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FINANCIAL BENCHMARKING IN THE HOTEL INDUSTRY: ANALYSIS OF THE EFFICIENCY AND PERFORMANCE OF HOTELS IN THE CONTEXT OF THE NEW ECONOMIC REALITY

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Abstract: *In modern business, achieving a high level of efficiency and optimal company performance becomes crucial for maintaining a competitive advantage. Accordingly, financial benchmarking is an indispensable tool in business evaluation, enabling organizations to systematically and continuously measure and compare their own organizational business processes in relation to the business processes of leaders around the world. Therefore, this paper is dedicated to a deeper analysis of the efficiency and performance of hotels in the Republic of Srpska through the application of financial benchmarking. The goal of the research is to understand the factors that influence the efficiency and performance of hotels in the Republic of Srpska through financial benchmarking, with a focus on identifying value drivers, all for the purpose of improving the company's performance. Through a detailed analysis of financial reports and relevant indicators, the research will provide insight into the current situation in the sector, identify potential areas of improvement and contribute to the overall improvement of the hotel industry's competitiveness in the region. For the purpose of analysis, two hotels in Republic of Srpska were selected that meet the conditions to be the subject of this analysis through financial benchmarking. Accordingly, annual financial reports were used, as well as other data from the stock market related to the shares and dividends of the observed hotels for a period of three years, from 2020 to 2022.*

Key words: *financial benchmarking, hotels, performance, business, financial statements.*

JEL classification: *L25, M40, L83.*

1. INTRODUCTION

Financial benchmarking allows managers to identify areas where a company can improve its performance, recognize industry trends, and make informed decisions about resources and strategies. This process is particularly useful in dynamic industries such as hospitality, where rapid changes in market conditions are common. Additionally, financial benchmarking can serve as a tool for setting realistic goals, tracking progress over time, and directing resources to areas that require improvement to achieve desired outcomes. In the current period and context of new economic realities, it is necessary for every company to monitor market changes. Companies seek various ways to increase their performance and gain a competitive advantage over their competitors. Therefore, they utilize different methods, techniques, and indicators. One method that can be applied in this area is benchmarking. The benchmarking process is typically associated with identifying best business practices. Furthermore, financial benchmarking is important primarily due to the strategic significance that financial achievements hold for all stakeholders, including shareholders, creditors, management, employees, etc. (Malinić, 2010).

Based on the above, the question arises as to how the application of financial benchmarking can contribute to understanding the efficiency and performance of hotels in the Republic of Srpska, identifying potential areas for improvement, and enhancing competitiveness in the hospitality industry. From this, the aim of this research is defined: to understand the factors influencing the efficiency and performance of hotels in the Republic of Srpska through financial benchmarking, with a focus on identifying value drivers for performance improvement.

2. LITERATURE REVIEW

The precursor to the application of benchmarking is considered to be Xerox Corporation, which in the late 1970s decided to follow IBM's example by comparing its products with those of its Japanese competitor, Fuji Xerox. The management attempted to understand how the Japanese manufacturer could produce photocopiers more reliably at a cost that did not even cover Xerox's production costs. Xerox found a solution to this situation and the answer to its question precisely through the application of benchmarking. By analyzing the costs of each production phase, examining sales costs, service quality, and many other aspects of its business in comparison to its competitors and the operations of other non-competitive companies, Xerox arrived at an answer (Renko, Delić & Škrtić, 1999). In the current turbulent period, it is necessary for every company to monitor market changes. Companies seek various ways to increase their performance and gain a competitive advantage over their competitors. Therefore, they utilize different methods, techniques, and indicators. One method that can be applied in this area is benchmarking. Many authors have explained the concept of benchmarking in different ways. Authors Bendell, Boulter, and Kelly state that benchmarking is one way to achieve necessary improvements in a company's activities by measuring itself against other companies (Bendell, Boulter, & Kelly, 1998). Financial benchmarking is usually conducted by analyzing the financial statements or key financial ratios of selected companies (Karlöf, 1997).

According to the definition of the American Productivity and Quality Center (APQC, 1993), the concept of benchmarking involves systematically and continuously measuring the business processes of a company compared to the business processes of known market leaders anywhere in the world. The goal is to obtain information that would help the company improve its business performance. Essentially, benchmarking boils down to the simple idea of learning from the best, which has been shown to be a very effective instrument for surviving crises worldwide (Vasilić, 2014). Author Malinić (2010) highlights several key aspects that define benchmarking, including understanding how a company conducts its activities, analyzing the procedures of others, recognizing best business practices, learning from the experiences of others, adaptability, acceptance, and implementation of better business solutions, and improvement of one's own results.

The significance of benchmarking is reflected through several aspects (Malinić, 2010):

1. Improvement of strategic planning;
2. Discovery of strengths and weaknesses of competitive companies;
3. Significant cost savings;
4. Refinement of organizational methods and practices;
5. Enhancement of products, services, and business processes;
6. Maintenance of the organization's ability to successfully implement best business practices;
7. Continuous learning.

Benchmarking is currently one of the most commonly used tools aimed at increasing business performance (Bogetof, 2012). Benchmarking includes benchmarking of products and services, business processes, and performance (Maleyeff, 2003).

The attractiveness of financial benchmarking stems from several key elements:

1. Access to global information: Financial benchmarking allows organizations to compare their performance with similar entities worldwide, providing access to diverse information and best practices from different markets.
2. Objective analysis of competition: Through financial benchmarking, organizations can objectively analyze their financial results in comparison to competitors, identifying clear strengths

and weaknesses and creating a basis for strategic decisions.

3. Identification of best practices: Practicing financial benchmarking provides access to the best business practices in the industry, enabling organizations to learn from more successful players and apply that knowledge to their own operations.
4. Improvement of internal performance: By identifying more efficient business processes and implementing enhanced strategies, organizations can improve their internal performance and gain competitive advantages.
5. Informed strategic decisions: Financial benchmarking provides organizations with the information needed to make informed strategic decisions, including goal setting, budget planning, and resource optimization.
6. Continuous improvement: Through regular implementation of financial benchmarking, organizations can track their progress over time, recognize trends, and continuously align themselves with the latest developments in the industry.

Essentially, the attractiveness of financial benchmarking lies in organizations' ability to gain insight into their position relative to the competition, identify areas for improvement, and apply best practices to achieve long-term success. In essence, benchmarking is a process that occurs continuously. Research cycles are not one-time events but are regularly repeated at certain intervals. Only through this practice can we achieve continuous improvements, which entails constantly allocating the necessary financial resources. The efficiency of the benchmarking process depends on the effectiveness of performing individual phases of this process. In the literature and business practice, a large number of models have been developed, varying in the number of phases and individual steps required to implement benchmarking (Malinić, 2010). Generally, we can say that the benchmarking process unfolds through three phases (Malinić, 2010):

1. Planning phase,
2. Analysis and design phase, and
3. Implementation phase.

Before embarking on the benchmarking process, it is essential to identify the objectives of benchmarking. The objectives should be specific, measurable, achievable, relevant, and time-bound. Key performance indicators are crucial in the financial benchmarking process. Data collection and analysis are vital steps in the benchmarking process. After analyzing the data, companies can identify deficiencies and opportunities for improvement. Based on the findings, companies can develop action plans and implement changes to improve their financial performance. To ensure the success of the benchmarking process, it is crucial to periodically monitor and evaluate progress. Many authors have conducted analysis through financial benchmarking in the hotel industry in their scholarly articles. Authors Ivankovič and Jerman described a performance measurement system developed with the aim of providing a useful benchmarking tool for Slovenian and Croatian hotels. The financial results of these hotels indicated room for improvement, which motivated the development of this system. The article also presents the process of developing the system, which includes financial and non-financial performance indicators, with financial indicators based on USALI standards and non-financial indicators developed based on literature (Ivankovič & Jerman, 2020). Furthermore, authors Nunes and Machado set specific goals in their research. First, they analyzed the relationship between hotel characteristics and the use of the Uniform System of Accounts for the Lodging Industry (USALI). Second, they investigated whether the use of this system is associated with the prices hotels charge, and then conducted a survey among financial managers of 241, 4 and 5-star hotels in Portugal. To achieve their goals, information on the prices hotels charge was also collected from the Booking.com online platform. From the obtained results, they proved the existence of a connection between hotel characteristics and the use of USALI, as well as that the use of USALI affects the practiced price (Nunes & Machado, 2020). In a study on resource consumption in Hilton International and Scandic hotels in Europe, authors Bohdanowicz and Martinac provided an overview of the characteristics of these two brands and analyzed collective resource consumption (data from 2004). Through the analysis of factors such as hotel standards, total area, number of overnight stays, and food sales, it was concluded that there is significant variability in the use of energy and water between Hilton and Scandic hotels. The authors recommend researching facility components and propose procedures and criteria for establishing a useful reporting system and benchmarking model (Bohdanowicz & Martinac, 2007).

Performance Measurement System in Financial Benchmarking

The performance measurement system in financial benchmarking refers to the establishment and use of specific criteria or indicators to evaluate and compare the financial performance of organizations. The application of financial benchmarking requires the establishment of a complex system of performance indicators. The interest of key stakeholders, especially investors, in profitability, along with the need for key indicators to reflect the strategic goals of the company, suggests the selection of a smaller number of diverse performance indicators. This is in the context of assessing goal achievement and necessary improvements as a result of the benchmarking process itself (Malinić, 2010).

Table 1. Performance measurement system in financial benchmarking

Primary financial goals	Key performance indicators
PROFITABILITY	Economic value added (EVA)
	Return on assets (ROA)
	Return on equity (ROE)
	Cash flow return on investment (CFROI)
LONG-TERM SECURITY	Debt/Equity (D/E)
	Capital/fixed assets
	NOC/Current Assets (NWC/CA)
CAPITALIZATION	Market value (P/B)
	Total shareholder return (TSR)
	Market Value Added (MVA)
DIVIDENDS	Dividend yield (DY)
	Dividends per share (DPS)
	Dividends/net profit
	Cash flow per share (CFPS)
	Earnings per share (EPS)
GROWTH	Internal Growth Rate (IGR)
	Sustainable Growth Rate (SGR)
LIQUIDITY	CFO/Current liabilities (CFO/CL)
	Current assets/current liabilities (CR)
	Monetary assets/current liabilities (QR)
	Cash Flows/Revenues (CC/S)

Source: *adapted from Malinić, D. (2010). Financial benchmarking as an instrument for improving company performance. p. 1*

Table 1 presents the performance measurement system in financial benchmarking. In column 1, the primary financial goals that the company aims to achieve are displayed, while column 2 lists the key indicators for achieving those goals. Traditional financial goals include profitability, liquidity, and solvency. Goals such as dividends and capital gains are particularly emphasized due to differences in perspectives between companies and investors. A high ROE (Return on Equity) does not necessarily mean mandatory dividend payments, as some companies consciously reinvest earnings to increase market value and realize capital gains. Therefore, focusing solely on ROE and ROA (Return on Assets) or only on dividends and capital gains can complicate quality comparisons and a complete understanding of company performance (Malinić, 2010).

3. FINANCIAL BENCHMARKING PROCESS IN THE HOTEL INDUSTRY OF REPUBLIC OF SRPSKA

For the purposes of this research, two hotels in Republic of Srpska were selected, both with a long tradition of operation and recognizable for their services. In order to preserve the hotels' reputation and ensure data anonymity, they will be referred to as Hotel A and Hotel B solely for the purpose of this analysis. Financial statements of the mentioned hotels, information from their websites, as well as relevant business reports were used for financial benchmarking.

Hotel A was built in the 1930s and since then has been one of the most beautiful buildings in Republic of Srpska, designated as a protected monument of architectural heritage of the first category. In terms of activity, the hotel belongs to category 55.10 - Hotels and other accommodations. The A+ credit rating for Hotel A indicates an exceptionally favorable creditworthiness, suggesting no signs of risky business in the future.

Hotel B, in terms of size, ranks among the largest hospitality capacities in Republic of Srpska. The

A+ credit rating for Hotel B represents the highest rating, indicating an exceptionally favorable creditworthiness. This rating signifies that this hotel shows no signs of risky business in the future, making it a reliable business partner for collaboration. Additionally, the rating provides assurance that the hotel will maintain successful operations in the coming years, which can be appealing to potential investors, partners, or guests seeking a secure and stable business or tourist destination.

Hotel A demonstrates a significant advantage in net business assets, suggesting a stronger financial position compared to Hotel B. Both hotels show significant fluctuations in financial assets. Hotel A has more significant fluctuations in long-term financial placements, while Hotel B has more significant fluctuations in short-term financial placements, and then an absence in 2022. Hotel A stands out in reducing long-term liabilities over the period, indicating determination in debt management. On the other hand, Hotel B has no long-term liabilities during the analyzed period. Regarding shareholders' equity, Hotel A significantly surpasses Hotel B, indicating stability and capacity for investments. Hotel A has already begun to utilize its investment capacity, which will result in the creation of new jobs.

Hotel A dominates in most key financial indicators, including net business assets, financial assets, and shareholders' equity. While Hotel B has certain advantages, it can focus on optimizing long-term strategies to improve its financial position.

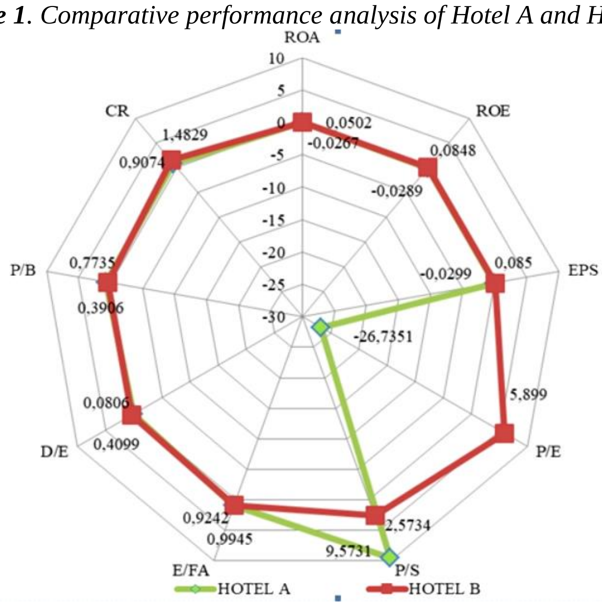
Table 2. Comparative analysis of asset and liability structure of Hotel A and Hotel B

	Hotel A			Hotel B		
	2020	2021	2022	2020	2021	2022
Percentage of business assets in total assets	86%	92%	96%	94%	95%	100%
Percentage of financial assets in total assets	14%	8%	4%	6%	5%	0%
Percentage of business liabilities in total liabilities	8,96%	7,91%	7,53%	24,36%	23,85%	24,36%
Percentage of financial liabilities in total liabilities	0,49%	0,23%	0,20%	1,20%	0,00%	0,00%
Percentage of equity capital in total liabilities	90,55%	91,86%	92,26%	74,44%	76,15%	75,64%

Source: Authors

For the purpose of a comparative analysis in the financial benchmarking process, a so-called spider diagram is used to visualize the achievements of the two participants and identify any deviations in key performance indicators. In this context, we are observing two hotels in the Republic of Srpska, and performance assessment is based on selected indicators. This diagram allows for a clear comparison and analysis to identify areas where one enterprise may excel or lag behind the other.

***Figure 1**. Comparative performance analysis of Hotel A and Hotel B*

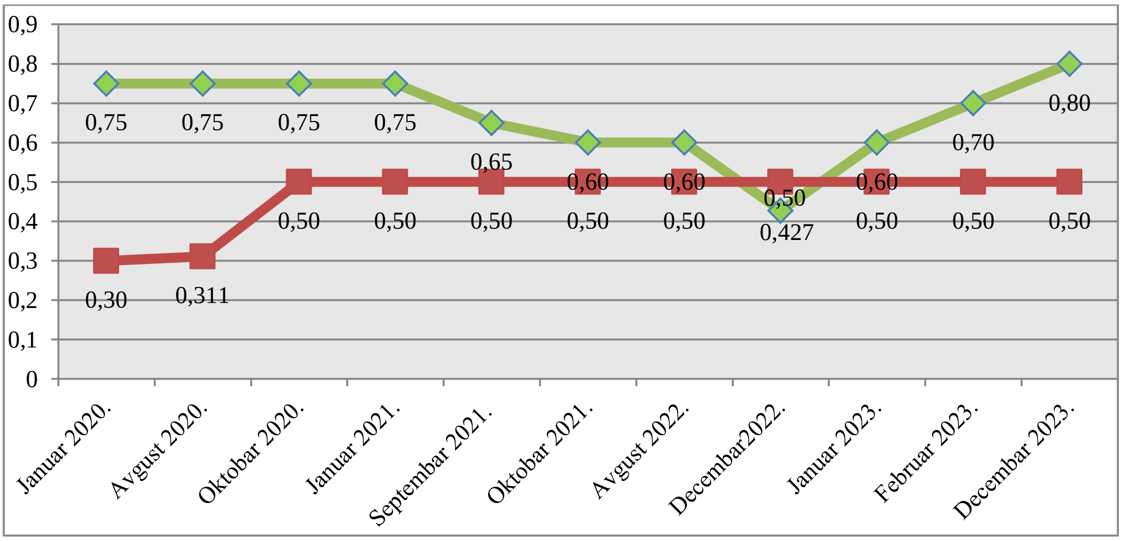


*Indicators are expressed in coefficients.
Source: Authors

Based on the provided financial indicators, it can be concluded that Hotel B generally exhibits better financial performance compared to Hotel A. Hotel B has a positive return on assets (ROA), positive return on equity (ROE), positive earnings per share (EPS), reasonable price-to-earnings ratio (P/E), lower price-to-sales ratio (P/S), and lower debt-to-equity ratio (D/E). Additionally, Hotel B demonstrates better liquidity based on the current ratio of current assets to current liabilities. On the other hand, Hotel A faces challenges with negative return on assets, return on equity, and earnings per share. Furthermore, the P/E ratio and P/S ratio suggest certain challenges regarding market perception of stock value. In conclusion, Hotel B appears to be financially more stable and efficient, while Hotel A may face certain challenges. Given that most selected indicators for both hotels exhibit a similar trend except for the significantly deviating P/E, a deeper analysis of this indicator is warranted. The P/E ratio is derived from the relationship between the market price of shares and the net earnings per share.

A P/E ratio of -26,7351 (Hotel A) may indicate that the stock price is lower than the current earnings per share, suggesting some challenges or negative performance. This negative P/E could result from net loss, unfavorable business conditions, or other factors. For Hotel B, the P/E ratio is 5,8990, suggesting that the market expects earnings growth and that Hotel B's stock price is relatively high compared to current earnings. A positive P/E may result from stable or increasing profitability, positive prospects for future growth, or favorable business conditions. Regarding the P/S ratio, which represents the relationship between the market price of shares and revenue from sales, Hotel A is in a much better position compared to Hotel B, confirming that Hotel A has significantly higher revenues from the sale of its accommodation services compared to Hotel B. It is important to note that these indicators alone do not provide all the information about the financial health of a company, necessitating further and deeper analysis, both of stock prices and other specific indicators in the hotel industry. The total number of shares of Hotel A traded in 2022 was 12.058.902, with a nominal value per share of 1,00 KM, resulting in a market capitalization of 9.647.122 KM. In comparison, Hotel B's situation in 2022 was different, with a total of 2.500.423 shares traded, also with a nominal value of 1.00 KM, and a market capitalization of 1.250.212 KM. The highest share price for Hotel A was 0,80 KM, while for Hotel B, it was 0,50 KM.

***Figure 2**. Price trend of shares of Hotel A and Hotel B in the period from January 2020 to the end of December 2023*



Source: Authors

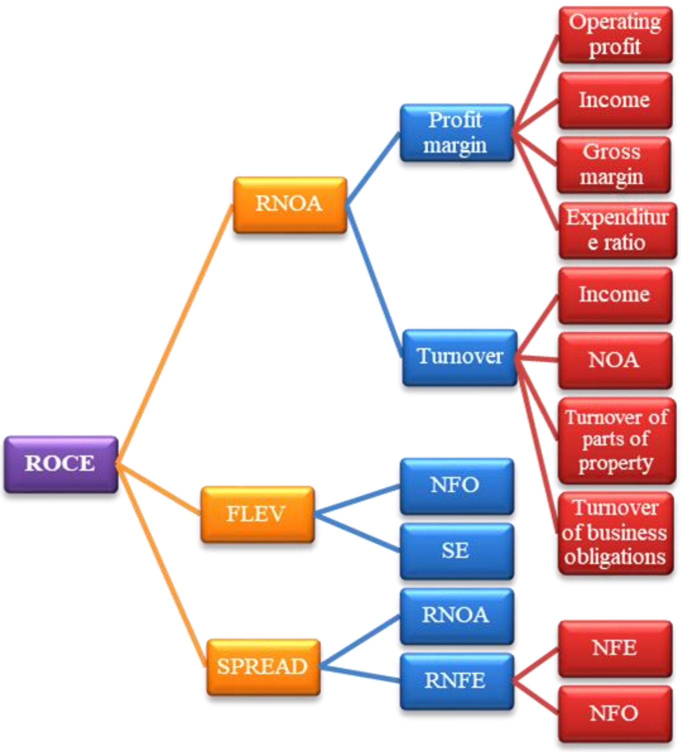
In the graphical representation number 4, it is concluded that the share prices fluctuated for both Hotel A and Hotel B from the beginning of 2022 until the end of 2023. However, the share prices of Hotel B experienced an increase starting from October 2020, going from 0,311KM to 0,50KM, and maintained that value until the end of 2023, which is characterized as stable. However, the situation is somewhat different for Hotel A. The share prices of Hotel A declined starting from September 2021, from 0,75KM to 0,65KM, and this decline continued until the end of September and the beginning of October, reaching 0,60KM. This price remained stable until the end of December 2022, where another decline occurred, dropping the share price to 0,427KM. This trend can be explained by global factors such as the pandemic that was ongoing at the time. The pandemic caused significant changes in the hospitality industry, starting from reduced tourist traffic, leading to general economic uncertainty. General economic uncertainty caused by the pandemic can lead to investor uncertainty, often reflected in stock prices. However, the share price of Hotel A started to rise again at the beginning of 2023, going from 0,427KM to as high as 0,60KM, and by the end of 2023, it increased to 0,80KM, representing the highest price since the beginning of 2020. In contrast, the share prices of Hotel B remained stable during the COVID period, indicating a different business profile or exposure level to factors such as tourism and global economic trends. In conclusion, the dynamics of

Hotel A's share prices reflect a complex combination of local and global factors, with periods of challenges (pandemic) and periods of recovery. Despite this, Hotel A recorded a total turnover of 321.216,68KM from January 2020 to December 2023, with an arithmetic mean of the official exchange rate for trading days at 0,6412KM. The minimum official exchange rate was 0,427KM (at the end of 2022), and the maximum was 0,80KM (at the end of 2023), indicating that the increase in share prices almost doubled by the end of 2023 compared to the end of 2022. Regarding the percentage change in the official exchange rate during the observed period, it recorded an increase of 6,67%, further confirming a positive trend in the value of shares during the observed period. Hotel B had a total turnover of shares amounting to 31.633,55KM during the observed period, which is almost ten times less compared to Hotel A's turnover. The arithmetic mean of the official exchange rate for trading days was 0,3703KM, with a minimum official exchange rate of 0,30KM and a maximum of 0,50KM. The percentage change in the official exchange rate during the observed period recorded an increase of 66,67%.

4. PROFITABILITY ANALYSIS IN THE CONTEXT OF FINANCIAL BENCHMARKING

To determine what and why one company outperforms another, in this case, Hotel A and Hotel B, it is necessary to develop value driver levels for the profitability indicator, which reveals areas where one hotel achieves better business results than the other. Such an analysis can be of great benefit as it provides potential opportunities for improvement (Malinić, 2010).

Figure 3. *Analysis of profitability in the function of financial benchmarking*



Source: Authors

4.1. ROCE Analysis - Level I

ROCE is significantly influenced by business activities that generate operating profit, as well as financial activities that generate operating profit or expenses. Negative financial leverage is present in both hotels, with NFO < 0. RNOA is almost equal to SPREDU at Hotel A, while at Hotel B, RNOA < SPREDA. However, ROCE is above RNOA in both hotels. ROCE is lower than RNOA at Hotel B (Malinić, 2010). Hotel B shows better results in operational efficiency and profitability compared to Hotel A. Its positive ROOA and RNOA indicate better utilization of operational resources. Conversely, Hotel A shows less satisfactory results in capital efficiency. Both hotels exhibit a similar level of operational volatility (OLLEV), suggesting relative stability in relation to changes in liabilities and capital. Hotel B has significantly lower net financial expenses compared to revenue compared to Hotel A, contributing to greater financial sustainability. Hotels should monitor trends and consider strategies to reduce borrowing costs and improve operational efficiency to achieve better financial results.

***Figure 4.** ROCE Analysis - Level I for Hotel A and Hotel B*

***Source:** Authors*

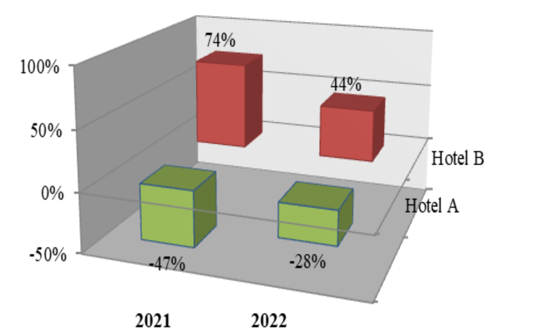
4.2. Profit Margin Drivers Analysis - Level II Analysis

Analysis of profit margin drivers at the second level may involve a deeper examination of various factors influencing the hotel's business profitability. Hotel B achieves a positive gross profit margin of 74%, indicating a strong relationship between gross profit and sales revenue.

Although the gross profit margin has decreased to 44%, it remains relatively high, suggesting continued profitability for Hotel B.

However, Hotel A faces a highly unfavorable situation concerning its gross profit margin, which is well below zero. In both scenarios, it is essential to monitor and analyze other factors influencing profitability, as the gross profit margin is just one of the indicators providing insights into basic operational profitability.

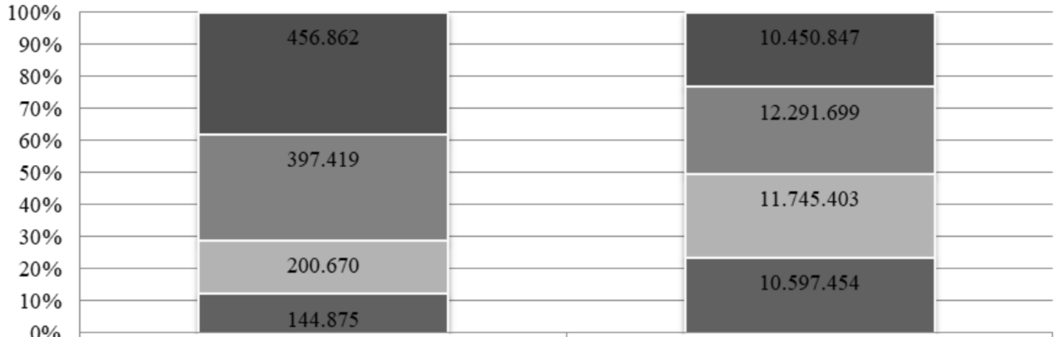
Figure 5. Gross profit margin analysis of Hotel A and Hotel B



Source: Authors

Analyzing the expenditure and revenue structure of the observed hotels, as well as the structure of assets and liabilities, it is observed that Hotel A has exceptionally high depreciation expenses for property, plant, and equipment. The value of property, plant, and equipment at Hotel A amounted to 10.450.847 KM as of December 31, 2022. This key issue is selected because property, plant, and equipment constitute the most significant part of Hotel A's assets and involve significant management estimates when determining the useful life and capitalization of investments in property, plant, and equipment. Property, plant, and equipment are measured at cost less any impairment losses and any accumulated depreciation. Hotel A has older or technically more complex property, plant, and equipment, resulting in higher depreciation expenses. The trend of depreciation expenses for property, equipment, and plant is presented in Figure 6.

Figure 6. Presentation of the trends in depreciation and real estate, equipment and facilities of Hotel A in the period from 2019 to 2022



	Depreciation of real estate, equipment and plant	Real estate, equipment and plants
2022	456.862	10.450.847
2021	397.419	12.291.699
2020	200.670	11.745.403
2019	144.875	10.597.454

Source: *Authors*

Analyzing the depreciation expenses for the properties of Hotel A from 2019 to 2022, a continuous increase in these costs is noticeable each year.

Depreciation expenses rose from 144.875 KM in 2019 to 200.670 KM in 2020, further to 397.419 KM in 2021, reaching the highest level of 456.862 KM in 2022. This trend suggests that Hotel A invested in new or existing properties, facilities, and equipment during this period, indicating a strategy of improvement and modernization of the facility.

Furthermore, the Return on Assets (ROA) and Return on Equity (ROE) indicators for both observed hotels were analyzed. Hotel B is in a better position than Hotel A solely because Hotel B generates a positive operating result while Hotel A generates a negative operating result.

Negative ROE values for Hotel A suggest that the company failed to generate profit compared to its own capital in both periods.

On the other hand, positive ROE values for Hotel B indicate that the company managed to generate profit compared to its own capital, although the return rate is slightly lower in the second year compared to the previous one. However, revenues, assets, and capital are much higher for Hotel A compared to Hotel B, which has significantly lower revenues, capital, and assets. This situation confirms that Hotel A utilizes its accommodation capacity better than Hotel B and therefore generates higher revenues from accommodation and other services.

Table 3. *Indicator of ROE and ROA of Hotel A and Hotel B for 2021 and 2022 according to adjusted balance sheets*

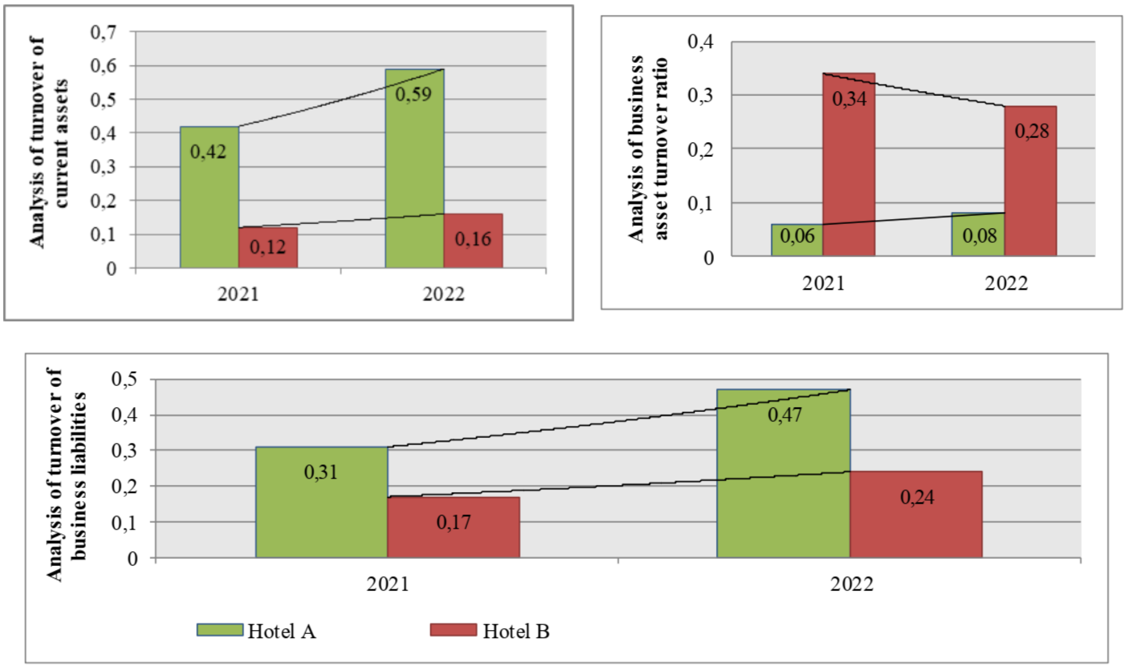
Hotel	ROE		ROA	
	2021	2022	2021	2022
Hotel A	-2,31	-2,10	-2,10	-2,00
Hotel B	10,06	6,53	7,60	5,00

* Results expressed in percentages

4.3. Analysis of efficiency drivers – III level

Analysis of efficiency drivers, at the third level of analysis, involves a more detailed examination of key factors influencing the efficiency of the company's operations. For the purpose of this analysis, the following efficiency drivers indicators will be used: inventory turnover, fixed asset turnover, accounts payable turnover, and net asset turnover.

Figure 7. Analysis of efficiency drivers - III level of analysis



Source: *Authors*

The turnover ratios are presented in the form of ratios. Hotel A has significantly higher turnover ratios of inventory turnover and accounts payable turnover in both fiscal years. The difference in turnover ratios is observed in all the turnover ratio charts.

However, the fixed asset turnover ratio is at a significantly higher level for Hotel B, and there is a large gap between the hotels in terms of annual business performance. But even considering this, we see that Hotel B faces a problem with the decrease in the fixed asset turnover ratio in 2022. Hotel A has room for improvement in terms of enhancing asset management efficiency, where reducing this gap would allow for further improvement in RNOA.

5. ANALYSIS OF SPECIFIC INDICATORS IN THE HOTEL INDUSTRY

As specific performance indicators in the hotel industry, revenue per available room (RevPAR) and total revenue per available room (TRevPAR) emerge.

The following data illustrates the revenue per available room (RevPAR) for two hotels, Hotel A and Hotel B, during the period from 2020 to 2022. RevPAR is a significant indicator in the hotel industry as it measures the efficiency of utilizing hotel capacity and the total revenue generated per room available for sale. Revenue per available room is calculated using the formula (Green & Tran, 2023):

RevPAR = (Total room revenue) / (number of available hotel rooms)

Hotel A generates significantly higher revenue per available room (RevPAR) compared to Hotel B in all observed years. This may indicate a greater ability of Hotel A to generate revenue from its accommodation capacity compared to Hotel B. However, both hotels show a trend of increasing RevPAR over time. This is a positive sign, suggesting that both hotels have managed to improve the utilization of their rooms and/or increase average room rates. It is particularly noteworthy that Hotel A records a more pronounced growth in RevPAR compared to Hotel B. This may indicate successful business strategies, marketing efforts, or service enhancements implemented in Hotel A, resulting in a higher increase in revenue per room.

Hotel A generates significantly higher revenue per available room (RevPAR) compared to Hotel B in all observed years. This may indicate a greater ability of Hotel A to generate revenue from its accommodation capacity compared to Hotel B. However, both hotels show a trend of increasing RevPAR over time. This is a positive sign, suggesting that both hotels have managed to improve the utilization of their rooms and/or increase average room rates. It is particularly

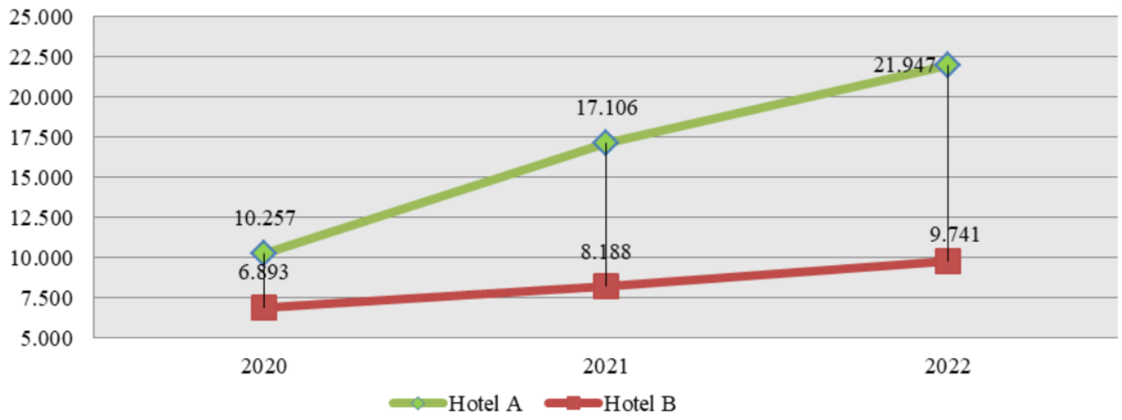
noteworthy that Hotel A records a more pronounced growth in RevPAR compared to Hotel B. This may indicate successful business strategies, marketing efforts, or service enhancements implemented in Hotel A, resulting in a higher increase in revenue per room.

Figure 8. Trend of accommodation income by available rooms of Hotel A and Hotel B in the period from 2020-2022.

Source: *Authors*

Essentially, these data indicate that Hotel A is more successful in generating revenue from its hotel capacity and achieves more pronounced growth compared to Hotel B. In conclusion, both observed hotels show improvements over time. Such a situation, demonstrating that Hotel A has significantly higher revenue from the sale of its accommodation services compared to Hotel B, actually confirms a high P/S ratio (price-to-sales ratio).

Figure 9. Trend of total business income by available rooms of Hotel A and Hotel B in the period from 2020 to 2022.



Source: *Authors*

Total Revenue per Available Room (TRevPAR) represents the ratio of all realized business revenues of the hotel (accommodation revenue, food and beverage revenue, wellness/SPA revenue, health services, sports and recreation revenue, conference revenue, revenue from other operating departments) to the number of available accommodation units (Santos, Malheiros, Gomes, & Guerra, 2020): **TRevPAR** = (Total business revenue of the hotel) / (number of available accommodation units in the hotel).

Hotel A has maintained a high TRevPAR throughout all three years, indicating strong total revenue per room. Hotel B also shows growth, but at a lower level compared to Hotel A.

CONCLUSION

Financial benchmarking enables organizations to assess their performance compared to similar organizations in the industry. This helps identify areas where the organization can improve its financial results. In addition to comparing with competitors, financial benchmarking provides insight into best practices adopted by successful organizations. This allows companies to recognize effective strategies and processes they can implement to enhance their performance. Understanding how the organization positions itself relative to the competition aids in identifying opportunities to gain a competitive advantage. This may include identifying market opportunities, cost optimization, or improving products and services. Benchmarking provides reference points for setting realistic and achievable goals. Organizations can set goals based on the achievements of other similar organizations, helping them focus their efforts on areas where improvement is most needed. In conclusion of the analysis of the financial performance of Hotel A and Hotel B, it is evident that Hotel B demonstrates more stable and positive results in many key aspects. With the reduction in wage costs, Hotel B managed to increase its number of employees, suggesting a certain degree of efficiency in operations. On the other hand, Hotel A faces challenges, particularly in gross profit margin and P/E ratio, indicating the need for more thorough analysis. Finally, ROCE shows relatively negative efficiency in capital utilization for generating profits at Hotel A, while Hotel B exhibits positive efficiency in this aspect. While both hotels show a positive trend in RevPAR, Hotel B has an advantage in operational capacity. Through deeper understanding of these results, hotels can shape strategies for improving efficiency, reducing costs, and achieving sustainable financial performance in the market. The pandemic seriously disrupted the operations of Hotel A, which had been achieving positive results for the past ten years, while Hotel B managed to maintain stability in its operations, experiencing a decrease in business revenue without significant growth in expenses, resulting in Hotel B achieving a positive outcome in those years of operation.

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