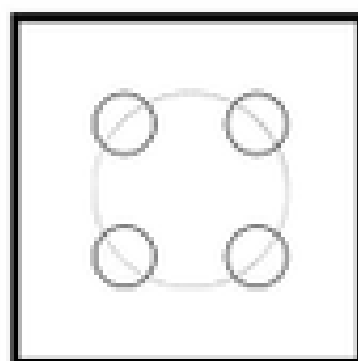


NORDPLUS HORIZONTAL PROJECT NPHZ - 2021/10064



BUSINESS MODELS  
in the Hospitality Industry

# BUSINESS MODELS POST-CORONA

## in the Hospitality Industry

HOTEL SCHOOL



HOTEL MANAGEMENT COLLEGE

Meet in  
**Reykjavik**  
Iceland Convention Bureau

**Dennis**  
ERHVERVSAKADEMI

 Nordplus

**Development Director, lecturer  
MIB, Mg.paed. Olga Zvereva,  
HOTEL SCHOOL  
Hotel Managementt College**

# Project Partners

NORDPLUS  
HORIZONTAL PROJECT NPHZ - 2021/10064



## Dania Academy (DK)

University, College

Postal address: Minervavej 63. DK-  
8960 Randers SØ. Denmark

Web page: [www.eaDania.dk](http://www.eaDania.dk)

One of Denmark's higher education  
institutions with 26 different  
educational directions



## HOTEL SCHOOL Hotel Management College (LV)

Type of institution: Vocational  
school/apprentice programme,  
college

Address: Smilšu 3, Riga, LV-1050,  
Latvia

Web page: [www.hotelschool.lv](http://www.hotelschool.lv)  
HEI, VET and ADULT education  
provider



## Meet in Reykjavik (IS)

Governmental Organization

"Meet in Reykjavik" is the official  
Convention Bureau for Reykjavik City  
and surroundings.

[www.meetinreykjavik.is](http://www.meetinreykjavik.is)

# BUSINESS MODELS POST CORONA IN THE HOSPITALITY SECTOR

Project number NPHZ-2021/10064

## Project Description

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### SECTORS:

Higher education  
Adult learning  
VET education

Private sector  
Public sector

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**Project periods: 08/2021 – 08/2023**

**Total budget: 102 800 EUR**



# **Description of the project, the aim and the objectives of the project**

The overall purpose of the project NORDPLUS HORIZONTAL PROJECT NPHZ-2021/10064 "Business Models post Corona in the Hospitality Sector" is **to develop teaching and learning materials in the hospitality sector (with a focus on hospitality management and business) considering Covid-19's impact on business models in the Nordic/Baltic countries.**



# Objectives of the Handbook

The developed teaching and learning materials for hospitality learners with review of suggested ways of operating within the hospitality sector post-Corona - with a specific focus on the Nordic/Baltic countries including Denmark, Iceland, Latvia.

**The Handbook demonstrates how to collect and update economic, financial information on the hospitality industry sector and operating companies within the industry.**

The Handbook provides a practical example of the 10-step analysis of the business models including industry analysis, development of the interview framework, proceeding interviews with the managers, analysis of the collected qualitative and quantitative data, bringing comparative discussion and conclusion about the operations within the three different external environments as Latvia, Denmark, Iceland.

# Description of the Target Audience for the Handbook

The broad target group for the use of the developed materials are adult learners from hospitality companies, students on higher educations and continuous vocational learners who study hospitality management and business in the project organisations, as well as outside of the organisations, as the materials are shared as open resources for wider use and applicability.

Additionally, a significant target group is the **DMO's (destination management office) and** other operators in the Nordic/Baltic countries that work with tourism and who have been affected by the impacts of the Corona Pandemic.

## Project Description

### NACE CODES:



55 Accommodation

55.1 Hotels and similar accommodation

55.2 Holiday and other short-stay accommodation

55.3 Camping grounds, recreational vehicle parks and trailer parks

55.9 Other accommodation

56 Food and beverage service activities

56.1 Restaurants and mobile food service activities


56.2 Event catering and other food service activities

56.3 Beverage serving activities

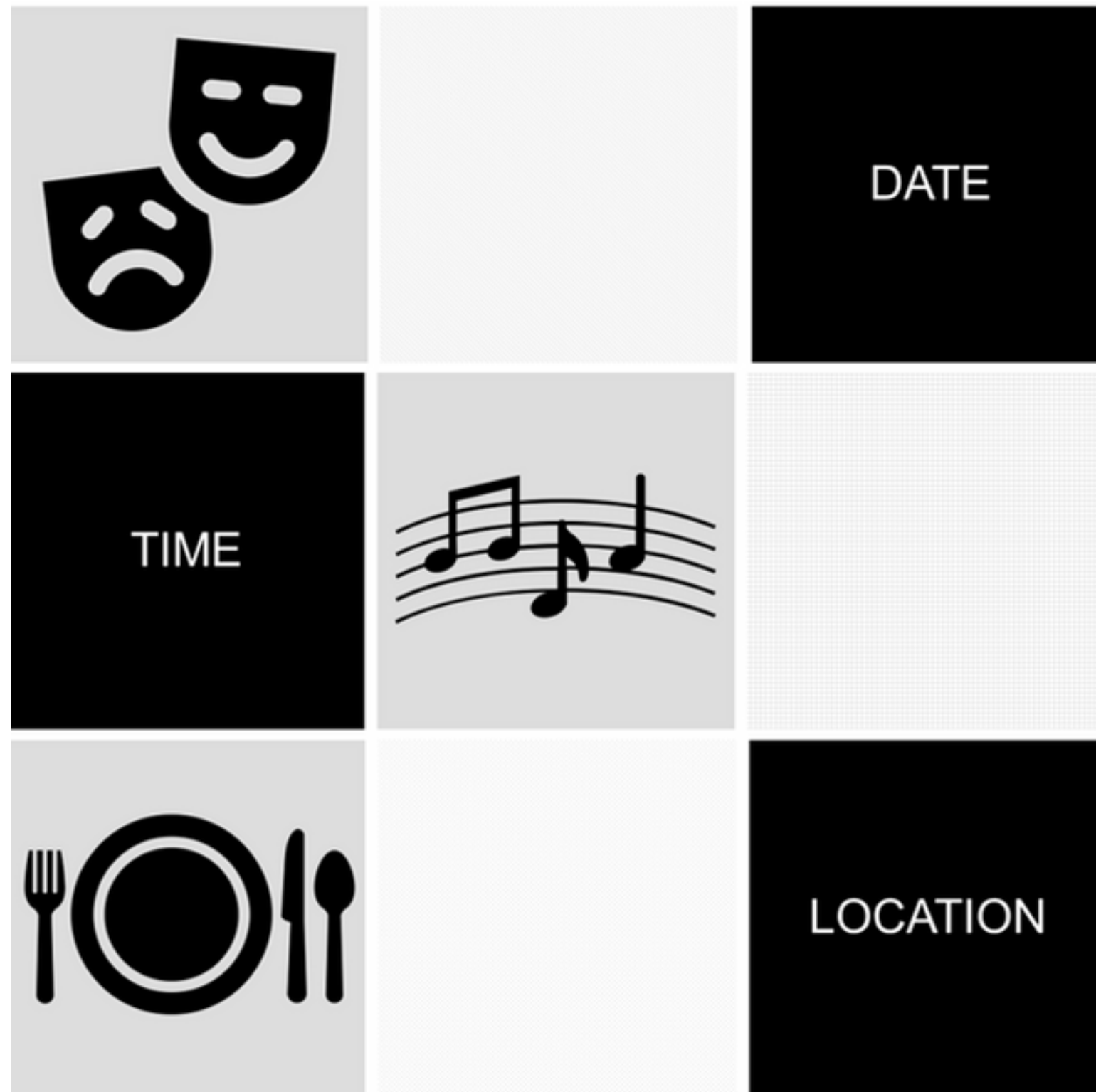
79.1 Travel agency and tour operator activities

82.3 Organisation of conventions and trade shows

**The authors of the Handbook ask the  
question –  
which SYMBOL of the hospitality  
do you see for 21st century?**



**LATVIA** 



# BUSINESS MODELS

Post-Corona in  
the Hospitality  
Industry

**in Latvia**

# BUSINESS MODELS POST CORONA IN THE HOSPITALITY SECTOR

Project number NPHZ-2021/10064



## INTERVIEWS

**FROM 3 COUNTRIES: LATVIA, DENMARK, ICELAND**

<b>Interviewee: Hospitality / MICE Organisation</b>	<b>EXHIBITION PROVIDER</b>	<b>TRAVEL AGENCY</b>	<b>HOTEL</b>	<b>COMPANY INVOLVED IN MICE,, for example, HORSERIDING</b>
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# THREE DOMAINS OF HOSPITALITY

## The Roots of the Hospitality Industry

Golubovskaya, M., Robinson, R.N.S., Solnet, D. (2016) refer to Lashley (2000) who proposed a widely acknowledged framework identifying three domains of hospitality – **private, social and commercial**.

Exploring the historical roots of commercial hospitality has practical value to the contemporary hospitality industry; O'Connor (2005, p. 267) highlighted: **“only once an understanding of hospitality’s origins and its place in human nature is achieved can one expect to discover what hospitality means today, and more importantly what it will mean to those entering the industry in the future”**. (O’Gorman, K.D., 2009).

# The Roots of the Hospitality Industry

O’Gorman, K.D. (2009) states that the commercial hospitality industry (provision of food, beverage and often accommodation within business) has not appeared out of the blue: it has existed for **at least 4,000 years**.

Commercial hospitality has always been seen as **a source of revenue for the state, for individuals and, indeed, businesses**.

Similarly, hospitality professionals commanded high status within society, frequently established through professional practice and writings. Crossing thresholds of commercial hospitality also guaranteed and provided physical protection, sanctuary and security. (O’Gorman, K.D., 2009).

**Commercial hospitality existed for those who did not have an extensive network of private hospitality or were either insufficiently privileged to receive the hospitality of the state or in such an impoverished personal situation that they required it. The commercial provision was not homogeneous, and stratified levels of provision offered different levels of service.**

**Establishments quickly gained reputations through the quality of their staff and standard of service provided, and equally through the character and behaviour of their clientele. (O’Gorman, K.D., 2009).**



# Innovations in the Post-Pandemic Hospitality Industry

Innovation is the art of implementing new ideas to improve productivity, products and services, while enhancing customer satisfaction, revenues and profitability.

Jayawardena, Ch.. (2019):

The article (2022) and the WHATT issue "What innovations would enable the tourism and hospitality industry to re-build?" involved 28 authors (mainly university professors) from 12 countries. The lead author of this article moderated the roundtable discussion. In conclusion, 20 of the key implementable concepts and suggestions for the post-pandemic era within tourism and hospitality industry., Jayawardena, Ch.. (2022).

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## Industry and academia partnerships

- Short and practical training programmes.
- Pass the most accurate and adequate information to high school counsellors.
- Regular joint updates of curriculum.

## Innovation in academia (including the curriculum)

- New models suitable for the post-pandemic era.
- More critical thinking and soft skills.
- Multitasking skills.
- Financial perspective to understand sources of cash, use of money and cash flow.

## Innovation in the industry

- Re-branding of the industry to attract more millennials.
- Breach the generation gap in the workforce.
- Focus on boosting domestic tourism.
- Redefine tourism and the way forward.
- View tourism beyond the commercial elements.
- Hotels should have meditation rooms, spas and relaxing dining rooms.
- Alertness as the changing needs of tourists (i.e. indigenous practices, wellness, yoga,

In general, **all stakeholders should be better prepared to manage the looming energy crisis** which may impact the airline industry, resulting an oversupply of rooms, restaurant seats and theatre seats.

# Business Models Post-Corona in the Hospitality Industry: Theoretical Framework

## THE THREE CONCEPTIONS OF BUSINESS MODELS:

- TRANSACTIONAL STRUCTURES,
- VALUE EXTRACTION MECHANISMS, AND
- ORGANIZATIONAL STRUCTURING DEVICES

Perkmann, M. and Spicer, A. (2010).

## THEORY OF BUSINESS MODELS AS PERFORMATIVE REPRESENTATIONS

an alternative approach:

(Perkmann, M. and Spicer, A., 2010).

business model as narrative by promoters

business model as identity

business model as recipe that instructs actors

# Business Models

## WHAT IS A BUSINESS MODEL?

A good model is always based on **creating value for the company's customers that will become a competitive advantage.** (Story Design, 2023, [www.the-story.is](http://www.the-story.is))

What is a business model?

According to Clayton Christensen of Harvard Business School, a business model includes four elements: **a value proposition for a customer, a profit formula, key resources and processes.** (Story Design, 2023, [www.the-story.is](http://www.the-story.is))

A 2011 study by Ramon Casadesus-Masanell of Harvard and J.E. Ricart of IESE Business School found that **an essential component of a business model must be the choices that managers make.** (Story Design, 2023, [www.the-story.is](http://www.the-story.is))

# **BUSINESS MODEL INNOVATION FRAMEWORK**

(Ramdani, B., Binsaif, A., Boukrami, E., 2019)

- Value proposition (Why?)
  - Core offering
  - Customer needs
  - Target customers
  - Perceived customer value
- Operational value (What?)
  - Key assets
  - Key processes
  - Partners network
  - Distribution channels
- Human capital (Who?)
  - Organisational learning
  - Skills and competencies
  - Incentives
  - Training
- Financial value (How?)
  - Revenue streams
  - Cost structure
  - Cash flow
  - Margins

# BUSINESS MODELS – BMA ANALYSIS

This model originally was designed and used for the analysis of financial institutions from all angles.

The model includes 10 stages as follows:

- 1. Preliminary Assessment:** analyzing and identifying the MICE company's main activities, products and businesses, as well as its relative position against the market
- 2. Identification of the areas of focus (materiality):** determining the BMA scope and identifying relevant areas for feasibility and sustainability analysis purposes.
- 3. Assessment of Business Environment** (MACRO LEVEL, MICRO LEVEL, SUSTAINABILITY, TECHNOLOGY / DIGITALISATION separately): analyzing the current and future conditions for the business; (post, current, forecasts)
- 4. Quantitative analysis of the current business model:** analyzing the MICE company's financial results, how they relate to risk appetite, and performing a horizontal benchmark against a reference group.

On the basis of Management Solutions (2017), BMA.

## **BUSINESS MODELS – BMA ANALYSIS**

- 5. Qualitative analysis of the current business model:** analyzing the MICE company's key success factors and main dependencies.
- 6. Analysis of the forward-looking strategy and financial plans:** undertaking a qualitative and quantitative analysis with a prospective approach, with the aim of understanding the business plan assumptions and evaluating how the strategy as well as the related risks might evolve as well as the associated risks.
- 7. Business model viability assessment:** assessing the MICE company's ability to generate sufficient returns over the next 12 months.
- 8. Strategy sustainability assessment:** assess the MICE company's ability to generate sufficient returns over a period of at least 3 years
- 9. Identification of key vulnerabilities:** identifying potential vulnerabilities in the business strategy.
- 10. Summary of findings and scoring:** summarizing the result in a report and calculating the score.

# Business Model Evaluation Matrix

The detailed scoring matrix based on the 10 stages of Business Model Assessment resulting in maximum total score 200 points is provided below:

	<b>Total score (1-200)</b>
<b>1</b>	Business Environment (max 0-22) 11% OF 200
<b>2</b>	PRODUCTS AND SERVICES (max 0-35) 17.5% OF 200
<b>3</b>	BUSINESSES (max 0-14) 7% OF 200
<b>4</b>	BUSINESS PROFILE and FINANCIALS (0 to 121) 60.5 % OF 200
<b>5</b>	STRATEGY (from 0 to 8) 4% OF 200



# Business Model Evaluation Matrix

		EXHIBITION PROVIDER	TRAVEL AGENCY	4-Star HOTEL	5-stars HOTEL +3-stars HOTEL
		Latvia	Latvia	Latvia	Latvia
1	Business Environment (max 0-22)	16	19	20	16
1.1	MACRO LEVEL (0- 14)	11	13	14	11
1.2	MACRO LEVEL Country (1-3), 1 – not supporting business environment, 2 - average macro environment, 3 – supportive and developed macro environment for that business	2	3	3	2
1.3	MACRO LEVEL City (0-3) 1 – not supporting business environment, 2 - average macro environment, 3 – supportive and developed macro environment for that business	3	3	3	2
1.4	HOSPITALITY Industry profile (0-3)	2	3	3	3
1.5	MICE Industry profile (0 to 3) 1 – not developed MICE business culture business environment, 2 average MICE business culture, 3 – supportive for business and developed MICE business culture	2	2	3	2
1.6	Business problems / challenges (macro level) (0-1)	1	1	1	1
1.7	Severity of External factors influencing business (0 to 1)	1	1	1	1

## Business Model Evaluation Matrix

		EXHIBITION PROVIDER	TRAVEL AGENCY	4-Star HOTEL	5-stars HOTEL +3-stars HOTEL
		Latvia	Latvia	Latvia	Latvia
1.8	MICRO LEVEL (0-8)	5	6	6	5
1.9	Severity of Internal factors influencing business (0 to 1)	1	1	1	1
1.1	Business problems / challenges (micro level) (0 to 1)	1	1	1	1
1.11	SUSTAINABILITY (0-3) 1 for minimal sustainability efforts, results, 2 – for extensive efforts, results, 3 for advanced efforts, results)	2	2	2	2
1.12	TECHNOLOGY / DIGITALISATION (0-3) Technology, technological/ digital transformation, software, innovations at micro level (0 to 3), 1 for basic technology, 2 for compound processes, 3 for advanced technology	1	2	2	1

## Business Model Evaluation Matrix

		EXHIBITION PROVIDER	TRAVEL AGENCY	4-Star HOTEL	5-stars HOTEL +3-stars HOTEL
		Latvia	Latvia	Latvia	Latvia
2	PRODUCTS AND SERVICES (max 0-35)	26	25	28	23
2.1	Portfolio (product and service) diversification in MICE and hospitality (0-3)	3	3	3	2
2.2	Demand for products and services (0-3)	2	2	2	2
2.3	Level of MICE and hospitality products within the business portfolio (0-3)	2	3	3	2
2.4	Ability to reshape and switch the products and services according to the external environment, Covid and market demand (0-3)	1	1	2	2
2.5	Ability to reshape and switch the products and services according to the internal environment and labour gap (0-3)	2	1	2	2
2.6	Ability to suspend /close and revitalize/ open, the business activity (0-3)	2	2	2	2

## Business Model Evaluation Matrix

		EXHIBITION PROVIDER	TRAVEL AGENCY	4-Star HOTEL	5-stars HOTEL +3-stars HOTEL
		Latvia	Latvia	Latvia	Latvia
2.7	Ability to operate and fund activities without suspending / closing (0-3)	2	1	2	1
2.8	Design (0 to 1), design at demand - 1	1	1	1	1
2.9	Production cost (0 to 1), 1 – lower than 30% of revenue - 1	0	0	0	0
2.1	Place (1 to 3) – 1 for local business, 2 for international, 3 for big scale international covering	3	3	3	2
2.11	Price (1 to 3) – 1 for low coster , 2 for average prices, 3 for high prices and luxury products	2	2	2	2
2.12	People – level of staff qualification, majority (0 to 3), 0 – fired staff, 1 for social skills, 2 – mid managerial level, 3 – engineering level and senior management	3	3	3	2
2.13	Processes – level of process complicity (0 to 3) – 1 for basic / elementary processes, 2 for compound processes with technologies, 3 for advanced processes	2	2	2	2
2.14	Efficiency (0 to 1)	1	1	1	1

## Business Model Evaluation Matrix

		EXHIBITION PROVIDER	TRAVEL AGENCY	4-Star HOTEL	5-stars HOTEL +3-stars HOTEL
		Latvia	Latvia	Latvia	Latvia
3	BUSINESSES (max 0-14)	9	9	11	9
3.1	Number of AFFILIATES (1-3), 1 – below 5, 2 – from 6 to 20, 3 – above 20	1	1	3	3
3.2	Diversification of businesses in the organization (1-3), 1 – up to 10 products, 2 up to 100 products, 3 more than 100 products	1	2	1	1
3.3	Business intelligence (0 to 1)	1	1	1	1
3.4	Level of complicity of Business systems (0 to 2), 1 – basic level, 2 – complicated business systems	1	1	2	1
3.5	Organisational chart, departments - (0 to 1), 1 – basic, 2 – complicated many level charts	2	1	2	1
3.6	Distribution models (0 to 2) – 1 self-distribution, 2 – complicated distribution models	2	2	2	2
3.7	Free market niche (0 to 1)	1	1	0	0

## Business Model Evaluation Matrix

		EXHIBITION PROVIDER	TRAVEL AGENCY	4-Star HOTEL	5-stars HOTEL +3-stars HOTEL
		Latvia	Latvia	Latvia	Latvia
4	BUSINESS PROFILE and FINANCIALS (0 to 121):	18	15	20	10
4.1	Growth of company status (0 to 1)	0	0	0	0
4.2	Growth of balance (0 to 1)	1	1	0	0
4.3	Growth of market share (0 to 1)	0	0	0	0
4.4	Growth of turnover:	0	3	1	0
	Turnover increase (0-3), last year or average for 3 years, (from 0 to 3, 1 – to 10% turnover 2 – from 11 to 35% turnover, 3 from 36% turnover)				
4.5	Liquidity (0 to 1)	0	1	0	0
4.6	Growth of employees (0 to 1)	0	0	0	0
4.7	Employees:1 (from 1 to 10), 2 (from 11 to 20), 3 (from 21 to 30), 5 (from 31 to 50), 7 (from 51 to 70), 9 (from 71 to 90), 11 (from 91 to 110), 15 (from 111 to 150), 17 (from 151 to 170), 20 from (171 to 200), 25 from 201 to 250, 30 from 251 to 300, 40 from 301 to 400, 50 from 401 and above, 100 from 1000 and above.	7	3	9	1
4.8	Growth by profit:	3	0	2	1
	Profit (last year, or average for 3 years) % (from 0 to 3, 1 – to 10% profit, 2 – from 11 to 35% profit, 3 from 36% profit)				

## Business Model Evaluation Matrix

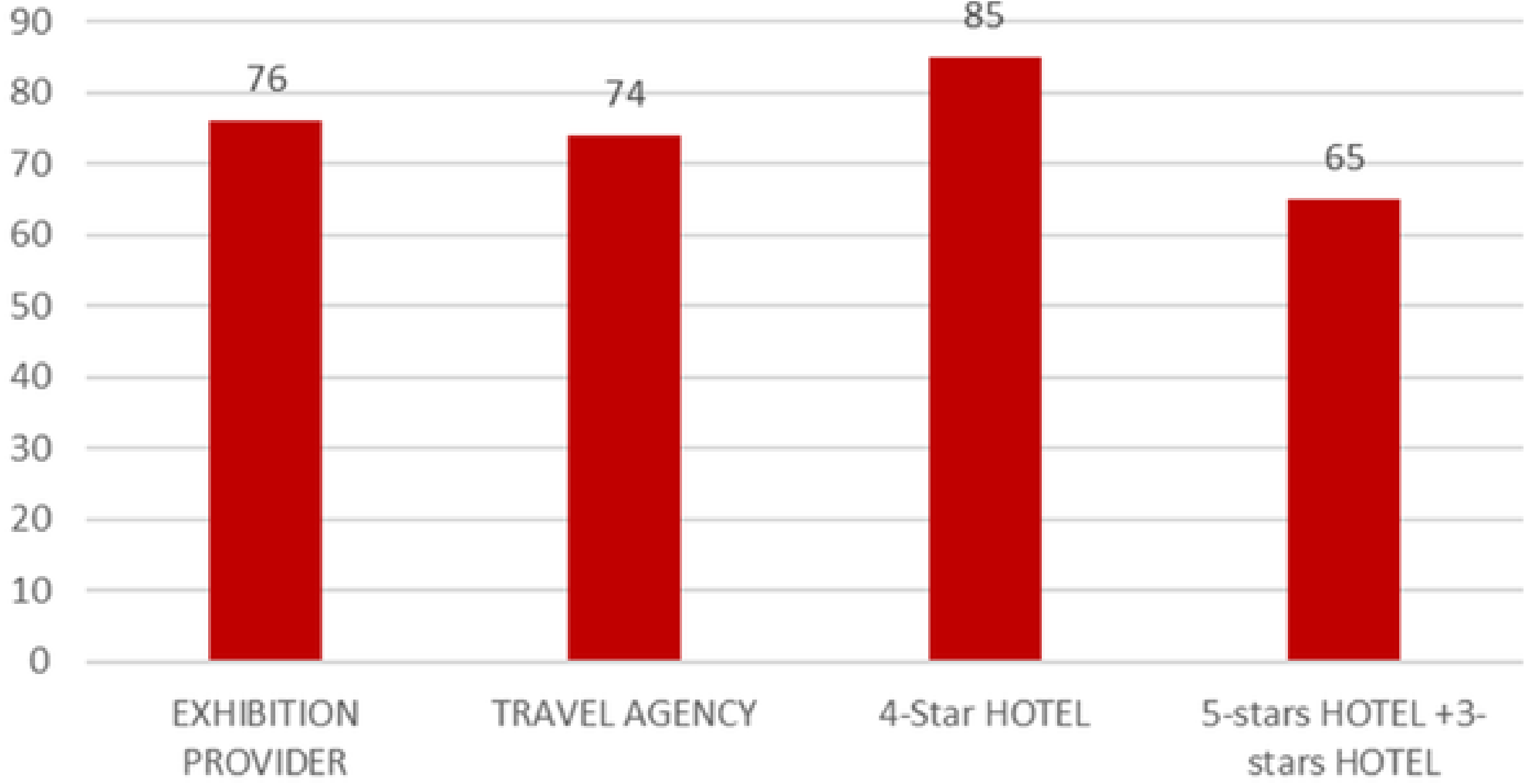
		EXHIBITION PROVIDER	TRAVEL AGENCY	4-Star HOTEL	5-stars HOTEL +3-stars HOTEL
		Latvia	Latvia	Latvia	Latvia
4.9	No tax debt (0 to 1)	0	1	0	0
4.10.	No insolvency (0 to 1)	1	1	1	1
4.11	Relative position against the market (0 to 1), 1 – number of direct competitors below 50	1	1	1	1
4.12	Developed infrastructure (0 to 3), 1 – equity / infrastructure below 1 mln EUR, 2 –from 1 to 5 mln EUR, 3 over 5 mln EUR	2	1	3	3
4.13	Level of modernization of infrastructure (0 to 1), (1 – modern, technological, in good condition)	1	1	1	1
4.14	Financial results to risk appetite (0 to 1) (1 – positive results)	0	0	0	0
4.15	Received financial support (0 to 1)	1	1	1	1
4.16	Customer satisfaction (0 to 1) (1 – positive results)	1	1	1	1

## Business Model Evaluation Matrix

		EXHIBITION PROVIDER	TRAVEL AGENCY	4-Star HOTEL	5-stars HOTEL +3-stars HOTEL
		Latvia	Latvia	Latvia	Latvia
5	STRATEGY (from 0 to 8)	7	6	6	7
5.1	The existing and fixed business plan assumptions (0-1)	1	1	1	1
5.2	Developed business strategy (0-1)	1	1	1	1
5.3	Developed crisis strategy (0-1)	1	0	0	1
5.4	Elasticity in strategy change in reaction to environment change (0 to 1)	1	1	1	1
5.5	Ability for transformation (0 to 1)	1	1	1	1
5.6	Ability to generate returns over the next 12 months (0 to 1) (ROE, Capital return (ROE)=Profit or loss for the financial year after taxes/ Equity capital * 100 % )	0	0	0	0
5.7	the MICE company's ability to generate sufficient returns over a period of at least 3 years (0 to 1) (ROA, Profit or loss for the financial year after taxes / Balance * 100 %)	1	1	1	1
5.8	Marketing strategy (0 to 1)	1	1	1	1
<b>6</b>	<b>Total score (1-200)</b>	<b>76</b>	<b>74</b>	<b>85</b>	<b>65</b>

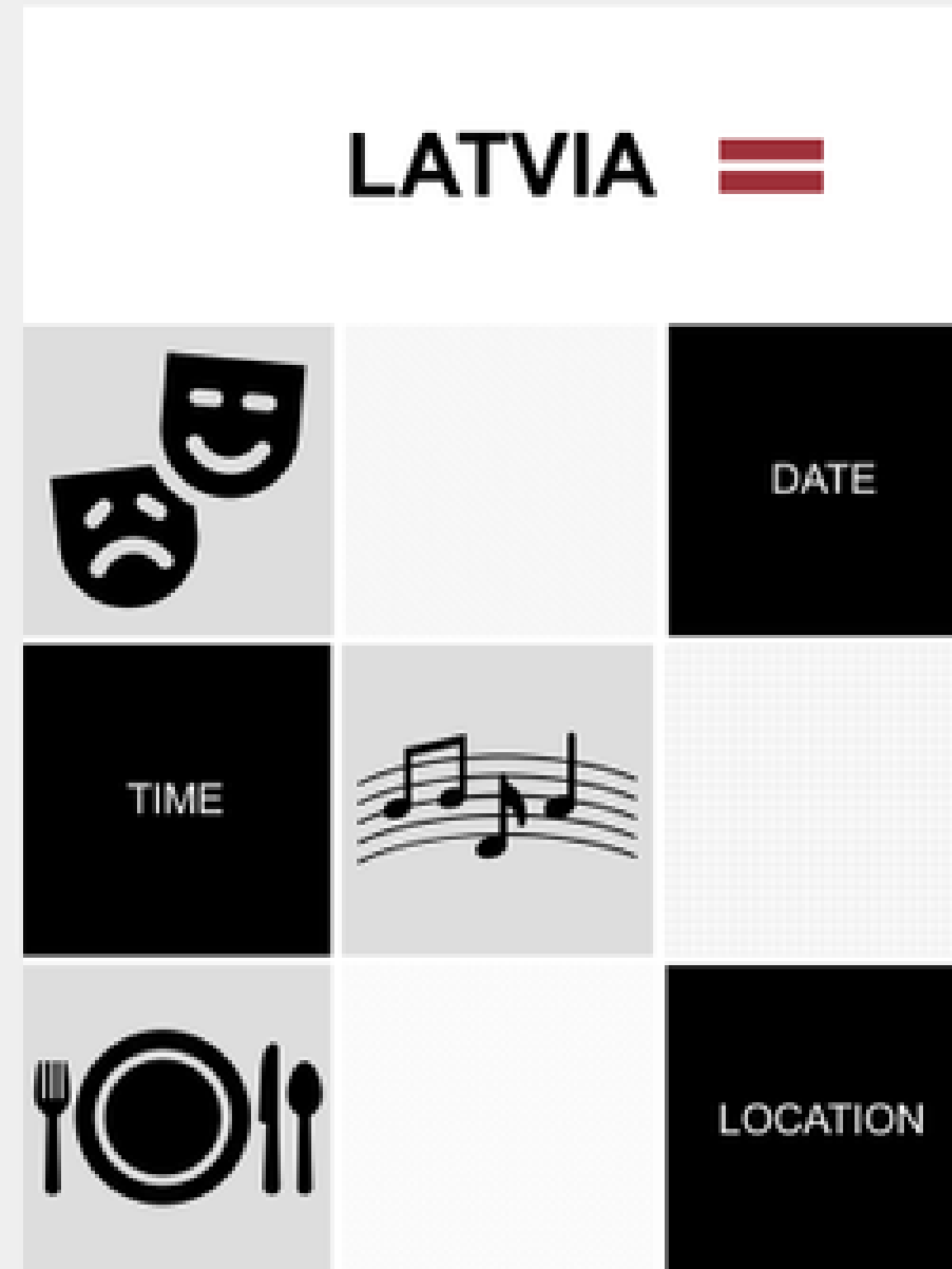


# Business Model Analysis: Total score (1-200)



# LATVIAN ECONOMIC PROFILE versus DENMARK and ICELAND:

## ECONOMY, HOSPITALITY AND ACCOMODATION, TOURISM



# Population on 1 January by age, sex and NUTS 2 region

Population on 1 January by age, sex and NUTS 2 region

Population on 1 January	2019	2020	2021
Denmark	5 806 081	5 822 763	5 840 045
Latvia	1 919 968	1 907 675	1 893 233
Iceland	356 991	364 134	368 792

Eurostat. (2021, 2023). Population on 1 January by age, sex and NUTS 2 region.

## GDP and main components (output, expenditure and income)

Gross domestic product at market prices	Current prices, million euro	
	2019	2020
European Union - 27 countries (from 2020)	14 015 642,1	13 393 729,4
European Union - 28 countries (2013-2020)	16 542 257,2	n/d
Euro area (EA11-1999, EA12-2001, EA13-2007, EA15-2008, EA16-2009, EA17-2011, EA18-2014, EA19-2015)	11 982 723,3	11 400 379,6
Denmark	310 475,6	312 516,6
Latvia	30 647,2	29 511,0
Iceland	22 200,8	19 025,2

Eurostat. (2021). GDP and main components (output, expenditure and income).

## GDP per capita, euro per capita

GDP per capita	Current prices, million euro		
	2019	2020	2021
Denmark	48,970	47,890	50,010
Latvia	12,540	12,340	12,970
Iceland	39,160	35,890	36,870

Eurostat. (2021, 2023). GDP and main components (output, expenditure and income.

## Population Density

Population Density			
Unit of measure: Persons per square kilometer	2019	2020	2021
European Union - 27 countries (from 2020)	109,0	n/d	n/d
Denmark	138,5	n/d	n/d
Latvia	30,2	n/d	n/d
Iceland	3,6	n/d	n/d

Eurostat. (2021, 2023). Population density

## Population by sex, age, citizenship, labour status (thousands) From 15 to 64 years [Y15-64]

Population by sex, age, citizenship, labour status (thousands), From 15 to 64 years [Y15-64]	2019	2020	2021
Unit of measure: Persons per square kilometer	2019	2020	2021
European Union - 27 countries (from 2020)	285 060,3	284 335,1	282 223.4
Denmark	3 704,4	3 699,7	3 689.5
Latvia	1 204,0	1 189,9	1 176.5
Iceland	226,7	229,9	232.7

Eurostat. (2021, 2023). Population by sex, age, citizenship, labour status (thousands)

## Economically active population by sex, age (thousands) From 15 to 74 years [Y15-74]

Economically active population by sex, age (thousands)		2019	2020		2021
EU27_2020	European Union - 27 countries (from 2020)	213 841,2	211 864,0		212 534.6
DK	Denmark	3 029,7	3 022,7		3 035.5
LV	Latvia	971,3	971,7		934.6
IS	Iceland	208,3	205,8	b	208.6

Eurostat. (2021, 2023). Economically active population by sex, age (thousands)



## Nights spent at tourist accommodation establishments (number)

Nights spent at tourist accommodation establishments (number)	2019	2020	2021
European Union - 27 countries (from 2020)	2 874 808 576	1,421,920,117	1 831 762 071
Denmark	34,325,625	23,670,530	28 556 054
Latvia	5 509 682	2 889 342	2 379 777
Iceland	<b>8,406,451</b>	3 295 557	5,012,414

Eurostat. (2021, 2023). Nights spent at tourist accommodation establishments.

## International Tax Competitiveness Index 2021, 2022

2021, 2022 International Tax Competitiveness Index

Country	Year	Overall Rank	Corporate Taxes	Individual Taxes	Consumption Taxes	Property Taxes	Crossborder Taxes
<u>Denmark</u>	2021	28	16	34	17	16	30
Denmark	2022	33	18	36	20	19	30
<u>Iceland</u>	2021	32	13	36	19	27	31
Iceland	2022	31	16	19	28	28	31
<u>Latvia</u>	2021	2	2	5	27	5	9
Latvia	2022	2	1	4	26	5	9

Tax Foundation. (2021). International Tax Competitiveness Index 2021., Tax Foundation. (2022). International Tax Competitiveness Index 2022.

## Hospitality and M.I.C.E. Companies from Latvia

Item	Exhibition provider	Travel Agency	4-stars Hotel	5-stars Hotel with 3-stars Hotel in the company
Registrations year	1997	1992	1991	2012

All of the 4 interviewed senior managers are experienced. The 3 of 4 mentioned the experience around 20 years of management.

## **EXHIBITION PROVIDER (Latvia, Riga)**

EXHIBITION PROVIDER (Latvia, Riga): interviewed manager - the director of International exhibition center and member of the board. **The company was described as the biggest exhibition center in Baltic states with 50 till 100 workers, the numbers are changing depending of projects and time of the year, with turnover is aprox. 2-3 million euro.**

## **TRAVEL AGENCY (Latvia, Riga)**

TRAVEL AGENCY (Latvia, Riga): interviewed manager - travel professional with more than 18 year experience - since 2008 is the Managing Director, responsible for the whole company. The company was described as the travel agency, one of the largest travel company in Latvia with more than 30 years in business and it is also Nr 1 in business travel in Latvia.

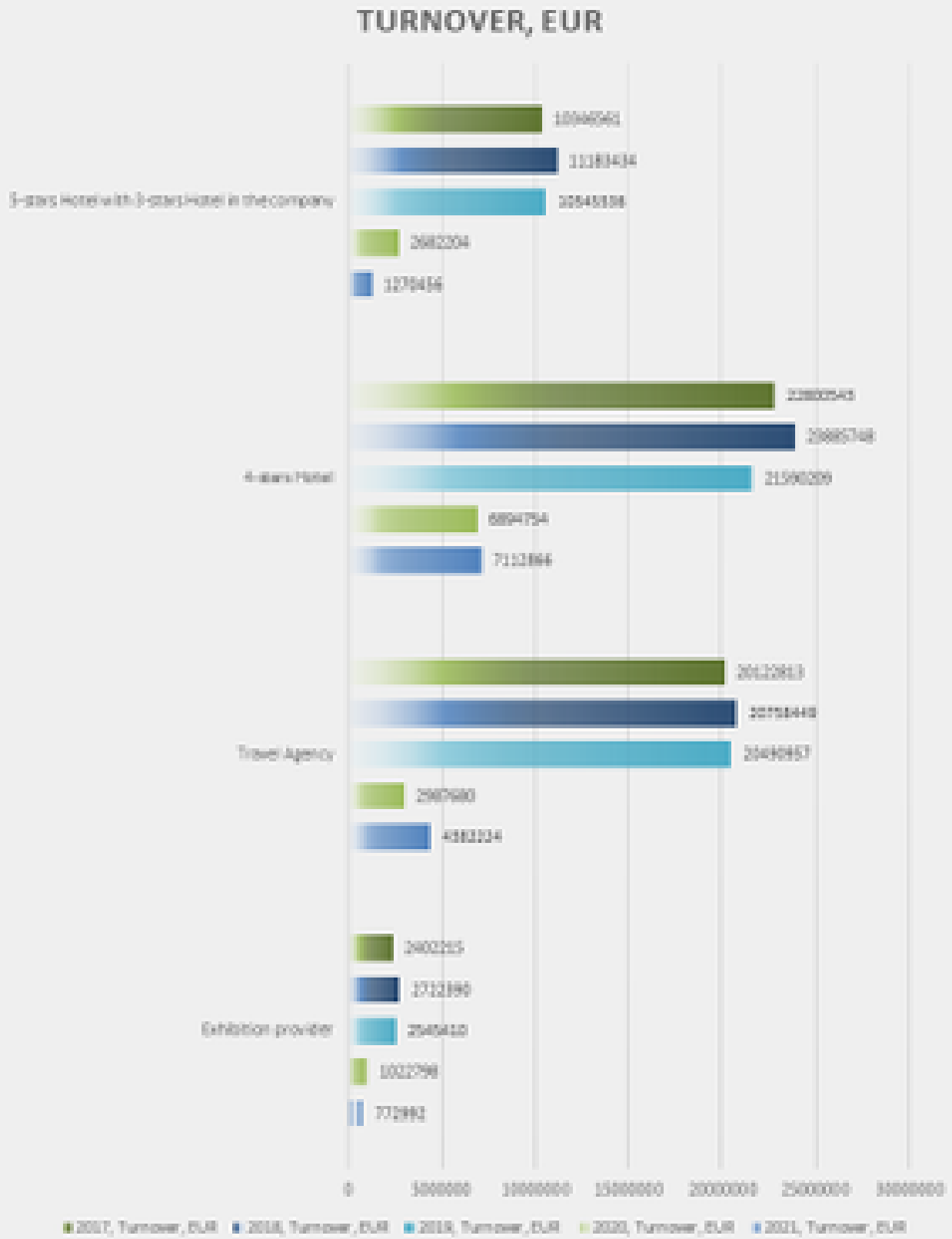
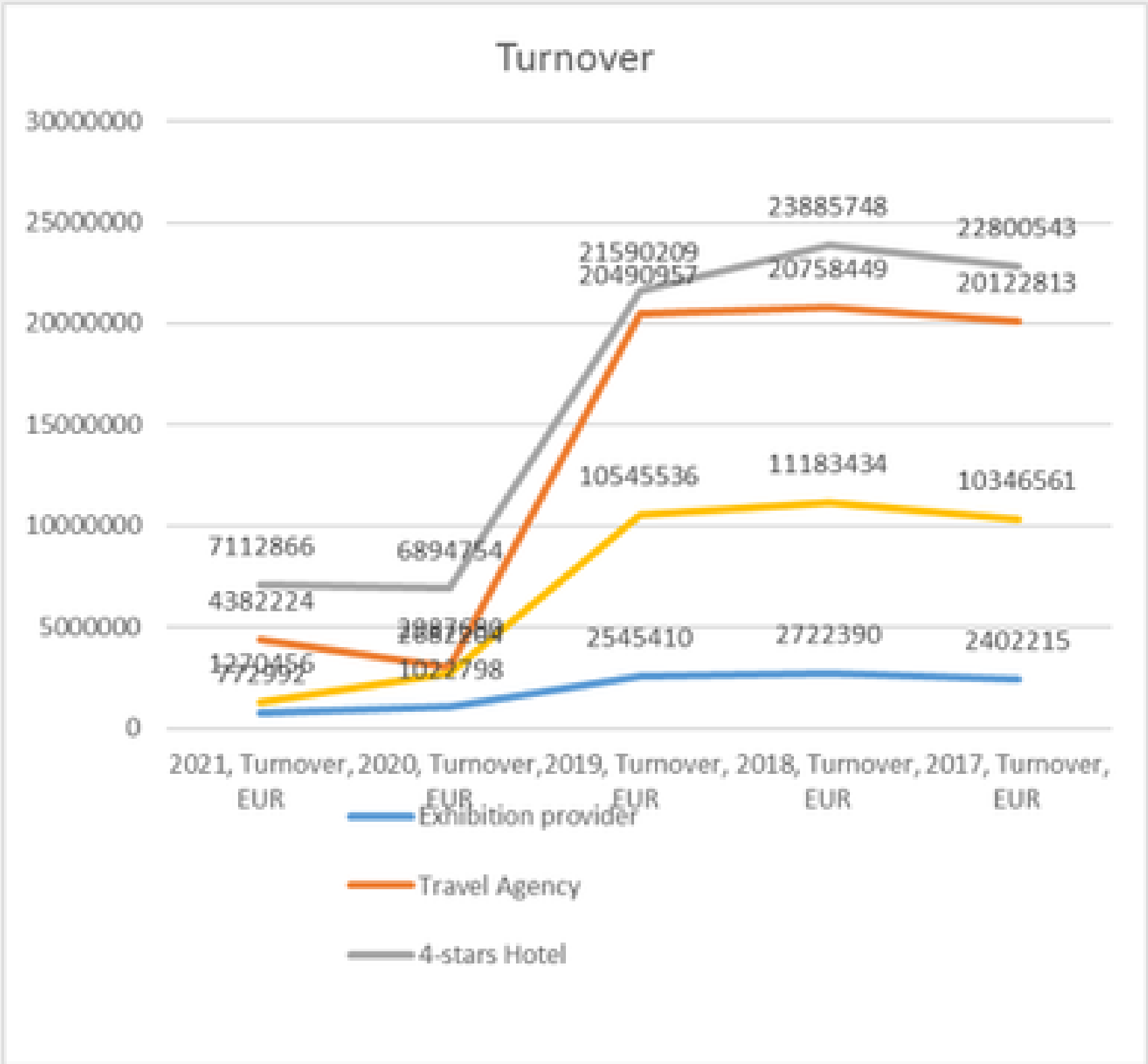
## **4-Star HOTEL (Latvia, Riga)**

4-star HOTEL (Latvia, Riga): interviewed manager with more than 20 years in hospitality / hotels in various positions. Currently Director of Sales and marketing for the two internationally branded large hotels. The manager runs the two large hotels from the two different companies of one brand, both hotels together almost 800 rooms. Current number of staff 180 persons for the two hotels.

## **5-stars HOTEL +3-stars HOTEL**

5-stars HOTEL, but the company includes the two hotels 5-stars and 3-stars: interviewed manager is the general manager leading and managing 5-star and 3-star hotels in one company in Riga, passionate about sales, revenue, representation. Reporting to Investor in Kiev. Previously also GM for another hotel until it was sold over to another investor. The company is described as the **company with 180 employees and 13 Million EUR turnover** in the pre-Covid period, and 80 employees in after-Covid period – April 2022.

# Turnover (EUR) 2017-2021, Latvia

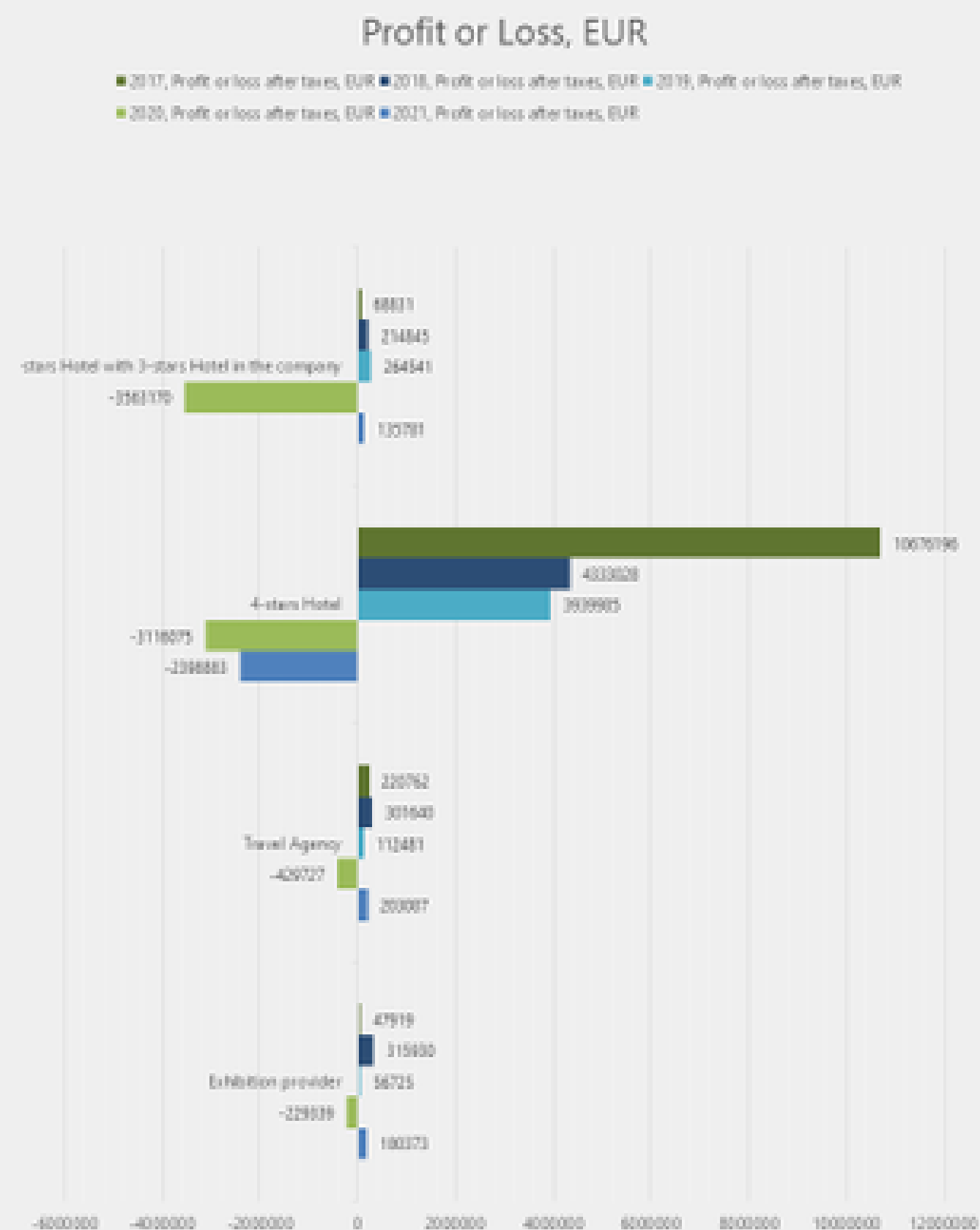
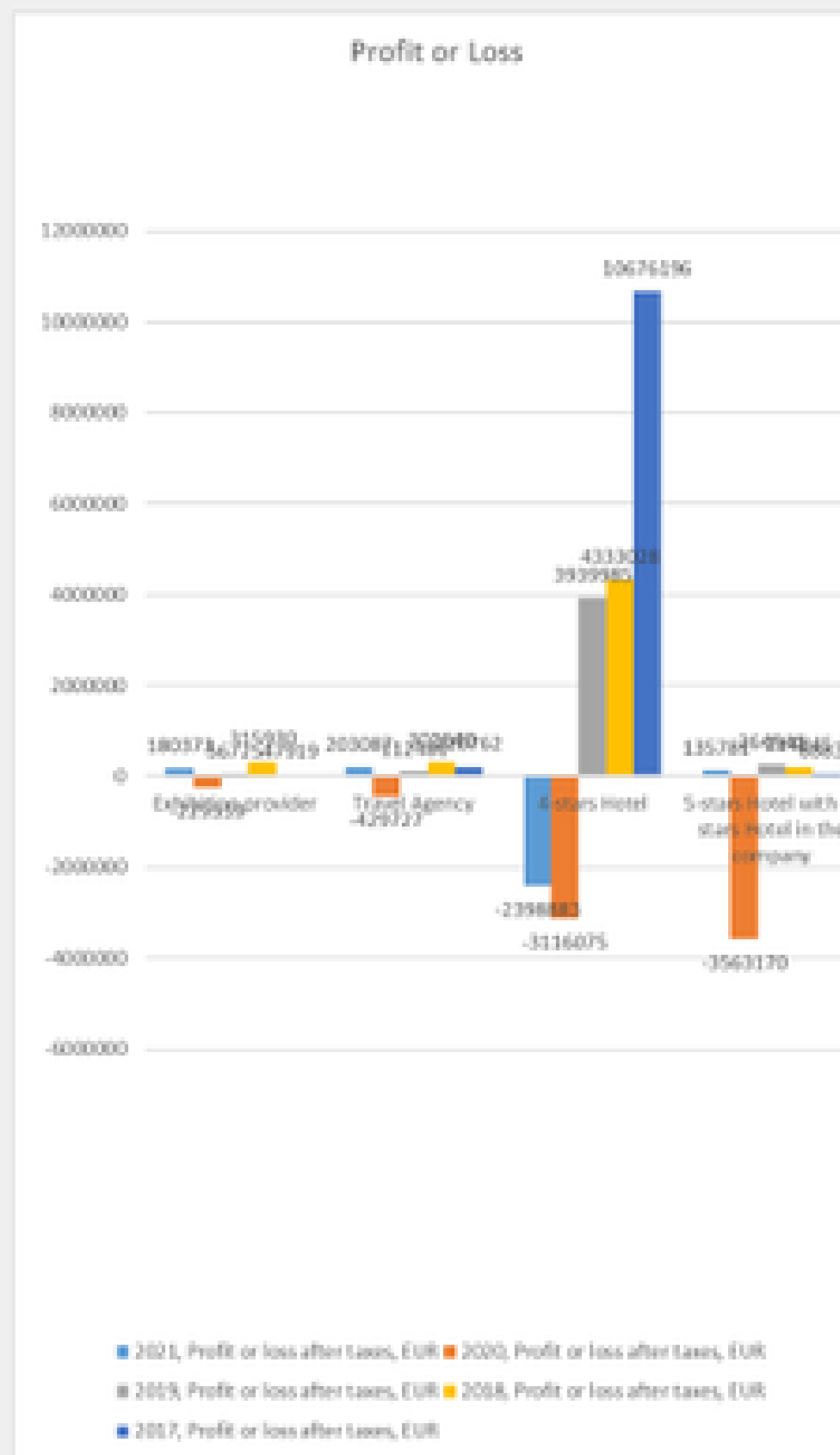




## Turnover 2017-2021, Latvia

Item	Exhibition provider	Travel Agency	4-stars Hotel	5-stars Hotel with 3-stars Hotel in the company
2021, Turnover, EUR	772992	4382224	7112866	1270456
2020, Turnover, EUR	1022798	2987680	6894754	2682204
2019, Turnover, EUR	2545410	20490957	21590209	10545536
2018, Turnover, EUR	2722390	20758449	23885748	11183434
2017, Turnover, EUR	2402215	20122813	22800543	10346561

# Profit or Loss 2017 – 2021, Latvia

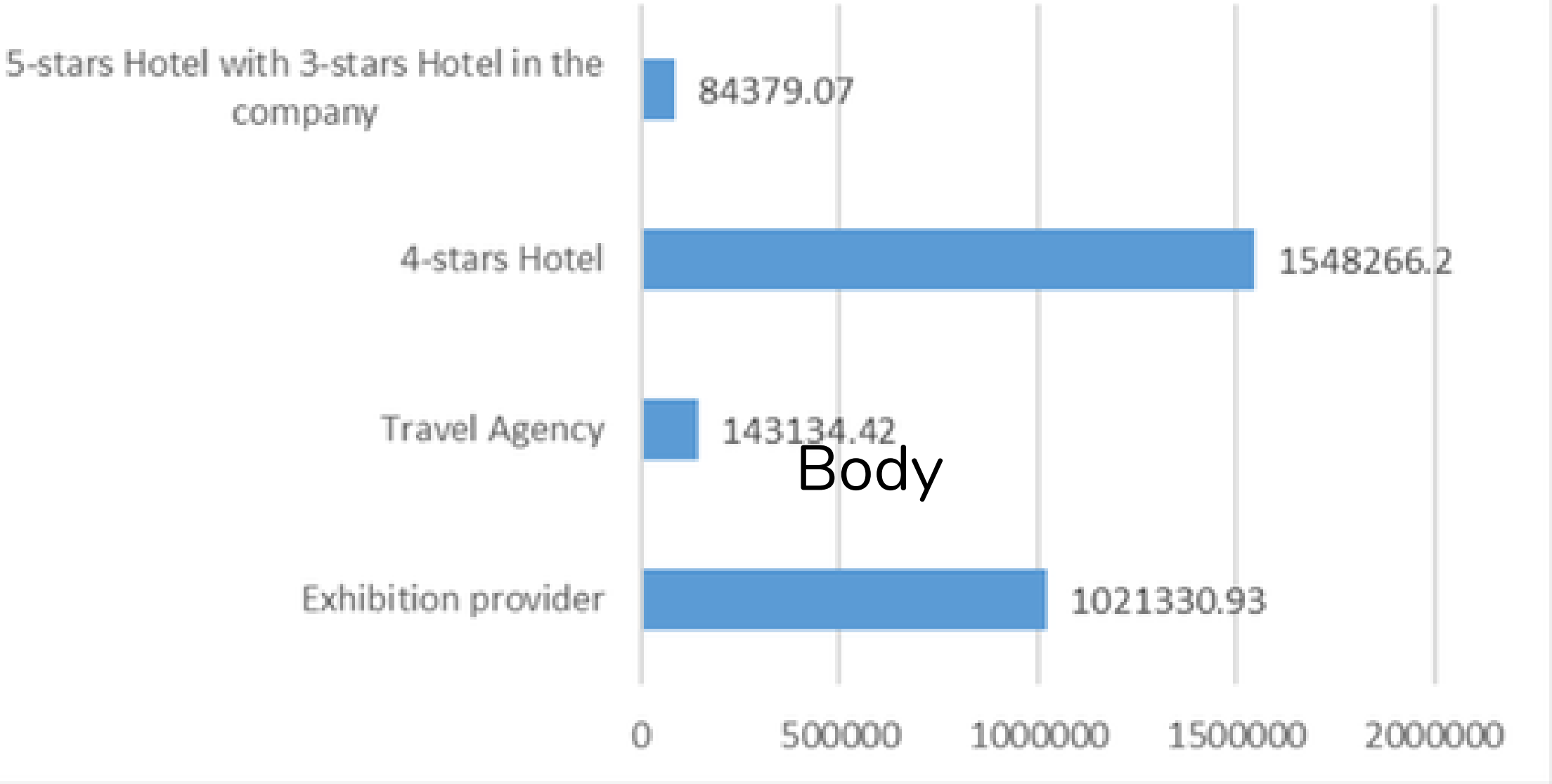


## Profit or Loss 2017 – 2021, Latvia

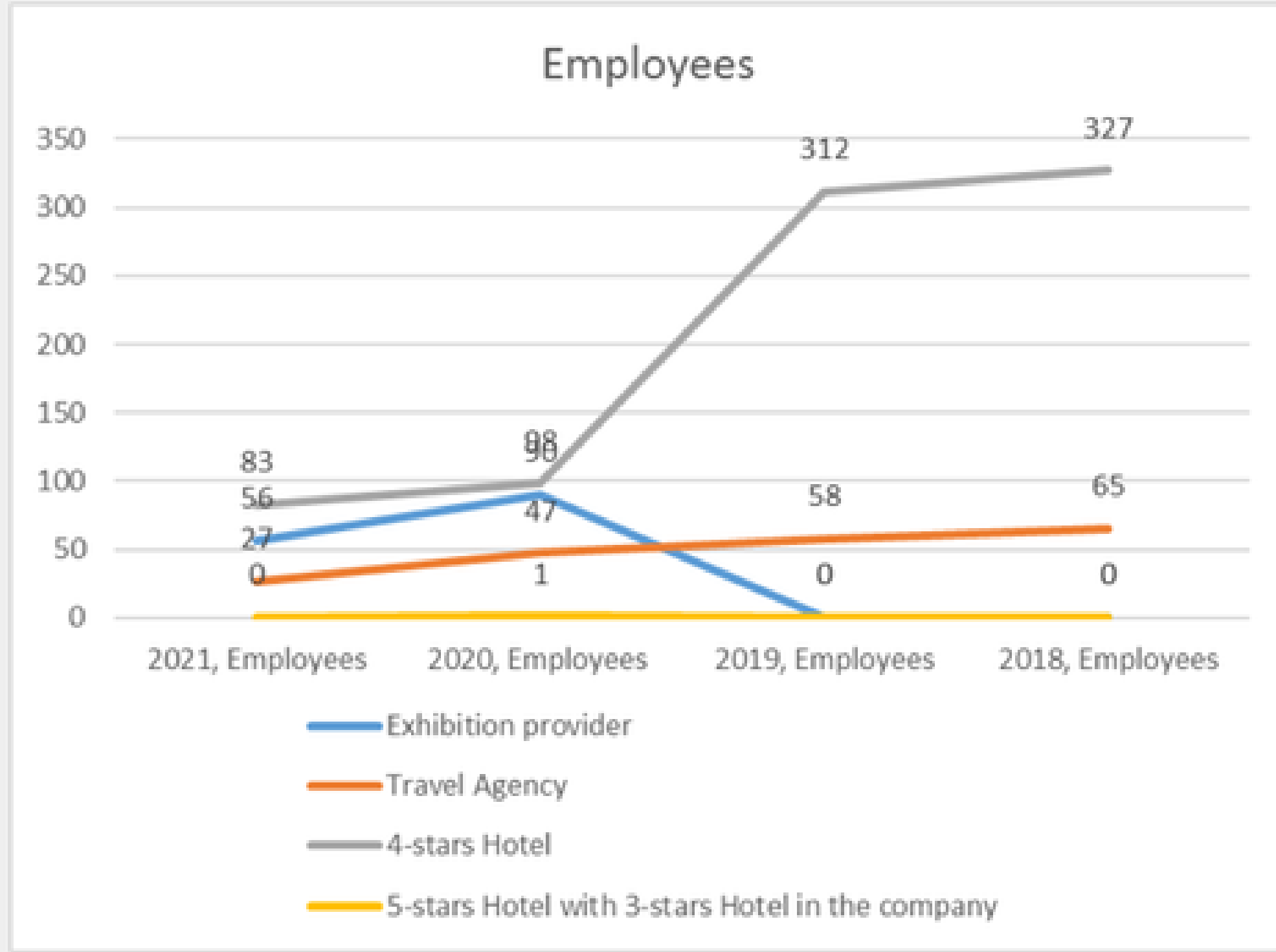
Item	Exhibition provider	Travel Agency	4-stars Hotel	5-stars Hotel with 3-stars Hotel in the company
2021, Profit or loss after taxes, EUR	180373	203087	-2398883	135781
2020, Profit or loss after taxes, EUR	-229339	-429727	-3116075	-3563170
2019, Profit or loss after taxes, EUR	56725	112481	3939985	264541
2018, Profit or loss after taxes, EUR	315930	301640	4333028	214845
2017, Profit or loss after taxes, EUR	47919	220762	10676196	68831

# State Support, Latvia

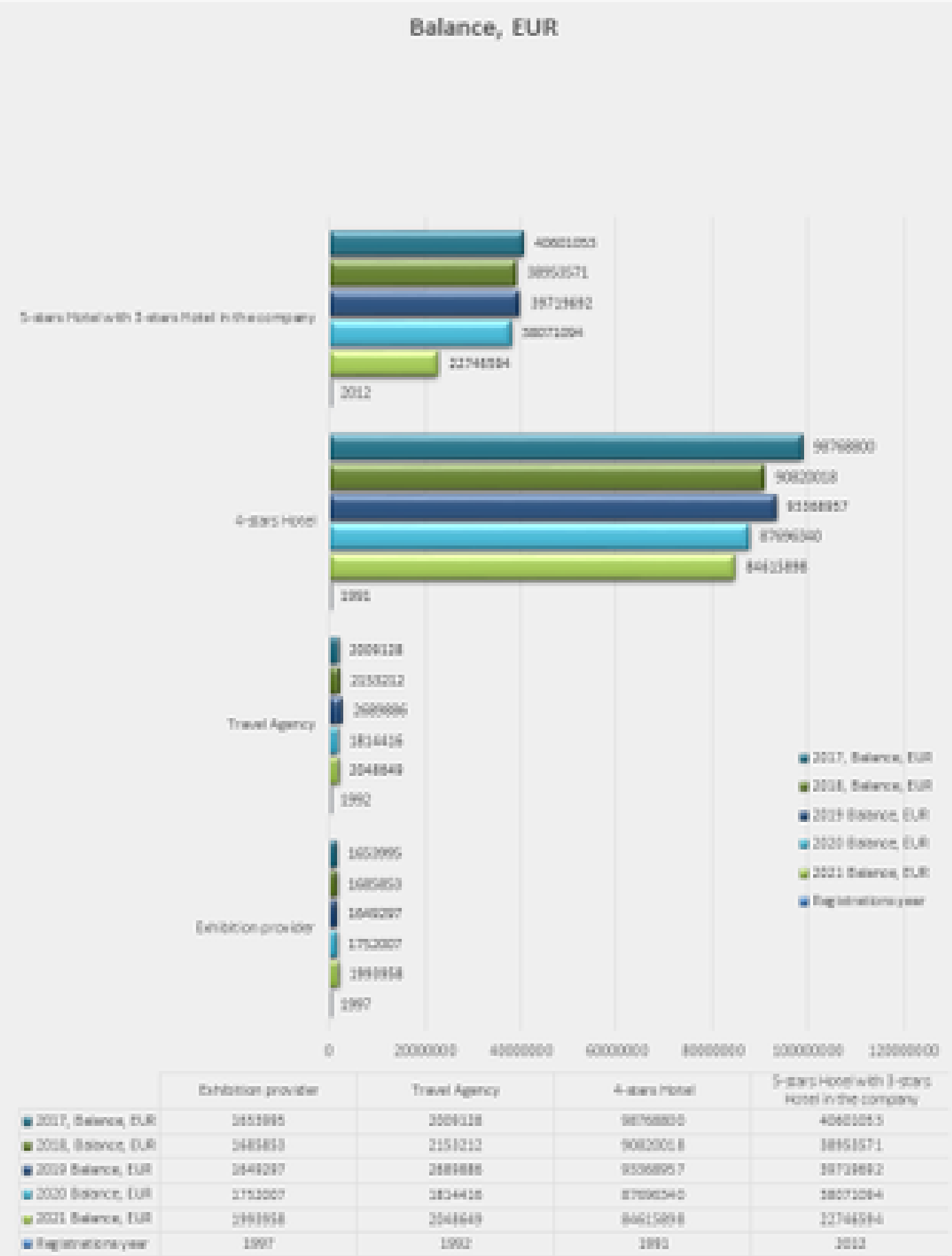
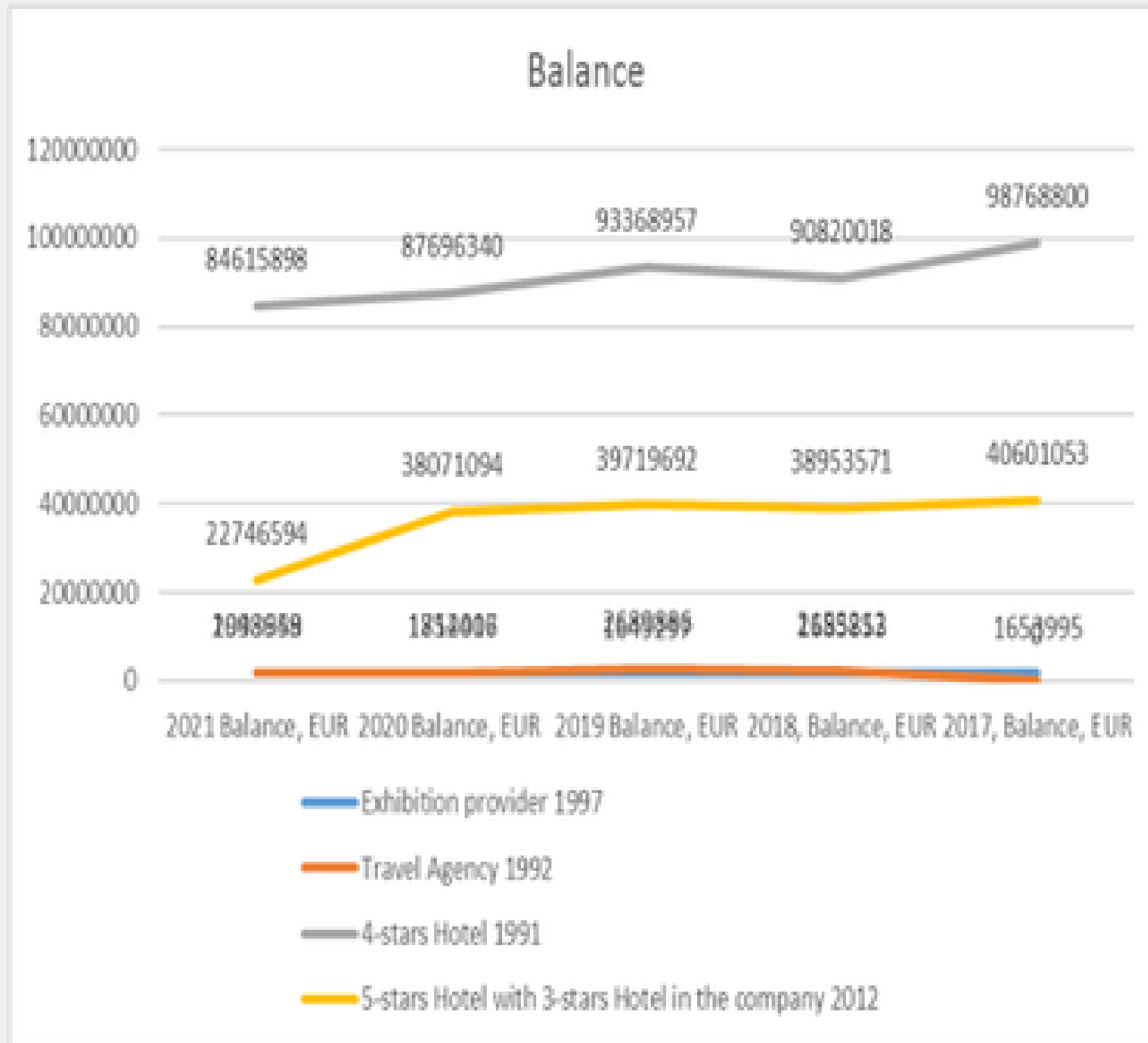
State support April 2020 – March 2022



# Employees 2017-2021, Latvia



# Balance Sheet 2017 – 2021 (Latvia)

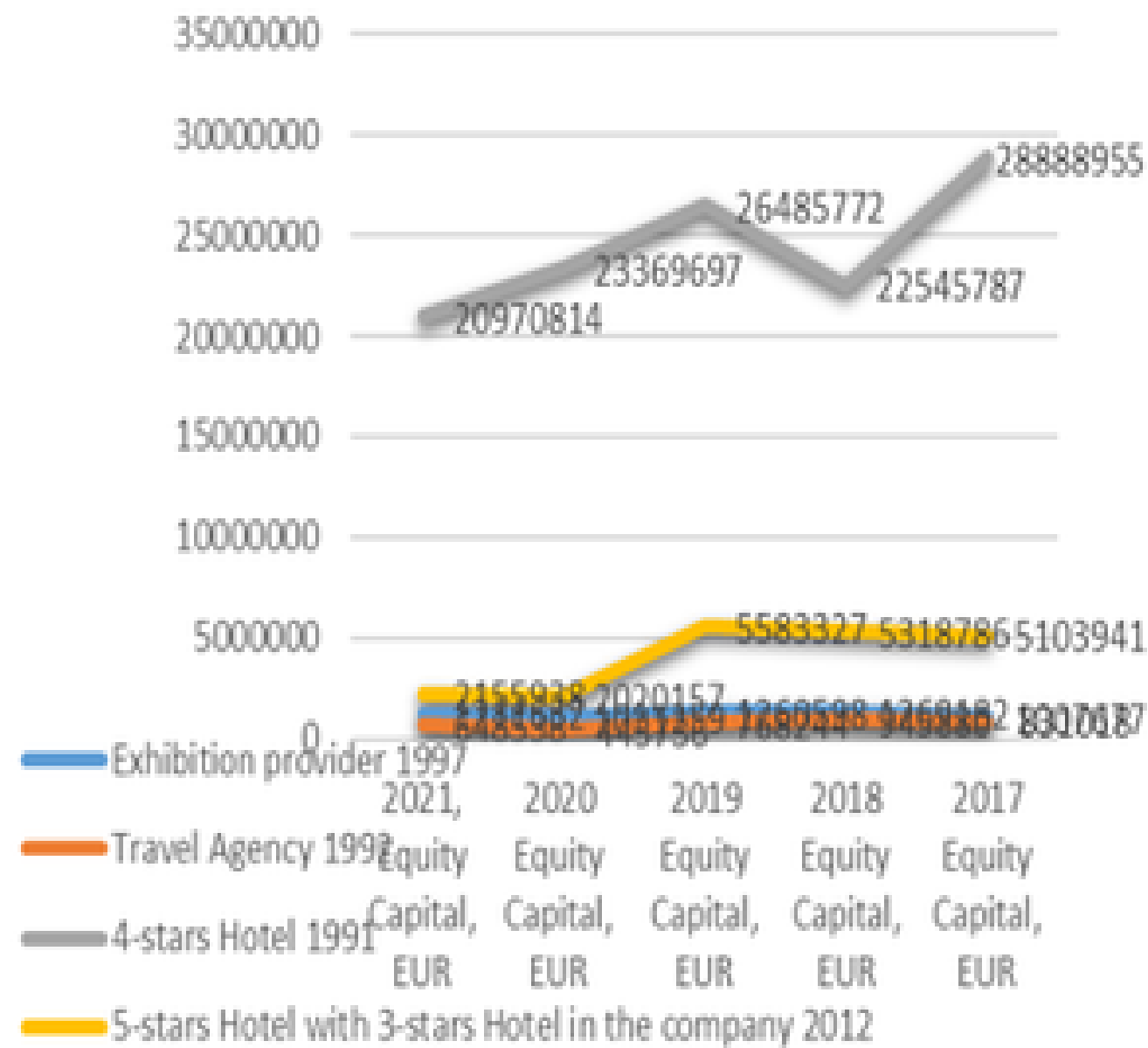


## Balance Sheet 2017 – 2021 (Latvia)

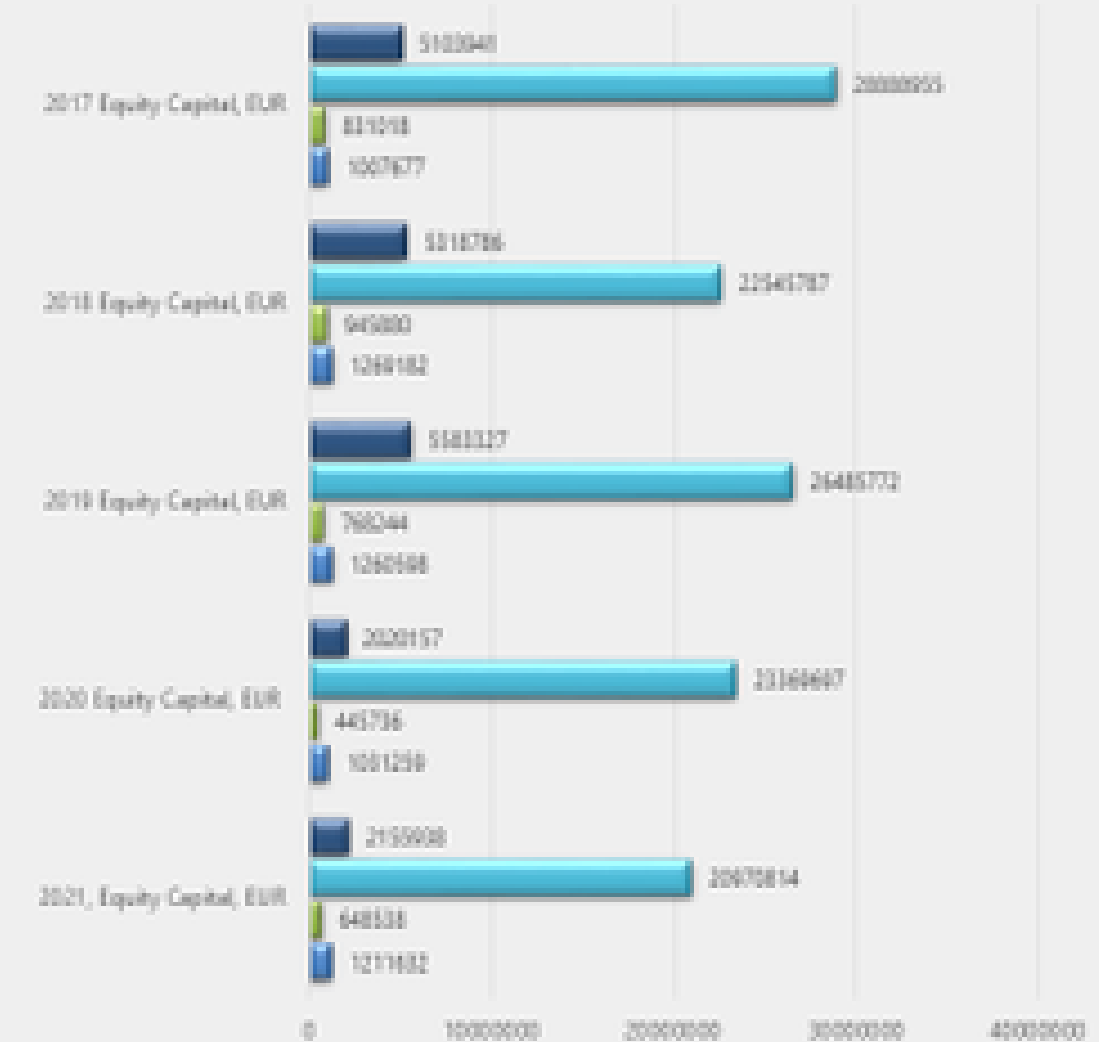
Item	Exhibition provider	Travel Agency	4-stars Hotel	5-stars Hotel with 3-stars Hotel in the company
Registrations year	1997	1992	1991	2012
2021 Balance, EUR	1993958	2048649	84615898	22746594
2020 Balance, EUR	1752007	1814416	87696340	38071094
2019 Balance, EUR	1649297	2689886	93368957	39719692
2018, Balance, EUR	1685853	2153212	90820018	38953571
2017, Balance, EUR	1653995	2 009128	98768800	40601053

# EQUITY CAPITAL 2017 – 2021 (Latvia)

## Equity Capital



## Equity Capital, EUR



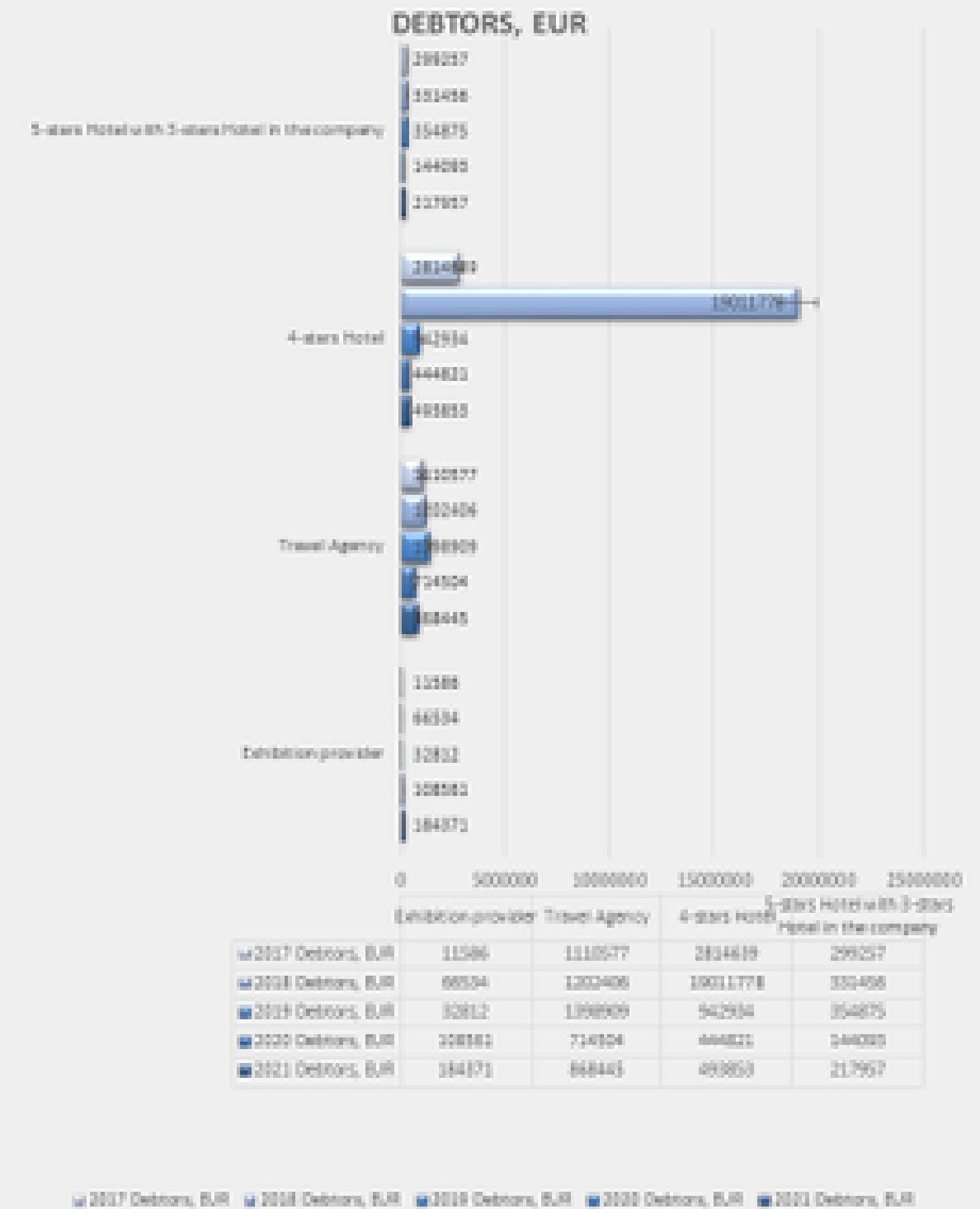
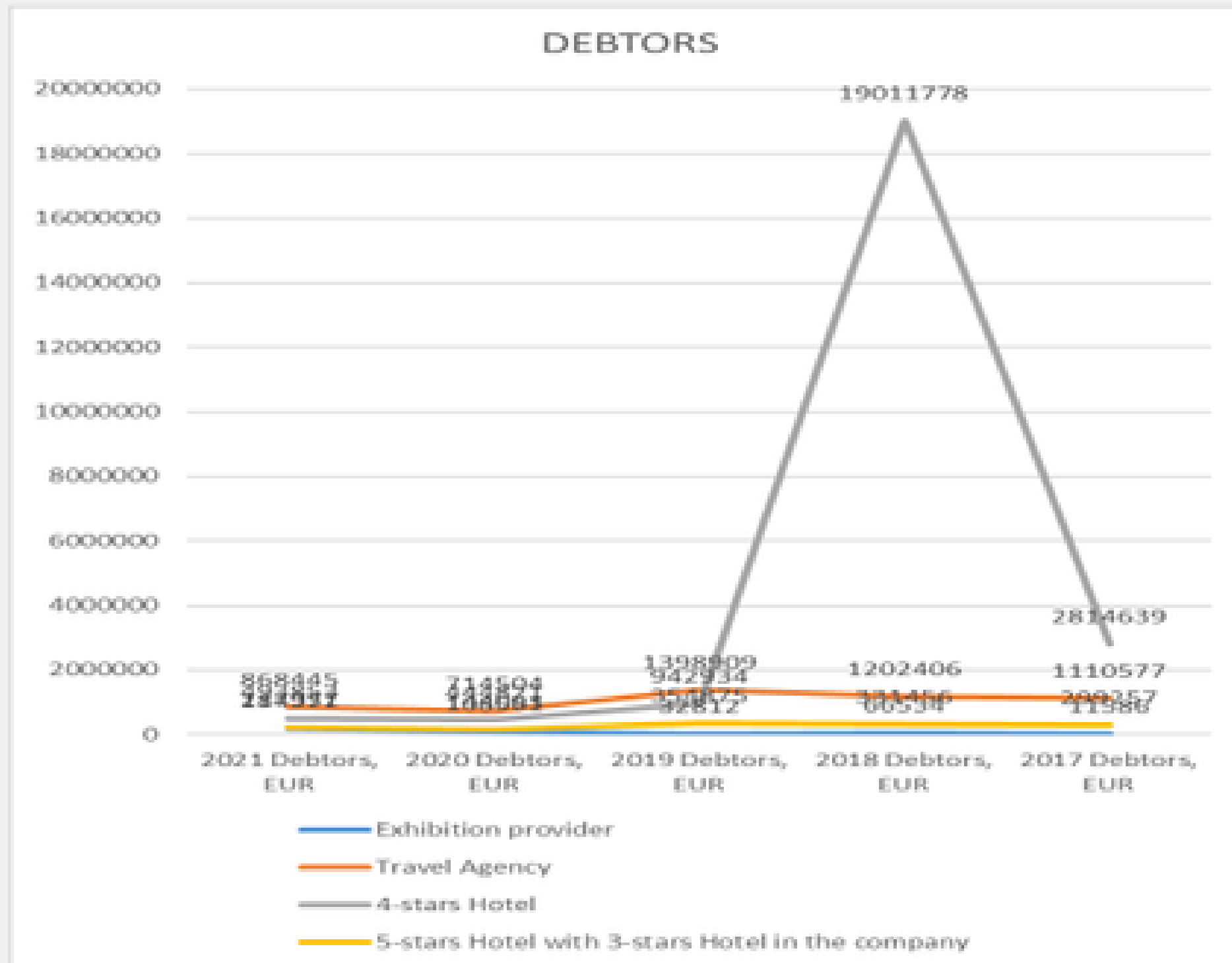
■ 5-stars Hotel with 3-stars Hotel in the company ■ 4-stars Hotel ■ Travel Agency ■ Exhibition provider



## EQUITY CAPITAL 2017 – 2021 (Latvia)

Item	Exhibition provider	Travel Agency	4-stars Hotel	5-stars Hotel with 3-stars Hotel in the company
Registrations year	1997	1992	1991	2012
2021, Equity Capital, EUR	1211632	648538	20970814	2155938
2020 Equity Capital, EUR	1031259	445736	23369697	2020157
2019 Equity Capital, EUR	1260598	768244	26485772	5583327
2018 Equity Capital, EUR	1269182	945880	22545787	5318786
2017 Equity Capital, EUR	1007677	831018	28888955	5103941

# DEBTORS 2017 – 2021 (Latvia)

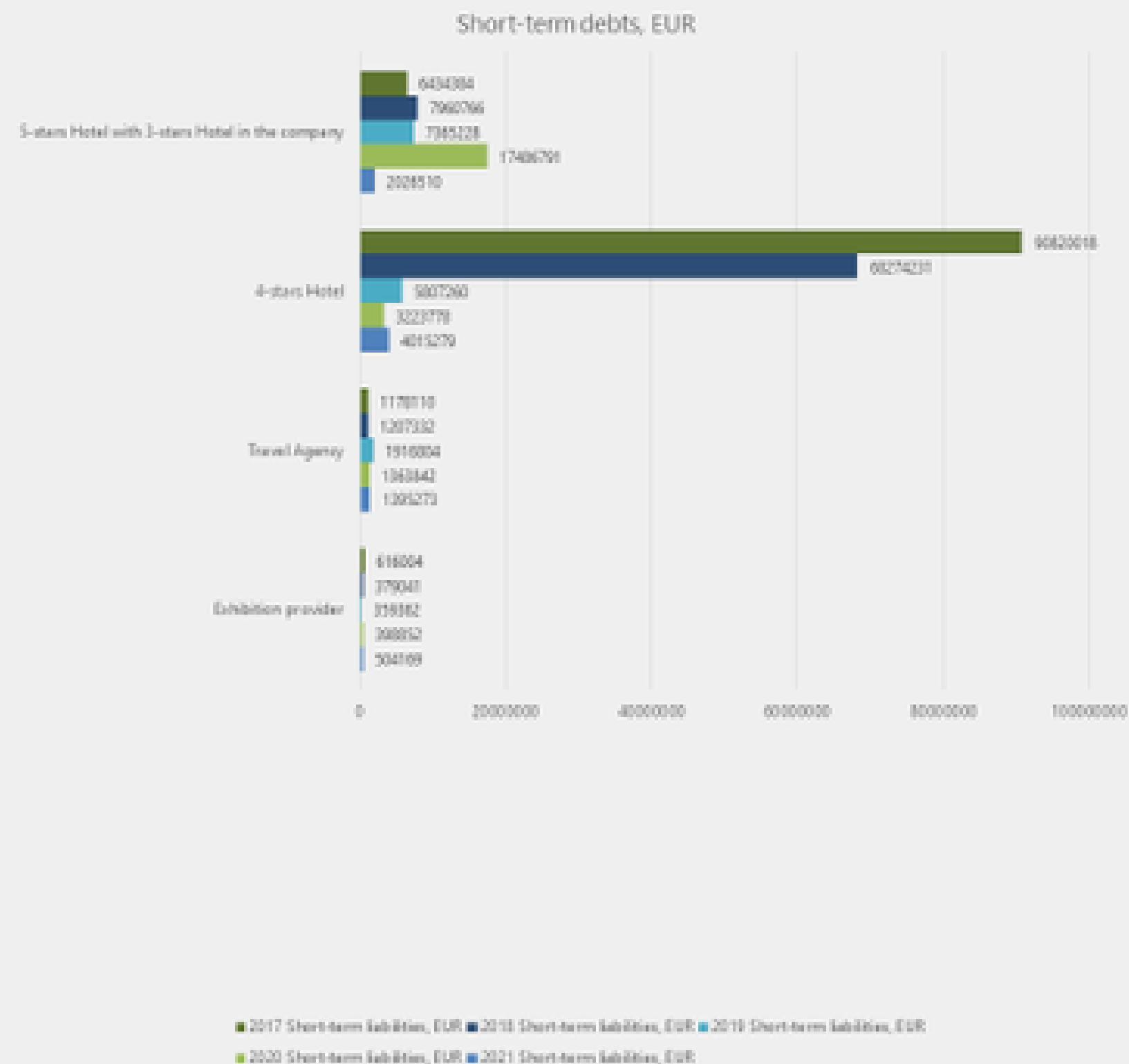
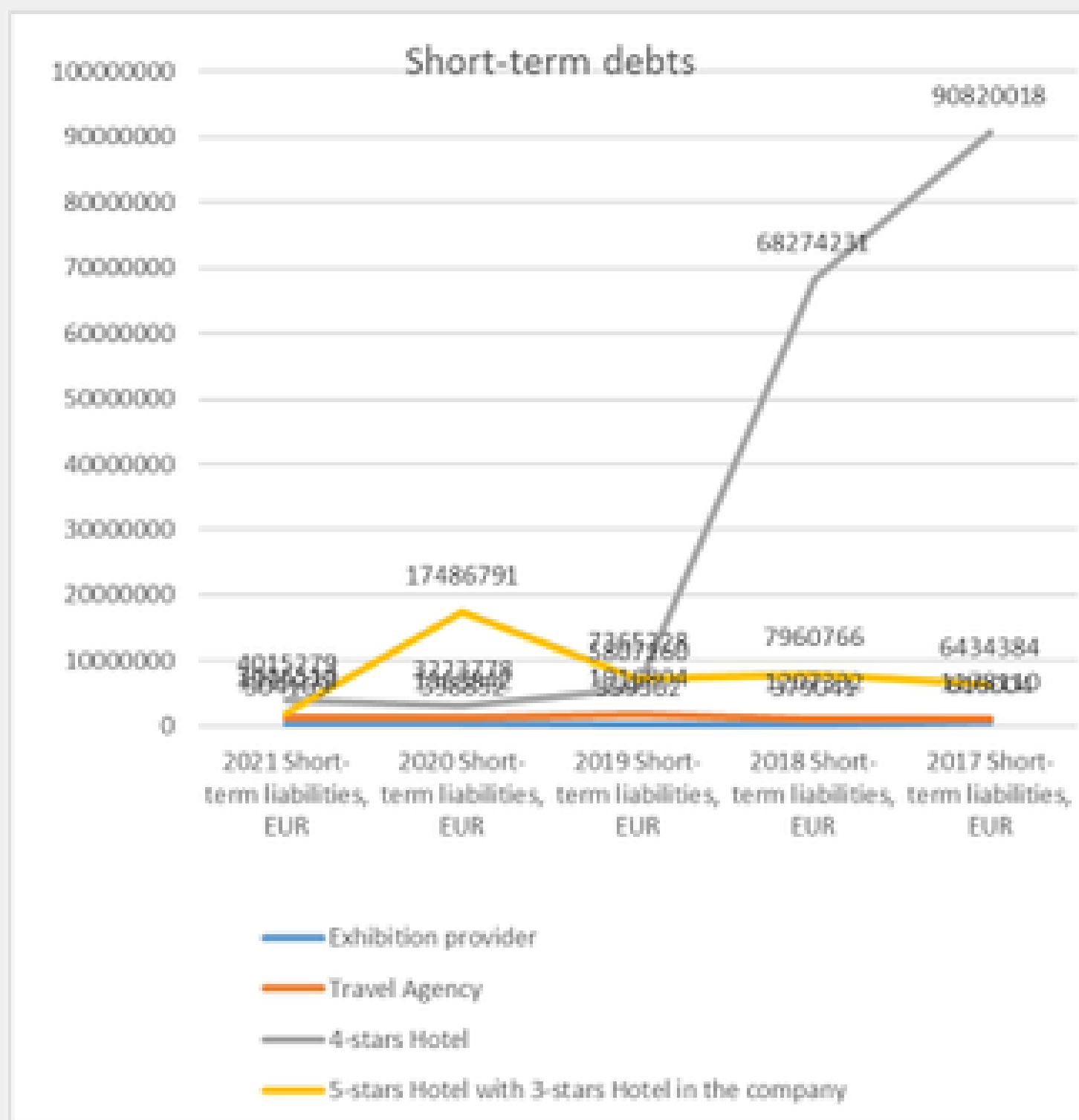


## DEBTORS

### 2017 – 2021 (Latvia)

Item	Exhibition provider	Travel Agency	4-stars Hotel	5-stars Hotel with 3-stars Hotel in the company
2021 Debtors, EUR	184371	868445	493853	217957
2020 Debtors, EUR	108561	714504	444821	144093
2019 Debtors, EUR	32812	1398909	942934	354875
2018 Debtors, EUR	66534	1202406	19011778	331456
2017 Debtors, EUR	11586	1110577	2814639	299257

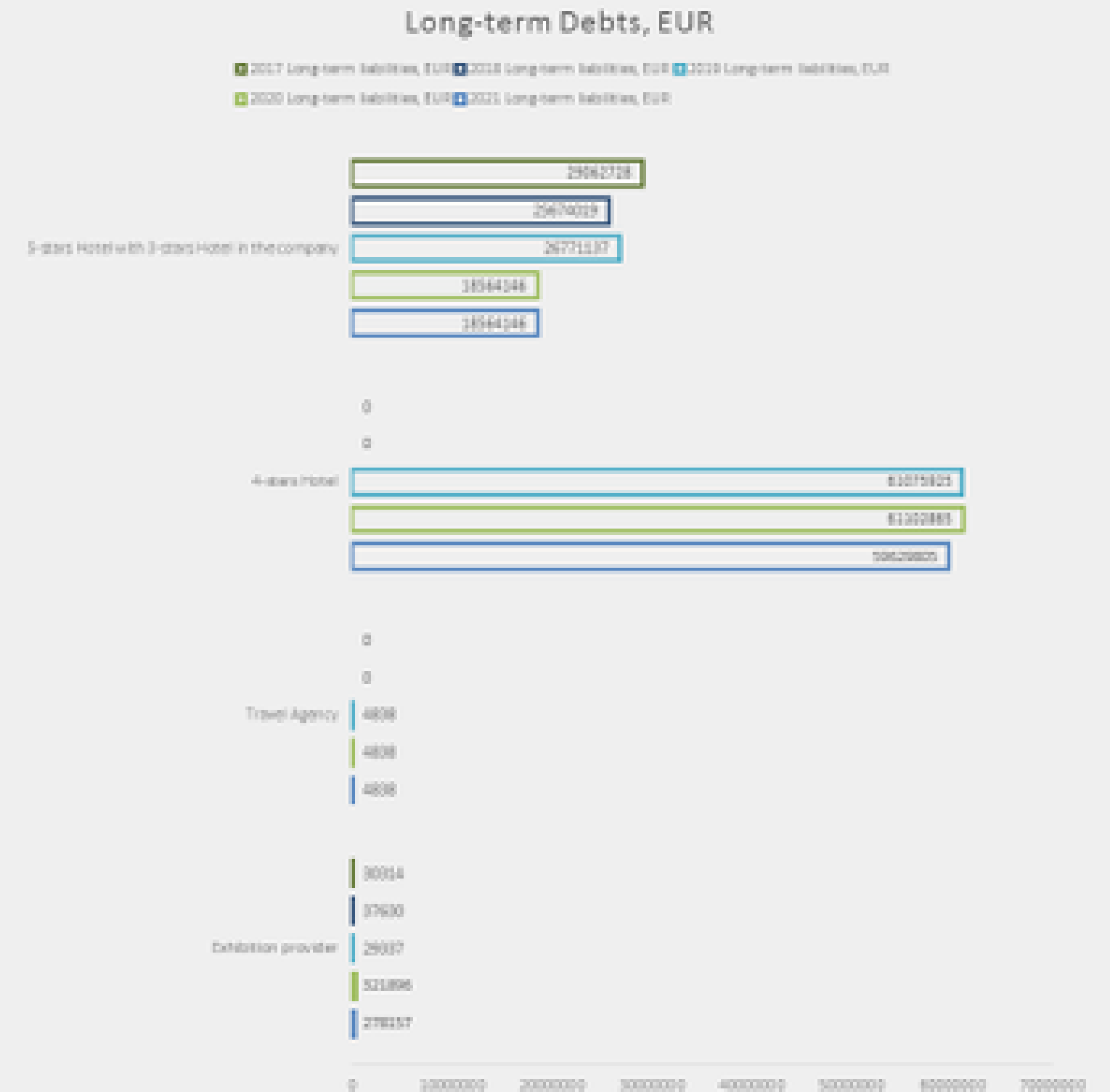
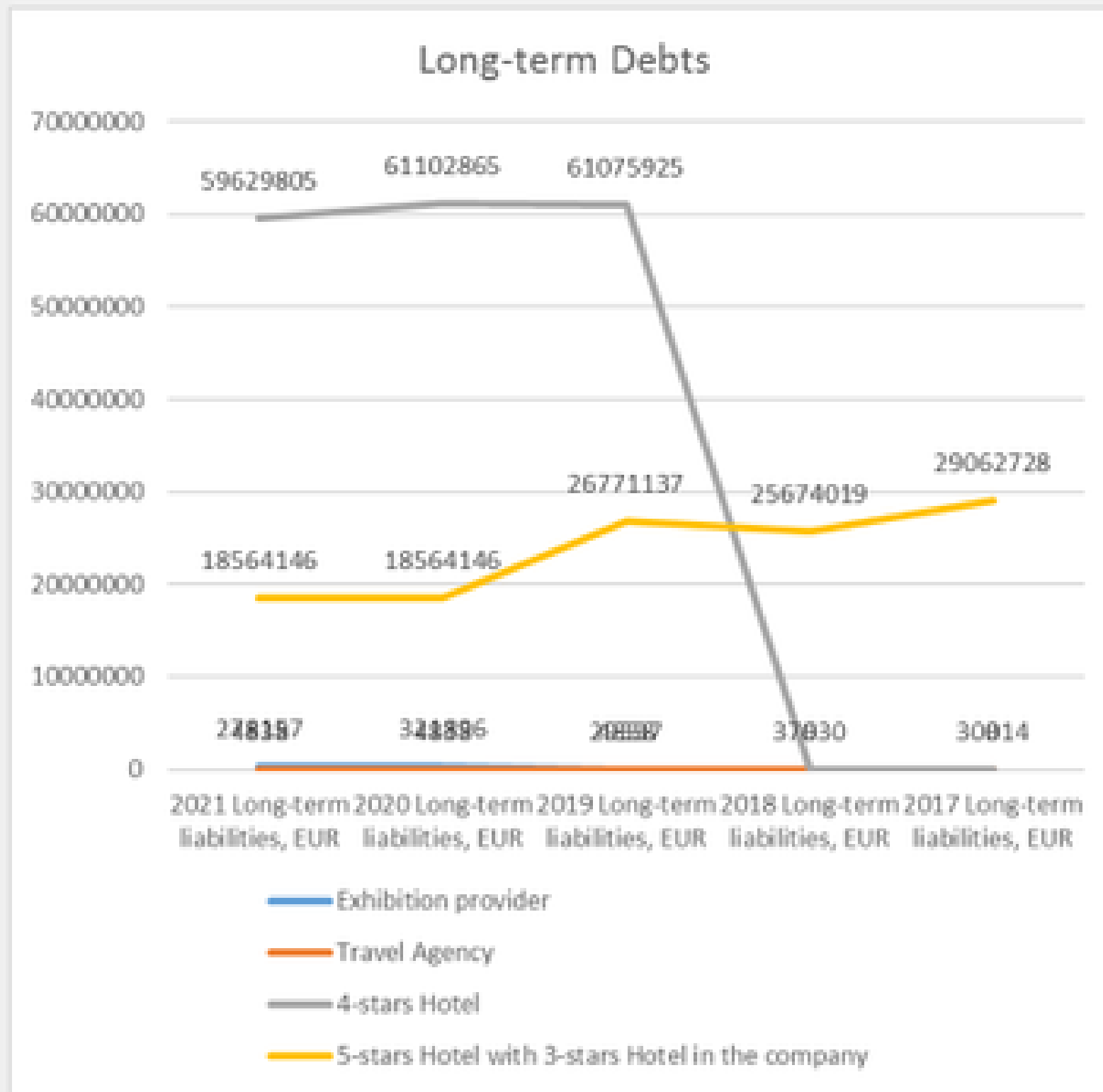
# Short-term debts 2017 – 2021 (Latvia)



## Short-term debts 2017 – 2021 (Latvia)

Item	Exhibition provider	Travel Agency	4-stars Hotel	5-stars Hotel with 3-stars Hotel in the company
2021 Short-term liabilities, EUR	504169	1395273	4015279	2026510
2020 Short-term liabilities, EUR	398852	1363842	3223778	17486791
2019 Short-term liabilities, EUR	359362	1916804	5807260	7365228
2018 Short-term liabilities, EUR	379041	1207332	68274231	7960766
2017 Short-term liabilities, EUR	616004	1178110	90820018	6434384

# Long-term debts 2017 – 2021 (Latvia)



## Long-term debts 2017 – 2021 (Latvia)

Item	Exhibition provider	Travel Agency	4-stars Hotel	5-stars Hotel with 3-stars Hotel in the company
2021 Long-term liabilities, EUR	278157	4838	59629805	18564146
2020 Long-term liabilities, EUR	321896	4838	61102865	18564146
2019 Long-term liabilities, EUR	29337	4838	61075925	26771137
2018 Long-term liabilities, EUR	37630	0	0	25674019
2017 Long-term liabilities, EUR	30314	0	64 268 277	29062728

# First Decisions

The three of four companies said that the first decisions during Covid-19 lockdown situation were done quickly, the two of four organisations closed the part of the offices and the hotels. The exhibition provider said that when faced first lockdown immediately we organized crisis group, were all next decisions were made. The travel agency said the first decisions were quick and about cost optimization, they closed the three offices in Riga, and one in Liepaja. For the large 4-star hotels the decisions were stressful. The company with the 5-star hotel took a very straightforward line to shut down 2 out of 3 hotels immediately, and their employees were very supportive and understanding to accept the fate and await the furlough benefits.



# The Primary Driving Force

The primary driving force in dealing with the decisions made throughout the Corona crisis for the exhibitor provider was to keep the company, to keep employees so that the company can continue working after the crisis, and to be flexible, because you don't know what tomorrow will bring. The travel agency said that they wanted to keep company alive and financially healthy and felt responsible for people working within the company. The 4-stars hotel said that the primary driving force was to reorganize companies structure according to demand and overall situation, but for 5-stars hotel it was a pragmatic approach to things that they cannot influence, and the faster decisions to suspend operations and providers services, the better for the budget. The two of the four companies focused on cost optimization, the two companies mentioned the willingness to keep the company.

## **The most important competencies and qualities in dealing with the crisis**

The companies were asked about the most important competencies and qualities in dealing with the crisis in the hotel/ hospitality / MICE industry. The following competencies and qualities were specified by the managers: risk analysis and the ability to be creative, being able to adjust, optimize and see the whole picture, stress tolerance and flexibility, ability to remain calm and focused, and base decision on facts not emotions, have a copter view and understanding that certain changes will be in place for a long time therefore the previously “normal” way of things might never come back as they were and a whole new approach will be needed to make the business work. The two of the four companies said it is important to see the whole picture for the manager.

## **Environmental, societal and social considerations were relevant to your business goals, and if there was any change over the last two years**

The companies were asked if they found that environmental, societal and social considerations were relevant to your business goals, and if there was any change over the last two years. Not all companies provided the answers. The 4-stars hotel said they had different projects to reduce carbon footprint, energy costs. For 5-stars hotel it was very strange to follow green guidelines and ban plastic in all outlets and then all of a sudden the massive use of plastic wrapping, bags, masks, etc. flooded the world like it had not seen before. So some companies started the new sustainability focused projects, for some noted that Covid-19 influenced the use of the plastic in this sector.

## **Values they want to create for your customers**

The managers mentioned the following values they want to create for your customers (business, social and environmental). The exhibition provider mentioned safe environment, place where your business can grow, the travel agency said they worked out a Ethic Code and try to analyze and choose our suppliers to follow the principles which are incorporated in our Ethic Code. The 4-stars hotels mentioned positive attitude and professional approach delivering a memorable guest experience. The 5-stars hotel said to find the right price and value ratio to keep customers happy. They also support social side - there are 16 Ukrainian refugees on full term contract currently, and environmental – they follow the Accor adopted Planet21 guidelines at the level “gold”. The managers provided the differently focused answers that demonstrates the individual concepts affecting the business decisions and the models.

## The percentage of conferences in the business

The companies were asked what was the percentage of conferences in the business before Covid-19? For exhibition provider the conferences were 15%. For travel agency, 55 % business travel, 10 % MICE and PCO, 20 % leisure and 15 % Incoming tourists. For 4-star hotel, it was 30% business groups + conference space, for 5-stars hotel, it was about 50%. All of the four companies had conferences as the part of the business, the share in the hotel business - the biggest.

## **Strategy**

The companies were asked about the strategy they had under Covid-19: for the exhibition provider - keep the core of the company and do optimization, there was no time before. For travel agency - cost saving, optimizing and surviving. For 4-stars hotel, adapt according to regulations and market demand, control cost. For 5-stars hotel - massive reduction of all payment related areas, allowing people to leave immediately and change jobs, putting all service providers on hold until further notice, and actions to be taken immediately to save costs as each idle day would pile up unnecessary expenses. The three of four 4 companies mentioned cost saving.

The two of the four companies said they firstly had the strategy to react to Covid-19, the two companies said they did not have a strict strategy, also the regulations were changing weekly.

## **Pricing Strategy**

The managers explained how their pricing strategy was changed over the last two years. The exhibition provider said they were more flexible, the event industry and big event halls have the biggest restrictions, so they worked with Health Ministry. The second strategy was to find a new product for getting profit. The travel agency said their pricing strategy did not really change. The 4-stars hotel said the pricing strategy was dynamic according to market conditions. The 5-stars hotel said they had changes, and had to adjust in order to maintain a competitive profile, attract new segments and partners, that this has a negative impact on the RevPAR and bottom line but such is the new competitive market. The three of four companies had changes in pricing strategy.



## **Summarizing Changes**

When summarizing changes, the exhibition provider mentioned that their plans are long time and, but they are focusing on short time plans because of Covid. Winter and spring are the exacerbation of Covid, so they are ready that there will be no events and they are ready to do more in Covid free time of the year. The travel agency said they reduced from the mid size company with 60 people to a small size company with 26 persons. For 4-stars hotel it is revenue loses, restructuring of the team and organization. The 5-stars hotel mentioned another problem with staff that many people don't know how to work anymore. Yet there are also people ready to take and combine roles, do extra and be confident with that. All in all less people are needed and more condensed team of allrounders. All the companies mentioned changes as reduction, restructuring the team or organization.



**Thank You**  
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**Questions ?**