They fully respect the local culture in terms of folklore and authentic food and beverage.
- ✓ *All suites:* under the "all suites" concept there are medium-level hotels for long stays. This represents a modern choice that meets the needs of travellers asking for a good value for money with big suites. This represents a solution for who is looking for home rather than hotel.
- ✓ *Focused Service:* these are hotels endowed with 24/24 services, fitness centres, business centres, market inside the hotels. All is based on very special services for both business and leisure travellers.
- ✓ *Timeshare:* Hilton Grand Vacation and Resort offers groups, families and individual travellers a full hospitality service with spacious suites, on-site restaurants, entertainment, guest lounges, shops and numerous other facilities. Each property is unique in its style, but the hallmarks remain unchanged, such as high-quality amenities, spacious accommodations, and extensive on-site facilities.

Figure 1 - Hilton's brands



Thanks to this strong differentiation Hilton Worldwide has acquired different targets as well as it has strengthened the brand reputation. Indeed, in these years Hilton has been:

- ✓ named the Global Industry Leader on the Dow Jones Sustainability Indices;
- ✓ featured in Fortune's 2019 Change the World List for the second year in a row, the only hospitality company on the list;
- ✓ recognized on the 2019 CDP prestigious "A-List," placing in the top 2% of the thousands of companies that were scored.

These represent important awards and recognitions not only in the field of hospitality but also in the financial world and the group has been appointed as one of the best company to work for, demonstrating its organizational competences and strengths.

The selected case of Hilton Worldwide has a precise path, thanks to its uniqueness, to the confirmed capacity to be a pioneer in the industry as well as to being able to represent the "*avantgard*" for its sense of innovation in the fields of digitalization sustainability and customer experience.

2. The role of digitalization for the creation of experiences

The focus on personalization is one of the biggest challenges at Hilton Worldwide. This aim is reached thanks to the use of technologies allowing to meet the most disparate customer's needs.

In latest years, the big hotel chain has been focusing on digitalization of rooms as the "next big thing". This project, born in 2017 and called "connected rooms", matches the preferences of each single guest.

Indeed, the assigned room records all the favourite media, temperature and channels, so when the guest returns to his/her room they find all they prefer (i.e., temperature, TV channels, streaming apps). These applications can be set up through the customer's mobile, deciding the comfort of bed or to turn the light on.

The Internet of Things (IoT), implemented by Hilton Worldwide, helps in supporting the concept of "homes away from home" since smart tailor-made rooms easily offer all the comfort guests want.

Hilton has worked on IoT for both induced and organic level (from the booking stage till the experience inside the hotel). The company also manages an award-winning customer loyalty program, Hilton Honors. For example, through the "Hilton Honors App", the guest can do the online check-in, choosing the room and obtaining a digital key. This digital key allows to open the room and as well as to get access to elevators, fitness center and the parking garage. Furthermore, Hilton Honors allows to have access to instant benefits, including a flexible payment or to choose exactly how many points to combine with money.

The app also offers a "live chat" through which customers can message a front office manager during their experience (i.e., asking more pillows or extra towels), after (i.e., hotel to recover items they may have left in their room), or before (i.e., informing about any kind of allergy or specific dietary request).

Digitalization is not only connected with Internet of Things (IoT) but also with virtual reality (VR) since the company uses 360-degree video in order to create an immersed experience before the customer arrival as well as the purchase. This is the example of the Barbados resort where VR is used

to reach mobile users and to show what they can experience during their stay. This is a part of wider project called “Destination: Inspiration” through which Hilton acts as a pivotal actor of the destination, following the corporate approach where big companies invest in strategies and marketing for the development of the destination.

All these digital strategies increase guest engagement, improving the overall satisfaction and experience. Furthermore, due to the high costs of devices, their implementation as well as the necessity of high specialized digital competences, Hilton gains competitive advantage over rivals.

On the management side, the implementation of smart technologies allows managers to monitor the guests' preferences through the specific IT function of "Mission Control", offering the possibility to effectively personalize the offer. From a commercial point of view, the Hilton Worldwide hotels, also benefit from “Performance Advantage”, an integrated system of innovative solutions available to hotels, in terms of programs and services.

Hilton has always invested in digitalization with reference to all the aspects of daily routines. This is the example of digital concierge, implemented in 2016, through which travellers can use Hilton’s online reservation options, rather than other travel sites like Hotels.com or Booking.com. At the same time, also the F&B department uses Table Management Software and Interactive’s Dining Reservations in order to better manage the efficiency and quality of its restaurants.

The digitalization, the high standard of human resources as well as of the service allow Hilton to be a proactive actor inside the ecosystem of the hospitality industry. Indeed, Jennifer Chick, Vice President of Global Marketing and Digital, says:

“Our customers dream, they shop, they book, they stay at our properties and then they advocate. So my team pretty much works on inspiring and empowering every part of that customer journey so whether is the website or mobile app or connector room or call center application or property management, we’re going through a full stack of transformation off all those modern systems that we have in our enterprise in order to be fast and nimble”

3. The concept of sustainability at Hilton Worldwide

“Hilton was founded on the noble premise that travel can make the world a better place, and 100 years into our journey, this premise still guides us today,” said Christopher J. Nassetta, President & Chief Executive Officer. This vision is at the base of Hilton’s corporate responsibility strategy, taking into account all the pillars of sustainability (environmental, social, economic).

The process of sustainable management is implemented through the program "LightStay" whose purpose is to monitor all the hotels thanks to clear measures and goals to pursue. Furthermore, hotels are also required to complete a detailed set of surveys that capture corporate social responsibility initiatives, and every hotel has a set of annual goals that align with "Travel with Purpose 2030" Goals. Travel with Purpose is Hilton's corporate responsibility strategy to redefine and advance sustainable travel globally. By 2030, they plan to double the investment in social impact and reduce the environmental footprint in half.

As regards the **environmental pillar**, Hilton bases its politics on some key points:

- *energy and carbon*: the issue of renewable energy is one of the biggest challenges at Hilton Worldwide. For this reason, the majority of hotels is using on-site solar panels and is certified to ISO 50001 (Energy Management System).
- *water*: this is an important issue and Hilton strongly believes in meeting local requirements for water conservation, identifying opportunities and suppliers to drive water efficiency. For example, some hotels use gallons as recycling system for the water while others (i.e. Africa) build water pump and pipe in partnership with local villages.
- *waste*: Hilton Worldwide uses an innovative way to address waste. The waste reduction strategy seeks to reduce the overall amount of waste produced in the hotels. For example, the hotels in Asia Pacific, Europe, Middle East and Africa have removed plastic water bottles from all meetings and events; Hilton adopts a recycling soap program thorough which used soap is collected by housekeeping teams and sent to soap recycling partners (i.e., Clean the World, Soap Aid, Soap Cycling and Sundara) who sanitize the soap and turn it into new bars for donation.
- *responsible sourcing*: sustainability in this field means sustainable seafood, animal welfare, and, in a wider meaning, supplier diligence. Hilton foresees sustainable sources from meat to poultry, seafood as wells cotton. The real challenge is to find and, at the same time, encourage suppliers to establish goals and validate through auditing and incentive program. Hilton also points out to create a framework for collaboration with top suppliers, sharing with them the main criteria of social, economic and environmental Hilton' sustainable standards.

The **social pillar** of sustainability is based on:

- *team member engagement*: Hilton invests in human resources, to support their careers and development. It strongly recognizes the role of learning through Hilton University, Mobile apps for CultureWizard, LinkedIn Learning and SkillSoft Best-in-class hospitality learning via eCornell Hospitality-focused courses available for free from Cornell University. Hilton also offers special programs for leaders and talents in order to better leverage their

competences. Hilton offers the "General Manager Academy" to form hotel leaders, "Passport to Success" for young people through the International Youth Foundation and "Lead@Hilton" a program offering to grow as a leader, from entry level to senior executive.

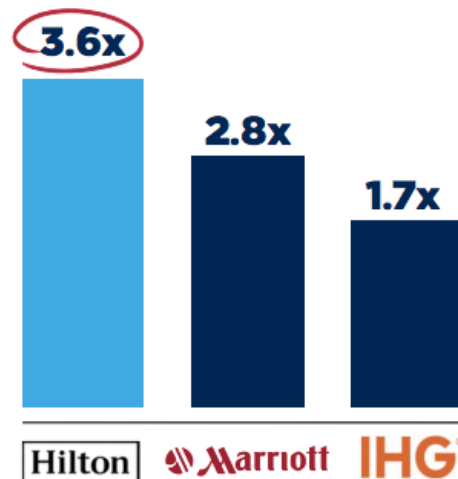
- *engaging workplace*: Hilton has been named the first Best Company to Work For in the U.S. and the second World's Best Workplace by Fortune Magazine. For example, the program "Parental leave" allows new parents to receive fully paid time off including fathers and adoptive parents.
- *diversity and inclusion*: for example, Women at Hilton account for more than half of all employees and diversity is promoted also for the suppliers with multicultural marketing. Data confirm the sense of diversity and inclusion they have: 69% of all U.S. Team Members are Ethnically Diverse, 43% of Global Managers are Women, 37% of Global Team Members are Millennials.
- *inclusive growth*: this voice refers to youth engagement, refugee engagement and local sourcing. Hilton has been the first hospitality company to join a Partnership for Refugees through employment and training programs for the hospitality industry. Furthermore, the Hilton culture is to valorize local producers, buying local products and investing in young entrepreneurs.
- *human rights*: Hilton poses at the base some precious documents such as Code of Conduct, Human Rights Principles and Responsible Sourcing Policy. These enclose all the rules and duties including the prohibition of forced labor, bonded labor, child labor, slave labor, human trafficking and recruitment fees.
- *community investment*: in order to prevent food waste, Hilton has launched the program of food donation through which the hotels donate the food, were legally allowable, to local organizations. Furthermore, Hilton owns hotels where there is the risk of natural disaster or other catastrophic events, and the company supports the human resources and communities in times of hardship. The vehicle through which Hilton makes investment in the social field is Hilton Effect Foundation, the Hilton non-profit organization dealing with destination promotion, local projects, sustainable sourcing, etc.

Of course, the obtained results in terms of environmental and social goals influence also the **economic pillar of sustainability** as well as the reputation of the brand. Indeed, the economic-financial results depend not only on the services sold but also on the efficiency of sustainable actions, especially in the environmental field since the reduction on consumptions are finalized on environmental resources reduction and economic benefits in terms of cost saving.

Hilton records 14% RevPAR, a key performance metric for the hotel industry (Hilton Investor Relation 2020).

Figure 2 shows how Hilton gains advantage over the main competitors in terms of market share, demonstrating a clear growth with a fast feedback of the created concepts by the demand around the world.

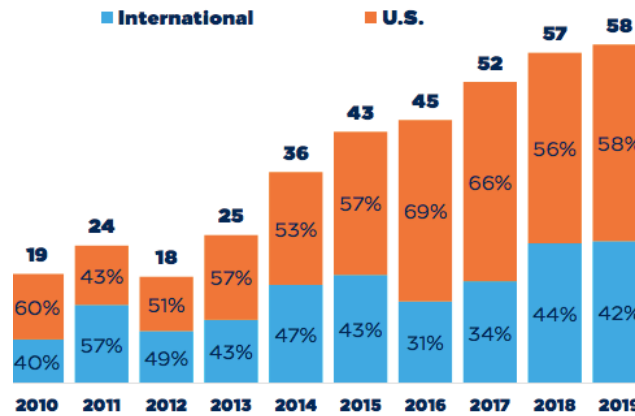
Figure 2 -Global Market Share



Source: Hilton Investor Relation 2020

Another important metric in the hotel industry is the net unit growth that stands for the percentage increase in net product sales compared with previous years. In this case, although Hilton shows a fairly stable trend in the net unit growth, what is important to underline is the fact that there is a sustainable return on minimal capital investment (Hilton Investor Relation, 2020).

Figure 3- Hilton Net Unit Growth



The results suggest that financial indicators and economic growth have a growing development. This is also due to the fact that the Hilton business model is fee-based, where there is a basic remuneration recognized to the manager, and capital efficient. Hilton offers licenses under the name of a precise brand (i.e., Waldorf Astoria, Double tree, etc.), operating a hotel business under a Franchise Agreement Hilton Worldwide. Hilton gives to its franchisees the license for the operative system. The Hilton System consists of the elements, including know-how, and other services such as the access to a reservation service; advertising, publicity and other marketing programs and materials; standards, and policies for furnishing, operation, appearance and service of the hotel, etc. Franchisees have to follow the high standards Hilton has established. To become a franchisee is a complex investment, since apart for the base-fee due to the franchisor there are additional fees for each further required services. Indeed, Hilton periodically offer to its affiliates additional services, from additional training for the employees, assistance in recruiting various types of employees, to other services and programs. These services require additional mandatory training or participation in additional programs and, consequently, are payed through fees (Franchise Disclosure Document Hilton Franchise Holding LLC, 2020).

For example, table 1 shows the additional fees for the franchisor in the case of the brand Doubletree

Table 1- Some examples of other fees for the brand Doubletree

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
General			
Monthly Royalty Fee	5% of Gross Rooms Revenue.	Payable monthly by the 15 th day of the following month.	See Note 1.
Monthly Spa Royalty Fee	2% of Gross Spa Revenue.	Payable monthly by the 15 th day of the following month.	Payable only if Eforea Spa Amendment is in effect. See Note 1.
Monthly Program Fee	4% of Gross Rooms Revenue.	Payable monthly by the 15 th day of the following month.	We may change the Monthly Program Fee. See Notes 1 and 2.
Room Addition Fee	Currently, \$400 per guest room or suite, multiplied by the number of additional guest rooms/suites.	Due with Application for approval.	If you add or construct additional guest rooms any time after you open the hotel under the Brand, you must pay us a Room Addition Fee and sign an amendment to the Franchise Agreement. This fee is non-refundable once we approve your Application.
Computer System Fees			
OnQ Additional Rooms Fees	Currently, \$120 per additional guest room/suite.	When additional guest room/suites are completed.	If you add or construct additional guest rooms at the Hotel at any time after you sign the Franchise Agreement, you must pay Hilton or HSS the then current per guest room/suite software license fee charged to System Hotels multiplied by the number of additional guest rooms.
OnQ Connectivity Fees	Currently, between \$1,485 and \$2,150 per month.	Billed monthly.	Fee is determined by the number of workstations and other OnQ equipment at your Hotel.
OnQ Interface Fees	Currently, \$1,000 per additional interface.	As agreed.	Payable if you add an additional OnQ interface after Hotel opening.
OnQ Maintenance Support Fees	Currently, \$1,500 to \$6,000 per month.	Billed monthly by the 15 th day of the following month	This cost is determined by the number of workstations and other OnQ equipment at your Hotel. This range also includes the maintenance and support cost for the Connected Room system.
OnQ Email Fees	Currently, \$7.92 per user per month and \$12.50 per month for delivery to mobile devices.	Billed quarterly.	You must have at least 3 accounts.

Source: Franchise Disclosure Document Hilton Franchise Holding LLC, 2020.

All this complex organization and punctilious franchisee management allow to obtain important financial and economic results. These allow to gain sustainable competitive advantage not also in the strategic meaning of the VRIO framework but "sustainable" also assumes the meaning of having the capability to afford, in the long-run, the important strategies and actions in the field of environmental and social sustainability.

4. Conclusions

The competitiveness of hospitality industry is high and unpredictable, with companies and chains seeking new ways to meet customer demand. Hilton has more than 100 years of experience creating innovative solutions in hospitality, demonstrating right from the start to be strongly innovative being, for example, the first airport hotel and having the first rooms equipped with air conditioning and television. Hilton has never lost its trait of innovativeness, maintaining the position of the first mover in the sector over the years. At Hilton Worldwide innovation means to introduce digital systems and technologies, to find interesting and attracting solution for the planet the local community, the partners and the human resource, to afford he challenge to balance innovation and tradition. This challenge is constantly managed through the full respect of the local tradition, starting from the building, the local raw material and the local culture. What is interesting to underline in this scenario, is the fact that digitalization has an important role in valorizing all the aspects belonging to the tradition, in helping guests finding the real experience inside the destination or the local dish at Hilton Restaurant, in serving franchisee with the right tools to improve their performance.

Although the big dimensions of this company, the implemented business model allows to have a direct control over franchisee, to impose high standards' level, to share the vision on environmental and social sustainable goals and, above all, to obtain important progress and results for the the planet. This path represents the metaphor of the journey that Hilton is making with its partners, team members, suppliers, shareholders, etc, to reach new innovative and digital horizons to after looking for new experiential frontiers since "It is wisdom to profit by yesterday's mistakes. It is fatal to hang onto yesterday's victories. You limit yourself. The future should be expanding. Yesterday's experiences are the foundation on which you build today."(Conrad Hilton).

Exercises

- 1) Now it's time to do your own research on the case. Using the information of the above case studying and finding out new information, please identify the strategic resources of Hilton Worldwide through the VRIO framework.
- 2) Image to be the President of Global Marketing and Digital Division at Hilton Worldwide. Your task is to point out, with your team, digital strategy for the next five years. What do you think can be the future need of either Hilton or its customers?
- 3) Try to understand the nature and extent of Hilton competitive advantage as well as strategic challenges and answer at the following question: How does Hilton create a sense of engagement among employees to respond to rivals competitiveness?

4) Considering the main features of franchising, what are the advantages and eventual criticalities of this system for Hilton?