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**Program: Vitality & Tourism management**

what concerns regarding the rise of reduced VAT rate are there within hospitality industry, in the environment of hotel ‘’Golden tulip Westduin’’?

research report

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**What concerns regarding the rise of reduced VAT rate are there within hospitality industry, in the environment of hotel ‘’Golden Tulip Westduin’’?**

Research report

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# Introduction

This chapter includes the brief description about the background of the problem, the actual problem statement. Out of this problem statement the research question was drawn, and the sub-questions were created. The chapter ends with the objective and expected results of this research proposal and a bookmark which provides basic information about the following chapters.

Limited to less than 10 countries in the late 1960s, VAT (value added tax) is today an essential source of revenue in more than 150 countries (Cornelisse, 2012).The Netherlands is one the countries on this list. All the goods that are being purchased by people, depending on the category they are in, include a certain percentage of VAT. Currently, there are three rates of VAT in the Netherlands, which are as follows:

* twenty-one per cent value added tax - standard VAT applied to most goods and services.
* six per cent value added tax – VAT applied to food and beverage (except for alcoholics), water, pharmaceutical products and medical aids, books and magazines, passenger transport, hotel accommodations, sport events, theatres, music performances, zoos, cinemas, etc.
* zero per cent value added tax – VAT applied to exports and intra-community supplies.

(Wijck, 2017).

The above-mentioned rates of VAT describe the current situation regarding taxes, however on 10th of October 2017, four governmental parties, namely VVD, CDA, D66 and ChristenUnie, proposed a new rule: starting 1st of January 2019 to increase the six per cent VAT up to nine per cent (Straten, 2017). The proposition is still under consideration and needs to be approved by the Dutch parliament, however the reaction of Dutch citizens as well as concerned businesses is already becoming negative.

One of the branches that will hugely be affected by this change is the hospitality industry. The owners of restaurants and hotels all over the Netherlands are expressing their concerns regarding possible decrease of sales due to this certain change in tax rates (Straten, 2017). In addition, an implementation of VAT related changes, becomes an administrative burden to companies and organizations. In this case, the hotel ‘’Golden Tulip Westduin’’ is one of the concerned parties which will be affected by the changes in VAT rates. The main problem for the management of GTW is that they do not know where to start and which of possible scenarios to choose, as they never had to go through similar external changes during the roughest period for business, low season. The management of “’Golden Tulip Westduin’’ has expressed various concerns related to this specific matter. Firstly, they want to know what is the actual situation they need to deal with, meaning they would like to know what are the opinions of other regional hospitality representatives with regard to this specific economic change. The necessity to analyze their competitors, is based on the fact that the economic change most likely will be implemented during low season, which consequently can have major impact on the financial performance of the company during this period. Secondly, and most importantly, ‘’Golden Tulip Westduin’’ expressed the desire to uncover which strategies have been used by their competitors when it comes to similar situation, and which of those strategies have proven to work most effectively.

Above mentioned problem definition serves as a basis for the following research question:

***What concerns regarding the rise of reduced VAT rate are there within hospitality industry, in the environment of hotel ‘’Golden Tulip Westduin’’?***

In order to find the solution to the problem that the hotel ‘’Golden Tulip Westduin’’ might be facing in the near future, the answer to the above-mentioned research question has to be found. However, in order to properly answer the main research question a single answer does not suffice. Therefore, it is necessary to make use of sub – questions. Sub – questions will help to get insights into all problem related aspects and, consequently provide the researcher with a broader knowledge field. The following sub – questions will be used to find a proper answer to this specific research question:

* What managerial concerns and decisions related to financial area were there during previous similar economic changes?
* What managerial concerns and decisions related to demand and customer satisfaction were there during previous similar economic changes?
* What managerial concerns and decision related communication were there during previous similar economic changes?
* What managerial concerns and decision related to administrative tasks were there during previous similar economic changes?
* What are the main concerns in relation to the reduced VAT rate increasing by three per cent?

The objective of this research is to uncover precise concerns the possible increase of the six per cent VAT rate will bring to hospitality industry, and how direct competitors deal with similar situations. In other words, provide the management of ‘’Golden Tulip Westduin’’ with an overview of most suitable actions which were undertaken by other hospitality companies in similar situations. . The main goal is to gather reliable and sufficient data regarding different strategies, which would consequently help to make relevant and beneficial suggestions and improvement points. use the findings to write an implementation report which will focus on adaptation plan as well as pricing strategies for the hotel.

Following the introduction, the thorough description of the company profile will be provided in the Chapter 2. Chapter 3 will provide all necessary theory related to the research plan and future research report. Next chapter 4 will cover the methodology chosen for this specific research, followed by chapter 5, which provides detailed results. Chapter 6 includes discussion where results will be compared to the theories found. Lastly, chapter 7 will finish up with conclusions of the research and specific recommendations for research sponsors. These recommendations are based on the results of this specific research.

# Company profile

The hotel ‘’Golden Tulip Westduin’’ is a four-star hotel located in Vlissingen/Koudekerke. The hotel is located in a rural area straight at the bottom of the dunes, just 50 meters away from the sea and the beach. The hotel is easy to reach and has a good interconnection with the cities such as Middelburg, Domburg, and Vlissingen. It is easily reachable by either a bicycle, scooter or a car.

The hotel ‘’Golden Tulip Westduin’’ has a long history of evolving. It first opened the doors in 1926, as a tavern selling drinks and local snacks. However, it was converted into a hotel only in 1981, once P. Flipse took over the property. The same year he was joined by E.J.P. (Eef) Izeboud, a manager of the beach hotel on the boulevard in Vlissingen. In April 1988, Izeboud concluded a franchise agreement with ‘’Golden Tulip’’ hotel chain, which was broken off in 1992 and again renewed in 2000. Currently, the hotel ‘’Golden Tulip Westduin’’ is being owned by the sons of E.J.P. Izeboud, Eef Junior and Jules (Izeboud, 2017). Furthermore, it is still operating as a part of the ‘’Golden Tulip’’ hotel chain, which over the years has become part of an even bigger international hotel and resort chain ‘’Louvre Hotels Group’’ (consisting of 240 hotels in 45 countries).

In addition to long history and perfect location, the hotel ‘’Golden Tulip Westduin’’ has been awarded with the golden ‘’Green Key’’award. The company is actively participating in recycling, creating sustainable energy and further developing to create a sustainable environment. The company describes itself as ‘’a place where environment matters’’. Furthermore, for more than 30 years the hotel has been devoted to contributing and strengthen the region Zeeland as a touristic destination/product.

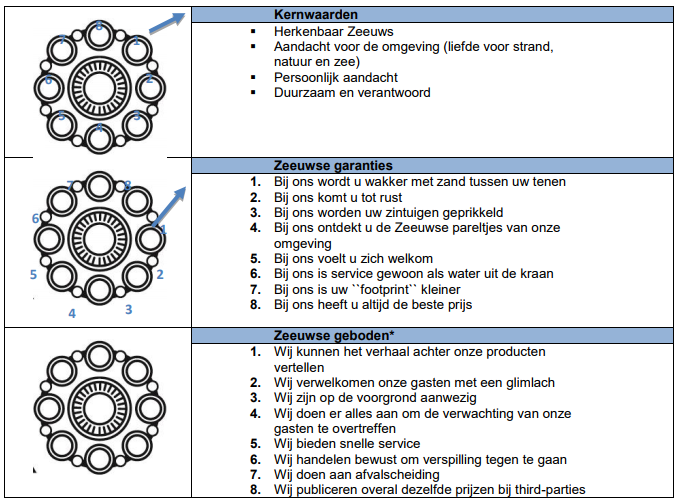
## Mission

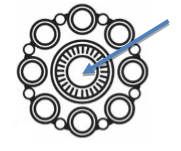
Provide quests with the optimal experience of relaxing and enjoying the hospitality of the region Zeeland during holidays and vacations (Kaya, 2016).

## Vision

The management of the hotel strives to show their shareholders what hotel ‘’Golden Tulip Westduin’’ stands for. Therefore, they have translated this objective of theirs into a single phrase ‘’Een Zeeuws Welkom’’ (A welcome from Zeeland). The catch phrase is being used constantly, on things such as tissues, menus, gifts for the business clients, etc. Constant reminder of what the hotel stands for helps to create an awareness regarding the vision of the hotel ‘’Golden Tulip Westduin’’ (Kaya, 2016).

welkom.png



In addition to a symbolic meaning behind

the catch phrase ‘’Een Zeeuws Welkom’’,

the company uses the symbol of Zeeland,

‘’Zeeuwse knoop’’, as a tool to describe

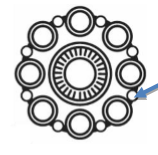
what the hotel stands for. It consists out

of three elements, namely:

* **The core values**, represented by

the inner ring

* **The Zeeland guarantees**,

Represented by the outermost rings.

* **The commandments,** represented

by the connection points of the outer ring.

(Kaya, 2016)

The vision and the mission of the company is communicated to the employees through the introductory presentation. The HR department organizes a two-hour long presentation, during which matters, such as franchise concept, organizational chart and vision and mission are communicated to the new employees.

## Products and services

The hotel consists of 116 hotel rooms, nine meeting rooms, and two restaurants. The entire hotel, including the rooms and restaurants, is sustainably decorated, with items such as ‘’rubberwood’’ furniture, linseed oil paint (natural paint), water saving toilets and bathroom taps, and Cradle to Cradle carpet tiles.

**Accommodation**

All non – smoking rooms have a balcony or a patio, bathroom with a bath or a rain shower, and are equipped with conveniences such as free Wi-Fi, flat screen TV, radio, safe, phone with wake-up alarm and a Nespresso coffee machine.

The hotel ‘’Golden Tulip Westduin’’ offers four packages for holiday and relaxation seeking clients, namely:

* **Sunday Funday package** – a stay in a Country view room on Sunday night including breakfast buffet and three course dinners at the restaurant ‘’Bij Jules’’.
* **Take a break package** – one overnight including breakfast buffet and three course dinners at the restaurant ‘’Bij Jules’’.
* **Bicycle package** –two overnight stays including two breakfast buffets, two three course dinners at the restaurant ‘’Bij Jules’’, and one-day bike rental.
* **Hotdeal in Zeeland** – an overnight stay with 10-euro discount per night.

**Restaurants**

The hotel has two restaurants, ‘’Bij Jules ‘’ and ‘’@Eef’’. Restaurant ‘’Bij Jules’’ offers more comfort, ‘’home made’’ food at a reasonable and competitive price. On the contrary, restaurant ‘’@Eef’’ is a more upscale, chic offering experience at a higher price. In addition, during high season, summer, the olive terrace is open to the guests.

**Meetings and events**

There are nine conference rooms in the hotel, separated by sliding walls. These are being used for following meetings and events:

* **Conference packages** – suitable for meetings and conferences involving anything from 4 till 1000 participants.
* **Team building activities** – with possibilities, such as sportive activities on the beach, high wine/high beer in the hotel, etc.
* **Events** – possibility to hold any kind of event based on the clients’ choice.

The hotel ‘’Golden Tulip Westduin’’ also provides possibility to hold parties, such as weddings or annual New Year’s Eve party.

## Target group

Depending on the season, the customers of the hotel ‘’Golden Tulip Westduin’’ vary between families, elder couples, business clients and workers. Most of the clientele originates from Germany, Belgium and the Netherlands and belong to middle or upper social class. In addition, to adapt more to the guests from the middle social class, the hotel offers budget accommodation.

## Market share and competition

The indirect competitors of the hotel ‘’Golden Tulip Westduin’’ are middle and small size hotels, such as ‘’Piccard’’, ‘’Zilt’’, ‘’Vlissingen hotel’’, etc. However, the main players in the region of Zeeland are hotel chains such as ‘’Amadore Hotels and restaurants’’, ‘’Fletcher hotels’’, ‘’Badhotel Domburg’’, and ‘’Van der Valk hotels and resorts’’.

## VAT related proceedings

The hotel ‘’Golden Tulip Westduin’’ is mostly a subject to a reduced VAT rate of six per cent. The following are the services/products offered by the hotel, that fall under the six per cent VAT rate:

* Accommodation
* Conference rooms
* Restaurants

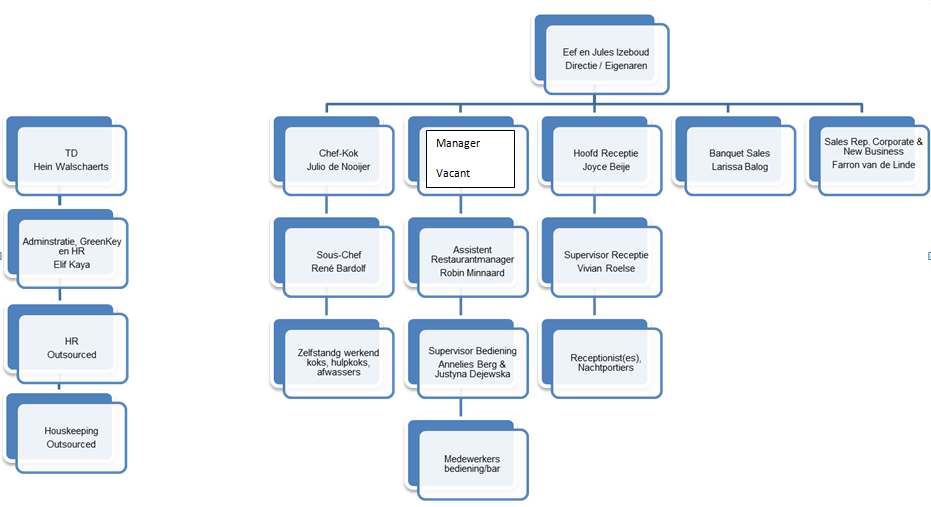
The only exemption is the alcoholic beverages offered (these are the subjects to twenty-one per cent VAT rate).

On a tactical level the VAT is being dealt with the help of operational systems. When it comes to the restaurant, the ‘’Micros’’ system is being used, which automatically calculates the VAT chargeable, and prints it on the receipts. Switching to the accommodation and conference rooms, the reception uses the system ‘’Fidelio’’, which also automatically calculates the VAT chargeable for each purchase.

The person responsible for the administrative tasks when it comes to the VAT is the accountant (outsourced). Every three months the accountant claims a refund from the government and files for a VAT return.

## Organizational chart

Beneath the organizational chart of the hotel ‘’Golden Tulip Westduin’’ is provided.



(Kaya, 2016)

The consecutive board consists of two brothers: Jules and Eef Izeboud. Following the company is divided into four main departments: kitchen, restaurant, reception and sales. Each of the departments has a separate manager. At the moment, the position of the restaurant manager is vacant. Furthermore, the company has a technical support department, however it is not considered to be big enough to belong to the main domains. In addition to having these four main domains, there are some extra departments, and these are the outsourced employees. The following are the outsourced departments: HR, finances and housekeeping.

## Contact details

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# Theoretical framework

In this chapter the theories needed for this research will be provided. Different articles and sources will be compared in order to cover the most important terms in the main research question. In addition, theories related to some relevant matters, such as how does value added tax influence prices and parties related, as well as how Dutch organizations ‘’Koninklijke Horeca Nederland’’ and ‘’Recron’’ respond to tax related changes, as well as what kind of concerns representatives of hospitality industry have, will be discussed.

## VAT(value added tax)

According to McLure Jr., ‘’a tax (from the Latin taxo) is a mandatory financial charge or some other type of levy imposed upon a taxpayer (an individual or other legal entity) by a governmental organization in order to fund various public expenditures. ‘’. All taxes are devided into two categories: direct and indirect taxes. An indirect tax consists of multiple taxation forms namely, sales tax, per unit tax, value added tax (VAT) and goods and services tax (GST). In short an indirect tax is a tax collected by an intermediare (such as retail store or a hotel) from the person who bears the ultimate economic burden of the tax. The intermediary is later able to file for a tax return and forward the tax proceeds to the government with a return.

According to the OECD (2016, pp. 18-20) a value added tax (VAT) is a ‘’type of general consumption tax that is collected incrementally, based on the surplus value, added to the price on the work at each stage of production, which is usually implemented as a destination – based tax, where the tax rate is based on the location of the customer’’ and is based on the taxpayer’s consumption rather than his income (Investopedia, 2017). In addition, taxation and customs union of European Commission provides an even broader definition of value added tax (VAT) that ties all of the above mentioned descriptions into one. As mentioned before, VAT is a general consumption tax, however to provide a clearer description it can be deconstructed in the following way: it is a general tax that applies, in principle, to all commercial activities involving the production and distribution of goods and the provision of services. Also it is a consumption tax because it is ultimately borne by the end consumer. And lastly, it is collected fractionally, through the system of partial payments where taxable persons (VAT – registered businesses) deduct from VAT they have collected, the amount of tax they have paid to other taxable persons on purchases for their business activities (European Commission, 2017).

Shifting the focus on European Union, EU law requires that standard VAT rate must be at least fifteen per cent and the reduced rate at least five per cent. However, actual VAT rates vary from country to country (European Commission, 2017). Furthermore, as this research is focusing on the current VAT situation in the Netherlands, it is crucial to look into exact VAT rates in this country. The value added tax of interest here is the reduced VAT. The following are the goods and services that are affected by the reduced VAT: objects of art, books, food and drinks, items intended for medical use, flowers, plants and orboricultural products, the repair of bicycles, footwear and clothing, services of hairdressers, home construction works, the transport of people, the provision of accommodation in hotels and campsites, provision of food and drinks in restaurants, the admission entertainment locations, amd the cleaning of residences (Merkx, 2017).

## Concerns regarding the effects of VAT on state budget, individuals and businesses

**State budget**

Just fifty years ago VAT was barely known, however since then, the rise of VAT adoption became dramatic. Nowadays, VAT is adopted by more than 150 countries all over the world. It was introduced as a new taxation form which was meant to enhance efforts to mobilize much needed tax revenue, not only directly but also through wider improvements in tax administration and compliance. However, the same argument has been turned around by those who are sceptical of the government’s intentions regarding the uses of extra revenue (Keen, 2010).

In addition, Babcak (2015) names few other disadvantages of the implementation of VAT, namely: heavy administrative burden of tax administration and the control of it, which consequently results in higher tax administration and taxation costs. On the other hand, the following three main properties of VAT are considered to be the benefits of VAT implementation: neutral effect of taxation, transparency of taxation and prevention against tax evasion.

Furthermore, the implementation of the VAT commonly raises twenty per cent or more of the total revenue (Keen, 2010) and more than twenty-five per cent specifically in the Netherlands (The World Bank Group, 2017).

Even though VAT proves to be an efficient tool in order to raise the state budget, there are a lot of arguments going on regarding the effects it has on the taxpayers, be it an end consumer (an individual) or an intermediary (businesses and/or organizations).

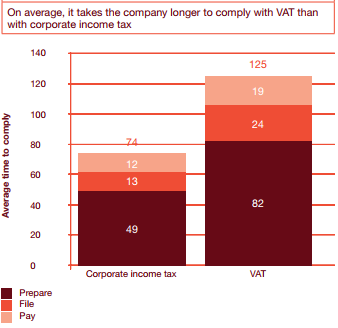
**Individuals**

In the journal ‘’Economic systems’’ Arsić and Altiparmakov (2013, pp. 171-186)state that ‘’Consumption taxes and VAT in particular are often deemed to be inherently regressive by the general public. Throughout the years, this point of view has been shared by a tangible number of economic practitioners and tax experts. The argument most often used in support of the regressive consumption taxation hypothesis is the observation/belief that poor individuals spend most or all of their income, while rich individuals are able to save significant shares of their income. Thus, one is led to believe that consumption taxation is inherently regressive since it burdens poor individuals more heavily than it does rich ones.’’. To support this statement, the recent analysis with respect to EU member states, by Decoster et al. (2010), confirms the belief that the VAT incidence is regressive when measured against the annual income. Furthermore, Simister (2011) declares that people on the fixed budget will not be able to purchase a product and/or service if the item is considered to be non- - essential.

It can be concluded that the biggest issue to the individuals is the increase of the prices. An example can be taken from the study conducted regarding the increase of the value added tax from sixteen to nineteen per cent in Germany in 2007. From the perspective of the public, the VAT increase has been seen as a tremendous increase in general price levels. In addition, the newspaper ‘’Express – online’’ framed it as an inappropriate tax increase; e.g., ‘’the biggest tax rip – off of all – time’’ (Christandl, 2011). To support the opinion of the German public, the recent research regarding the increase of VAT from nineteen to twenty-one per cent in the Netherlands in 2012, presents the conclusion that during the increases of value added tax in 2001 and 2012, the price increase was fully shifted to consumers .

**Businesses**

As mentioned before, the value added tax is a consumption tax where the end consumer bears the burden. In addition, there are also few issues which arise from the perspective of intermediaries (businesses) and need to be solved by entrepreneurs. Firstly, for businesses that are registered under VAT, any fluctuation in the rate becomes an administrative burden (Simister, 2011) and therefore costs more time to comply with than other taxes (Symons, 2010). In the study which covers VAT and equivalent sales tax systems implemented in 145 different countries, Symons (2010) determined that on average it takes one hundred twenty-five hours for a company to comply with VAT. Two thirds of this time relate to preparation activities, nineteen per cent of the time is spent carrying out filling activities, and the remaining fifteen per cent on payment activities. In order to understand the amount of time it takes to deal with administrative tasks regarding VAT, the graph with a comparison between corporate income tax time expenditure and VAT time expenditure is presented beneath.

 (Symons, 2010)

Switching the focus to the tourism industry, in the report on the taxation of tourism, the World Tourism Organization (2002) notes that practitioners in the tourism industry world – wide have expressed concerns that taxation in the sector has proliferated. The concerns have developed as increases have been noted in both the number of taxes and the rates of those taxes. Furthermore, industry observers note that the nature of tourism industry makes it an ideal target for tourism taxation: not only are tourists easy to collects taxes from but it is also often that the tourist will not be a voter in the country or the region where the tax is levied.

Furthermore, there has been a research conducted regarding the relation of high VAT rate and tourism industry performance, with specification on hotels. The study shows that high value added tax rate has a strong impact on percentage in nights, expenditure and employment. In this specific case study, Denmark was taken as a sample of the European market. Instead of increasing the rate of VAT the study focused on what would happen if the VAT rate would be cut for the hotel industry. The outcome of the study was a 6% rise in hotel and holiday centre overnights, and 5.4 % rise in expenditure (Jensen, 2002). The study confirms the hypothesis that the rate of value added tax has direct impact on the tourism industry’s performance. A table with exact effects on increased nights, expenditures and employment (regarding the reduced VAT rate) can be found in the Appendix 1.

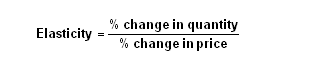
Moreover, ‘’Panteia’’ recently conducted a research regarding the new proposal to increase the reduced VAT rate by three per cent (based on four regions, namely Limburg, Arnhem, East Netherlands, and Drenthe), shows that due to possible increase in reduced VAT rate, and consequently prices, the effects in mentioned regional areas will be bigger than anywhere else. Research shows that in case of VAT increase, Dutch citizens will prefer to choose different holiday locations, for example Germany or Belgium. In contrast, Belgians and Germans will then prefer to stay in their own country as the price difference will not be worth the travel. Furthermore, regions near the border will be hit mostly and the volume in consumption is expected to decrease by 0.7%, which consequently will result in 456 million Euros worth of loss for the hospitality industry all over the Netherlands .

In addition to the direct VAT effects mentioned above, the ‘’PWC’’(International association of accountants and tax advisors) has published an article on how VAT impacts the hospitality and leisure sector. The article provides a list of instances where determining the correct VAT treatment of supplies made in H&L (hospitality and leisure) sector could be challenging. These are as follows: arrangements with third parties e.g. travel agents and other intermediaries, inbound/outbound tour packages, tips and service charges, cancellation, no-shows, refunds etc., loyalty reward programs and other business promotions and offers, pre-booking/prepayment arrangements, short term vs. long term accommodation, and other ad hoc supplies related to the H&L industry .

## Concerns regarding VAT fluctuations

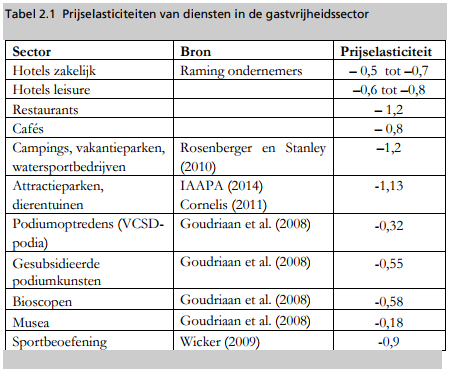
In the past there were a decent amount of cases when VAT rate started to fluctuate. A fluctuation of value added tax rate had a huge influence on corporate production, due to the fact that it is linked to the production cost and therefore profits. If the VAT rate is too high, the cost – based pricing is jeopardized, and as a consequence, the company encounters losses (Zhang, 2014). Apart from having impact on financial aspects of a company, the changes in VAT rate also had practical consequences. In case of fluctuation, an entrepreneur had to adapt the pricing levels and implement the increase in the rate as well as the correct transitional scheme in the ERP – systems (enterprise resource planning) (Merkx, 2017).

Furthermore, companies have to face decision-making points when it comes to changes in VAT rate. Firstly, relevant to a wide range of companies and not only the hospitality industry, is the decision on how to shift the price increase. Companies would always like to shift the burden of VAT increase into consumer prices, however it is not always possible. A few factors play the most important role in determining if the increase of VAT can be fully shifted to the end consumer, namely competition in the market and price elasticity of the demand. In economic theory, the elasticity refers to the degree to which individuals, producers or consumers change their demand or the amount of supply in relation to price or income changes (Investopedia, 2017).



If the price elasticity of the demand is perfectly elastic (when the demand of the product/service is impacted by increase or decrease of the prices), suppliers will not be able to pass the VAT increase forward to consumers. On the other hand, the more inelastic the product/service, the more possibilities to shift the increase of VAT rate fully to the consumers .

The table below, provides an overview of price elasticity for individual sectors in the hospitality industry. This overview delivers the average price elasticity of -0.79 for total hospitality industry.



Moving on to the market competition, there are three different scenarios that can occur. First, if products of the companies are homogenous, firms compete by lowering their prices until the price set is equal to the common marginal costs. As prices are equal to unit costs, no firm earns economic profits. Therefore, an increase in the VAT rate would be shifted completely forward into prices, since product price cannot fall below marginal costs (Fullerton, 2002). Next if the companies are price takers but choose the level of output, according to Fullerton and Metcalf (2002, pp. 1787-1872), the over – shifting will occur (the price of the good rises by more than the increase of the tax rate). ‘’This is possible because of the existence of market power and strategic behaviour among firms. When a tax is shifted forward, demand for a good will decrease. ... firms in a Cournot setting (companies compete on the amount of output they produce) will raise the price more than the increase in tax to compensate for the revenue loss from the decreased demand.’’ . Lastly, if companies compete on a monopolistic setting, markets producers can decide at which price their differentiated products are sold. In this case, the tax has no impact on producer price and is entirely shifted forward to the end consumer (note that this scenario is not likely to happen, as it assumes perfectly elastic supply) (Fullerton, 2002).

Using the above-mentioned factors as theoretical guidelines, a recent research regarding the increase of general VAT rate (from 19% to 21%) in the Netherlands in 2012, concluded that in case of the 2012 VAT rate increase, the 2% change was fully shifted into consumer prices in the fourth month after implementation, which means that there is a short time lag. In addition, the results also provide evidence that the same happened regarding the 2001 VAT rate increase. The VAT rate increase was fully shifted into consumer prices in the month of the implementation .

If companies decide to fully shift the price increase to the end consumer, there are few other issues to be dealt with, namely external communication. At any point when a company decides to raise the prices, management receives a task of figuring out how to communicate the internal changes to their customers. Both, Shepherd and Gerald agree, that a good communication plan is essential in order to prevent the risk of alienating existing and potential customers. Furthermore, Shepherd also mentions certain steps to be taken into account once it comes to communicating to guests, which are as follows: tell the customers what they stand to gain, demonstrate your value, tell it to them straight, offer an alternative, set a deadline, do not blame inflation, remain confident, if possible have a face – to – face conversation, set expectations and do not apologize. An article from Cleverism.com adds that it is essential to focus on key value propositions .

When it comes to the communication tools most suitable to transmit such a message, the best way to do it is in a private manner, namely via private email or phone call . Another research conducted based on the database of ScienceDirect, additional states that internet use is only useful for marketing purpose, once it comes to communication .

Another decision-making point that will have to be faced, is more a practical consequence of the change. The decision needs to be made regarding the way the transactions of payments will be handled. In a situation where transactions are performed before 1 January 2019, but the invoice is issued after 1 January 2019 (the other way around is of relevance as well), it is not clear which VAT rate will be applied. In the article published by Deloitte (2017), it has been stated that normally, the applicable VAT is determined when that VAT becomes chargeable. This means the moment the invoice is issued or in case the payment is performed directly, the moment the goods are delivered, or services are performed. In cases where the payments are being received in advance, the VAT becomes chargeable when these payments are received. Looking back at the previous situations where VAT rate was increased in the Netherlands, government offered a temporary solution for the problem, however it is not clear if the same will be applicable to the new proposition to increase the reduced VAT rate.

The last time the VAT rate was increased, which was when the standard VAT rate was increased from 19% to 21%, and explanatory memorandum was issued, which stated that the applicable VAT rate should be determined when one performs and actual transaction. A similar explanatory memorandum for the announced increase of the reduced VAT rate is expected this time as well. In cases in which one performs transactions before 1 January of 2019, but issues the invoice on or after 1 January 209, this would mean that the VAT rate of 6% is applicable. This also means that in case payments are received before 1 January 2019, but transactions are performed after January 2019, one is obliged to charge an additional 3% VAT to the customer.

In accordance with article 52 of the Dutch Turnover Tax Act 1968, it is possible to pass on the additional 3% VAT to the customer, even if the contract does not provide this possibility. Of course, such measures might not be desirable from a commercial point of view (avoiding to create any negative responses from guests) (Merkx, 2017).

## The response and concerns of Dutch organizations (‘’Koninklijke Horeca Nederland’’ and ‘’Recron’’) regarding the increase of reduced VAT rate

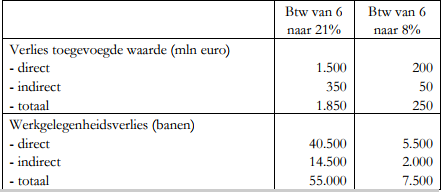
**Koninklijke Horeca Nederland**

KHN (Koninlijke Horeca Nederland) is a Dutch association representing the hospitality industry. It consists of more than 20,000 entrepreneurs, and provides members with advice, financial member benefits and inspiration. KHN together with ‘’Gastvrij Nederland’’ has expressed a discontent with a new proposition of increasing the reduced VAT rate six per cent up to nine per cent. Rober Willemsen states that if the VAT goes up, it will simply become more expensive to go for dinner, spend an overnight in the hotel, or to book a ‘’getaway’’ package. The main argument is that it will hugely affect the employment levels in the hospitality industry, as well as it will slow down the development, innovation and investment progress in the hospitality industry. Furthermore, KHN provides other consequences the increase of reduced VAT rate will have on the industry, namely: less turnover and no growth**(**by the increase of six per cent VAT rate, the catering industry and other partners, such as museums, recreational parks, and cultural locations are expected to deliver only 1.5 billon in turnover in total. In case of equal consumer expenditure, the increase of VAT will lead to around one billion Euros lost in turnover in hotel and catering industry) and revision of tax system.

**Recron**

‘’Recron’’ is a Dutch association of recreational entrepreneurs, that strives for an optimal entrepreneurial climate in the recreation sector and promotes the collective and individual interests of its members. As well as ‘’KHN’’, ‘’Recron’’ has been keen on maintaining the reduced VAT rate at six per cent in order to stimulate economic growth and employment. Arti van der Weyde (2017), the chairman of ‘’Recron’’, states that ‘’ Increasing this rate will require hospitality companies to raise their prices, which will put their sales under a lot of pressure’’. Furthermore, according to the study conducted by independent research institute NYFER in 2015 (based on 329 publications regarding the price sensitivity of the demand for recreational services), shows that one per cent increase in VAT rate would lead to less demand, and consequently a decline in employment levels, even if the consumers would have more to spend as a result of lower wage and income tax. ‘’Recron’’ is fast to remind that the hospitality industry, including recreation companies, contributes significantly to the Dutch economy with more than seventy-five billion Euros in expenditure (2016). In addition, the sector, with over 640,000 jobs, accounts for 6.4 per cent of the total number of jobs in the Netherlands (with specification on regions with little other employment). ‘’Recron’’ encourages the government to understand that the increase in the six per cent VAT rate would not only cause problems regarding the economic growth, but also will hugely effects employment levels, which will lead to employment problems (Recron, 2017).

Focusing on the region of Zeeland, Arthur van Disseldorp (2015), the chairman of the Zeeland department of the ‘’Recron’’, has stated that the biggest danger to the tourism sector in this region is relatively low tax rates in Flanders and Germany. Van Disseldorp fears that the tourists will no longer travel to Zeeland but to Belgium, if the tax rate is lower there. The fears of the chairman of the Zeeland of ‘’Recron’’, have been supported by the research conducted by the NYFER research institution. The research has been based on twenty interviews with Dutch experts of hospitality industry and shows that hospitality industry will go through a loss of revenues and job positions in case the reduced VAT rate will be increased. A table below provides detailed calculations on expected changes regarding the VAT increase.



## Conclusion

To conclude, a VAT tax has influence on multiple parties, namely: government revenues, individuals, and private businesses. Babcak names administrative burden of tax administration, higher tax administration and taxation costs, as few of the disadvantages of VAT taxation system. However, VAT also provides certain benefits, namely: neutral effect of taxation, transparency of taxation and prevention against tax evasion.

From the perspective of the private business sector, there are quite few factors (both, internally and externally) , that need to be addressed regarding the VAT. Asric and Altiparmakovstate that VAT is a regressive tax, and therefore will affect poor households more than rich ones. Simister supports the statement, by declaring that people on fixed budget will not be able to purchase a products and /or service if the item is considered to be non – essential. Furthermore, both Christandl and Dijkstra , argue that increase in VAT rate is tremendously influencing the price increase, which is then fully shifted to the end consumer. In addition, the study conducted by Jensen , shows that when it comes to the hospitality industry, VAT rate has a strong impact on the percentage of nights, as well as expenditure levels. According to Dijkstra , the factors that have to be addressed in this case are competition in the market and price elasticity of the demand. The last external factor requiring attention is a keep – up of a desirable commercial point of view (avoiding negative responses from the guests) .

Moving on to the internal factors effected by value added tax, two most important areas are mentioned in the theories found, namely: employment and administrative burden . Symons states that it costs more time to comply with VAT than other taxes. Furthermore, in case of any fluctuation in VAT rate, an entrepreneur will have to adapt pricing levels and implement the increase in the rate, as well as the correct transactional scheme in the ERP – systems . In addition, in the article published by Deloitte , it has been stated that the way the transactions of payments are handled need to be addressed. PWC provides a detailed list of instances that might be challenging when dealing with VAT. These are as follows: arrangement with third parties (travel agencies), inbound/outbound tour packages, tips and service charges, cancelations, no – shows, refunds, loyalty programs and other business promotions and offers, pre – bookings, short term vs. long term accommodation, and other ad hoc supplies related to the H&L industry. Lastly, Dutch associations representing the hospitality and recreation sector, ‘’KHN’’ and ‘’Recron’’, provide arguments regarding possible problems with employment, in case VAT rate will be increased. According to these organizations, the hospitality industry will experience a dramatic drop in the employment levels.

# Methodology

This chapter provides information regarding the methods chosen to conduct this research. Firstly, the research design chosen will be described, following that, the respondents chosen will be discussed. Next, the operationalization sub – chapter will be included to provide a more structured view on acquiring the answer to the main research question. After the structure is made clear, the data analysis methods will be described. Lastly, research related ethics will be mentioned in the end of the chapter.

## Research design

The main goal of this research is to understand how the increase of VAT will influence the hospitality industry. The secondary objective is to uncover price concerns hospitality industry representatives have regarding this new economic change. Consequently, the goal of this research is exploratory. In addition, the type of research chosen is a case study, as it will help discover not only the decisions made by competitors when it comes to adapting too similar changes, but also the motives behind the decisions made and the level of success of one or another strategy chosen. In order to obtain the most reliable and remarkable results qualitative research method has been chosen. Qualitative research method will provide more insight into the matter than quantitative method, as decision making and motives behind it are of most relevance to this research report. The research consists of semi – structured qualitative interviews, which will help to uncover underlying factors that influence decision – making. All interviews were planned beforehand, on set date and five out of six interviews were conducted face – to face, using recordings, since respondents are easily reachable and show willingness beforehand. The last interview has been sent via email, due to schedule occupancy of the respondent. Therefore, the data from this interview has been collected indirectly and consequently, the interview became structured one.

## Respondents

The respondents have been carefully chosen based on multiple criteria. Firstly, together with my in – company mentor we have created a list of hospitality companies in the region of Zeeland starting with most direct competitors of hotel ‘’Golden Tulip Westduin’’. Based on this list, ten companies have been chosen based on the accessibility and existing contact data base. All managers were contacted via social media or private email. Six out of ten contacts responded with a positive outcome. The content of the message included arrangements regarding time and place of the meeting, as well as permission to record the interviews and use the data gathered for this specific research report, which consequently will be uploaded to the research bank. The respondents have been also chosen based on the experience level in the hospitality industry. Five out of six respondents interviewed had over ten years of experience, with exception of one respondent, which only had five years of experience (however as the company was on the top of direct competitor list, it was essential to interview a representative from this organization). Furthermore, one of the interviews was transformed from semi – structured interview to the structured one, due to the respondent cancelling on the agreed interview meeting. Nevertheless, the respondent showed willingness to answer the questionnaire question via email. Lastly two additional interviews were planned in to strengthen the already gathered data. data Due to the fact that the additional interviews were arranged after the initial data collection phase and to a certain time constraint, questionnaires were sent out via email, and therefore the last two interviews also become structured instead of semi – structured.

In addition, a saturation method has been used in order to obtain sufficient amount of data and provide most plausible results. After four interviews have been conducted, most of the answers revealed the same or similar piece of information, therefore a decision to conduct two more interviews for the sake of certainty was made. After the last two interviews were conducted, data plausibility was supported strongly, therefore the next step of data analysis took place.

## Operationalization

The operationalization is an important step in collecting and measuring the correct data. By deconstructing the construct of importance into dimensions, and later, into indicators, the data is collected in an efficient way. The table of the operationalization helps to cover all of the aspects that might be of importance without making the construct too broad, therefore a detailed table can be found in the Appendix 5. In addition, it also served as a guideline for the interviews conducted, as the theories found are divided into different dimensions with multiple indicators, which consequently helped the researcher to get a clear view on what kind of data is of relevance. The construct, concerns from the hospitality perspective, was divided into four different dimensions, namely demand, communication, finances and administration. Mentioned dimensions serve as guideline on which organizational areas to focus on, as these are the areas that will be mostly affected by the increase of reduced VAT rate according to the theories found. The further step taken, was the list of indicators (which later on in the process will be represented by individual questions of the questionnaire). Each dimension has been assigned according indicators, which are as follows:

**Demand –** will be investigated by looking at percentage in nights, spending money, growth, decrease, increase, stagnation, location, turnover fluctuations, commercial perspective, and if there is a possibility of no change at all.

**Communication –** will be investigated by looking at internal communication, external communication, personal, private, via internet or social media, is there no communication at all and is there planned and thought through communication.

**Finances –** will be investigated by looking at full or no shift, profit fluctuations, production costs, price elasticity, and are the prices raised gradually or immediately (what kind of time lad there is).

**Administration –** will be investigated by looking at system changes, recalculations, deadlines, time compliance, correct transitional schemes, workload and print work.

In addition, there was a fifth dimension added to the questionnaire of the main concerns regarding the upcoming change in reduced VAT rate. By looking at all the indicators and the last added dimension, the exact current situation in hospitality industry was uncovered, as well as the answer to the main question was found.

## Data analysis

In order to describe the qualitative data collected, grounded theory has been used. All the data has been collected, analysed, and finally patterns have been uncovered in order to provide results. A coding method had been chosen when it came to qualitative approach. Firstly, data has been divided into fragments. Open coding has been conducted in a hand written way, therefore a separate open coding step is not added as an appendix. However, most useful and relevant information has been highlighted in the transcripts and can be found in the appendix 2. Next the axial coding took place: fragments have been labelled and divided into five themes. Lastly, selective coding has been performed in order to uncover most remarkable results, by combining related labels created in the axial coding into larger categories and placing those categories under the same five themes.

## Research ethics

The questionnaire respondents have been informed on the moment of the arrival regarding the purpose of the research, which aims to increase the willingness of the respondents. As for the interviewees, all respondents have been contacted beforehand, in order to arrange a face to face meeting, as well as also provide increased willingness. In addition, there has been a transcript made for every interview.

The respondents were free to participate and could have stopped at any moment. In addition, when using recordings, all respondents have been asked for permission.

Furthermore, all data obtained from the respondents is confidential and will be deleted after the research is finished. The information obtained will be used only for research and will not be made public. Lastly, no names or personal details will be provided in order to contain the anonymity of the respondents.

# Results

In this chapter all results from the interviews conducted will be provided. The data from the interviews was coded using grounded theory, however the open coding was written by hand, therefore it will not be provided separately in the appendixes. Nevertheless, data from the open coding is highlighted in the transcripts, which can be found in the appendix 2. Appendix 3 and 4 provide a detailed view on axial and selective coding. Selective coding forms the basis for this chapter, therefore all results will be provided in a structured way using the themes (organizational areas) as sub – chapters. Furthermore, as results include information on the past as well as present, results are described in a story like format. In addition, all results will be supported by quotes from the interviews. Lastly, each sub – chapter starts with the most remarkable results and ends with less remarkable ones.

## Managerial concerns and decision ( financial)

The data gathered from the hospitality representatives located in Zeeland, provides a picture on how hospitality companies were dealing with similar economical changes ( such as increase in general VAT rate ) before and what were the main concerns for the management at the time.

Results from interviews show, that when it comes to economical changes, namely increase of VAT, companies are shifting the price increase fully to the end consumer. I asked regarding pricing strategies chosen during the previous increase in VAT, and the answer was that all companies will add the VAT increase to the prices in order to avoid making the margins smaller.

M4: ‘’ Except for the prices, which we changed. But I think most of the companies will count the changes to their guests. I think so. I do not think they take increase on their shoulders.’’

Another respondent added:

M6: ‘’... they calculated everything on the selling prices for the customers...’’.

Additionally, multiple managers stated that even though they choose to fully shift the price increase, they are most likely to choose the gradual price increase as their pricing strategy, as in their opinion this smoothens the transition for their customers. In addition, results show that managers choose to divide the price increase into multiple phases, and some even chose a period of one year in order to fully shift the price increase.

M1: ‘’Gradually, to make the transition smooth for the customers.’’

M2: ‘’ Bits by bits. You know, when you go to get a bottle of beer, for example, a bottle of beer, you know it is two Euros, and then out of the sudden the btw is going up, you cannot put immediately 2.20 or three euro price tag. It is not possible. So we do it slowly.’’

Furthermore, managers also think that the best way to deal with this upcoming situation, is not only to gradually shift the price increase to the end consumer, but also start with making price changes beforehand. In their opinion, this will help to cover the first few months of profit loss and will also help the management feel more prepared. In addition, it will take off some of the workload during the implementation of this new proposal of increasing the VAT.

M5: ‘’ So I am already thinking about this issue and I am planning to raise the price for the drinks and menu items in the upcoming few months, so we are ahead, and then we do not have to raise the prices at the moment the VAT is going up.’’

Another result shows that the main reason behind the decision of fully shifting the price increase to the end consumer is the concern of equalizing the margins. This means that companies are busy with strategizing in order to stabilize the margins after such economical changes as VAT increase. Managers expressed the importance of finding new balance by equalizing margins as soon as possible, which will consequently solve the issue of short term loss of profit. Multiple respondents said:

M2: ‘’Exactly, we calculated the margins to stay the same.’’

M3: ‘’ How to go back to the margins we had before, basically loss of the profit and how to fix it.’’.

However, research also shows that another factor that plays a role when it comes to pricing strategies, is the competition analysis. In other words, companies, specifically hotels, choose market based pricing. The explanation behind this statement, is that hospitality providing companies, especially hotels, function in a constantly changing market, where prices might vary every single day, based on multiple different factors, such as weather forecast, special events, national holidays, etc. Therefore, in the eyes of hotel/restaurant managers from Zeeland, market competition analysis is an important area which needs to be taken into account while implementing new changes. Multiple interviewees mentioned that:

M5: ‘’... depending on the occupation rate, so the higher the rate, the higher the demand, the higher the prices were. We were just only looking at the market. And that is all that mattered. So if we, if the demand was low, the prices were low, and we did not even think about the raise of the VAT. It did not matter to us at the time. Because we needed to push the occupancy rate, we needed more people coming in to the hotels, the more they would spend. So that is all we cared about.’’

In addition, one of the managers mentioned the use of the market competition servers, which are updated every 24 hours:

M3: ‘’ But the pricing that we do now, is also based on computer data that is updated every 24 hours.’’

Results also show, that one of the main concerns related to financial area, is short term profit loss. This mean that while searching for new balance regarding the margins, managers are forecasting a slight loss in ‘’netto’’ income, which is based on their previous experiences. Managers explain, that when a company decides to increase the prices gradually, the refundable amount of the VAT rate is not fully covered, therefore, a company pays more to the government than it receives from the customers, consequently losing a certain percentage of the profit, until the time that all price increases are fully shifted to the end consumer and the margins are finally equalized.

M3: ‘’ If VAT increases, then profits go down. At least in the first period.’’

M4: ‘’ So there was a certain loss in the profit, small one in the beginning only.’’

Other, less remarkable results show that managers are concerned about the increase in purchasing costs, which might become a problem if the decision to not shift the price increase to the end consumer is made.

R1: ‘’We also had to pay more in purchase’’

## Managerial concerns and decisions ( demand and customer satisfaction)

Research shows that during previous similar economic changes, there was no change in demand noticed. Even though most of the companies decided to fully shift the increase of price, it did not have any impact on the demand. managers did not go into detail as to why this was the outcome during previous similar situations, however, they did mention that even though the prices went up, people still kept on coming, due to multiple reasons. While some stated that due to their reputation price increase did not have any impact on their occupation rates, other said that the decision to take the increase on the companies account helped them to avoid the drop in demand the last time VAT rate was increased.

M5: ‘’ No, because we did not care about the room rates, so they were coming anyway. And we were always looking at the market.’’

M6: ‘’ No, but like I said, it was in ‘’Van der Valk’’ and they were busy anyway, because of their reputation, so it did not really have any consequences.’’

Even though there were no changes in demand, respondents say that there were some minor complaints coming from their customers. When asked what were the indications that complains were minor, managers responded that is did not change the choice of the customers, therefore they were minor. In the eyes of restaurant/hotel managers, only complains that might indicate that a customer is most likely not to visit repeatedly are considered to be major. In addition, the complaints were mostly verbal and expressed on the site, therefore is did not pose any risks to the image of a company/organization. Few of the managers said:

M4: ‘’ .....people will probably always complaint if they have to pay more, but we do not have any other choice. If you do not count the increase on the guests, then maybe in couple of years, we will go bankrupt. One way or another, we all have to carry this change (burden).’’.

Another interesting result shows that not only were complaints from customers minor, but they were short termed as well. Managers explained that it is mostly a psychological effect: people always tend to talk and focus on a certain matter once it is newly implemented, however after some time passes, headliners become old news and people forget all about it.

M5: ‘’ And I think everybody understands that we need to make money, as well as any other has to. So there is nothing to complaint about, and it was only for few months, and then it was all over. It was finished, the complaining was finished, everybody got used to the fact that the VAT was higher, and then it all ended.’’

M1: ‘’The people get use to it overtime.’’

## Managerial concerns and decisions ( communication )

Research results show that managements of different companies choose not to use any communication tools when it comes to informing their guests regarding any price or economic changes. Managers think that it is natural and people are being informed through different channels by the government itself, therefore there is no need to personally address the matter. In addition, the common opinion is that no smart and competent manager will make decision to directly address matters related to the price increase, as none of it is favourable from the perspective of promotion and commercial conceptualization. Following respondents said:

M2: ‘’ No. That we raise the prices? No we would never post anything like that.’’

M6: ‘’ Everybody, reads the newspaper, everybody knows when something is happening it is happening.’’

‘’... VAT rate is going to have consequences for also supermarkets, and all that kind of stuff. So I think they will understand anyway, because everything will go up.’’.

However, once I asked the question about the loyal customers, results showed that it is better to inform the loyal customers privately and beforehand. As the demographics of the guests in Zeelnd tend to lean towards elderly couples and families, managers think that a personal touch is much more appreciated by guests if this region, and sets them in a better mood, which adds to higher levels of customer satisfaction.

M4: ‘’ ... people that come here are older, so they like special attention and they also are more sensitive to everything.... say it to our loyal guests...’’

Once a suggestion was made to one of the interviewees regarding private emails to loyal guests, as a tool for communication, the respondent said:

M2: ‘’I think you have to do it.’’

Moving on to internal communication, research shows that there is no pre – planned internal communication. Management does not put too much effort into it, and chooses to not communicate with their staff at all or briefly. In addition, manager think that simple system changes, are enough to inform staff members regarding any price changes.

M3: ‘’ No, it is just new menus, new price list, stuff like that, this is what you need to do.’’

M5: ‘’ At this particular moment I do not think that we need to communicate it to our staff, I mean the changes.’’

Lastly, results provide some information regarding the differentiation between regional and national communication tools. The importance of the appropriate communication mediums for different products/services was found. Mostly the differentiation between hotel and restaurant services/products has been underpinned, by stating that internet is a most important communication tool once it comes to accommodation, as it reaches bigger masses, and people tend to search for information on destinations via various websites. As for the restaurant services/products, most suitable communication tool is social media, as local residents is one of the biggest target groups and will most likely search for references via social media platforms.

M3: ‘’ So social media is much more important to be top in the mind of the guest in the restaurant business, because social media is really regional, and the internet is much more for the hotel business. You do not get a room in the same city you live. So that is really different, in social media you do not or hardly ever put pricing things.’’

## Managerial concerns and decisions (administration)

Results show that there is a minor increase in administrative burden, meaning there is a slight increase in administrative workload when it comes to adapting to new economic changes, namely the increase of VAT. There were various statements made related to additional administrative tasks companies will have to undergo in order to deal and comply with upcoming increase of VAT rate, namely reprinting the menus, changing prices in operational systems as well as recalculating the prices and new VAT rate applied.

M3: ‘’No, it is not a really big burden. Yes, you have to fill in new menus and computerize your systems again, so that is all you need to do.’’

M6: ‘’ It is not only going to be the new menus, we also need to change all the systems, the VAT rates, especially for the business bookings, because they get the tax back from their companies. So it will have consequences on a lot of work for the management anyway.’’

Even though, there was a certain increase in workload once it came to administration, results also show that managements do not make any major preparations beforehand. Managers explained that they already have enough experience with similar situations, therefore they are quite familiar with the administrational process and necessary steps to be taken.

M3:‘’ No we know what is ahead, we know already what to do because we have done it before, but to answer, we are not planning or organizing already...’’

What another research result actually shows, is that some companies choose to involve third parties, such as computer systems or system providing companies. Every hospitality company has made a partnership with certain operational management system providing organizations, and nowadays, most of these companies include services such as sending an expert to the company to deal with any arising system related issues. Therefore the administrative burden is being shifted to an external source.

M2: ‘’It is easy, everything is done with the computer, so we just put the price up and that is it.’’

M6: ‘’....the system changes need to be done in the night before the new tax rate is going to go in, if you can say it like.’’

‘’... I think for us it is just the call to the company who we have the systems from and I think they will do it for us.’’

Lastly, the data from interviews show that companies have an additional task of evaluating the changes within the company, once something changes economically. In order to be able to check if the chosen strategy is successful, managers have to organize pre and post evaluations, that will provide factual information regarding matters, such as demand, profit losses and gains as well as levels of customer satisfaction.

M6: ‘’ Over a period of two months we evaluate if we are still that busy, or are we losing customer, because of the price increase. But that is a management thing to do.’’

## Main managerial concerns

Data collected from the interviews shows that the main concern representatives of hospitality industry in Zeeland have is the possible decrease in demand. More specifically, that people will have less spending money, and will see the services or products offered as luxury items. Even though the results regarding past experiences show that none of the companies questioned went through drop in demand during previous similar situation, the concern regarding this specific increase of reduced VAT in 2019 is based on the fact that the change will come into action on 1st of January, which is the beginning of the low season. Therefore, managers fear that due to the fact that occupation rates will already be low, the price increase during low season will impact these already low occupation levels even more.

M4: ‘’ I am maybe concerned that less people will go out for dinner or drinks, because like you said, it is not only this what is going up, their whole life is going to be more expensive, everything. Their daily products, so there will probably be less money for people to spend on restaurant or hotels.’’

In addition, results show that equalization of margins is another main concern for manager in hospitality industry. Basically, management needs to figure out a way how to price products/services anew in order to cover their set margin targets. As the purchase costs will increase by three per cent, the prices need to increase as well, as no shift of the price increase would results in visible profit loss. However, the process is more complicated than it sounds, as too big price increase might put customer satisfaction in jeopardy, as well as not match the value of the current products.

M3: ‘’ After that, gradually everything will change, so the menus will change again, the drink menus will change again, the food cost will change again, the drink costs will change again, the personnel cost will change again, everything has to find a new balance again. While finding the new balance, it will cost us profit. Because you cannot raise your price again and by a lot much. In the restaurant business there is something called the maximum price..... How to go back to the margins we had before, basically loss of the profit and how to fix it.’’

Another result shows that managers are also concerned about the possible decrease in customer satisfaction, which is yet again related to the fact that the change will come into action in the beginning of the low season. It is important for companies to sustain their reputation and meet the expectations of their loyal customers, therefore increasing prices during low season seems like a risky move when it comes to keeping customers satisfied. In addition, managers state that immediate increase is too visible, and based on their experience, visible increases tend to create negative responses from guests.

M3: ‘’ Reputation and loyalty of your guests is much more important than you short – term profit. If you lose your reputation and the loyalty of your guests, you will lose long – term profit. So take a short pain, because it is much better than losing in a long run.’’

M5: ‘’ The only concern I have is how are our customers going to react. ‘’

Lastly, research shows that there are some concerns regarding administrative tasks. Mostly related to obliging with deadlines, and correct numeration, as well as filling in paperwork. Even though managers admit that they are familiar with additional administrative tasks required in order to deal with the increase of VAT rate, they also agree that it will put extra burden on the company. therefore, their main concern regarding the administration is how to comply with these tasks efficiently and before the deadline set by the Dutch government.

M3: ‘’ Administration is the first. And all other things will take place gradually. The administration is the first thing that you need to do., because from that moment that it will be the ‘’D – day’’, you administration has to be there. And after you can change prices, after you can change menus, but that is only after. At ‘’D – day’’, you have to have the right VAT numbers in your computer, in the computer systems.’’

# Discussion

This chapter consists of discussion related to the results from the interviews as well as theories found. The main purpose of this chapter is to compare the information found in literature and the results from the interviews. This way any existing gaps will be uncovered, as well as regional patterns in the hospitality industry. The chapter will be divided into five sub – chapters, which are structured in the same way as the results and will help to get a clear view on where the main concerns lay. Each sub – chapter will be firstly mentioning interview results and comparing them to literature in parallel.

**Managerial concerns and decisions ( financial)**

The results from the interviews that one of the main financial concerns regarding the increase of reduced VAT rate, is the equalization of margins. Theory supports the statements and shows that all companies, including hospitality industry, will face the struggle of adapting their price levels. In other words, recalculate their prices and margins. In addition, results show that companies suffer through short term loss of profit, while the process of margin equalization takes place. In contrast, previously conducted research shows that the main reason for loosing profit is the expected lesser expenditure per stay. Furthermore, both scientific articles and results of this research, show that one of the other concerns related to possible profit loss, is the increased purchasing/production costs. Moving on to the financial decisions related to pricing strategies, results fully support the findings from literature review. A research regarding the previous increase of general VAT rate, proves that most companies choose to fully shift the price increase to the end consumer. Furthermore, the research shows that the transition to increased prices took around four months. Supporting the theory, respondents have stated that managers choose to gradually increase prices in order to smoothen the transition from the customer point of view. Lastly, the same research conducted by Dijkstra , states that any price shift is based on market competition and the price elasticity of demand, and yet again, representatives of hospitality industry in Zeeland support this motion by saying that even though they would like to shift the price fully to the end consumer every time, they still firstly look at the market, and base their pricing strategies on competition analysis.

**Managerial concerns and decisions ( demand and customer satisfaction)**

Results related to demand and customer satisfaction show that companies representing the hospitality industry do not suffer from the decrease in demand. Moreover, existing customers express only minor complaints regarding the price changes. In addition, complaints do not last for a long period of time, therefore they do not have major consequence on the performance of organizations. When comparing results from this research to the theories found regarding this matter, the gap can be seen between the overall perspective view of hospitality industry in the Netherlands and regionally located hospitality businesses. Jensen as well as ‘’Recron’’ and ‘’Koninklijke Horeca Nederland’’, all present different opinions regarding the demand, namely decreased percentages in nights spent, less turnover, no growth, and possible reconsideration of touristic destination. Furthermore, a research conducted by NYFER shows that the increase in reduced VAT rate would lead to a decreased demand for the hospitality industry. From the comparison it can be seen that there is a difference between the regions, therefore it might mean that due to the fact that Zeeland is well recognized holiday destination, certain economic changes do not have a big impact once it comes to the fluctuation in demand.

**Managerial concerns and decisions ( communication)**

Moving on to another possible concern area, namely communication, the data gathered from the interviews shows that hospitality industry representatives choose not to communicate externally, with exception of private and personal communication directed at their loyal customers. As far as internal communication goes, managers do not see the point in putting too much effort into it, therefore they have said that they do not involve themselves in any preparations. However, Shepherd and Gerald both agree that correct communication tools are essential, and it has to be well thought through. Moreover, an article from Cleverism.com suggests to communicate on time to the customers, however never blame any changes on external circumstances., but rather add value to products or services.

**Managerial concerns and decisions ( administration)**

Results show that there are not a lot of concerns regarding administrative burden once it comes to adapting to new changes. It can be seen that there is a minor increase in administrative burden, however companies do not feel the need to make any preparations beforehand. Instead, they are most likely to involve a third party and transfer additional administrative tasks to them. The only concern expressed by the companies is the need for an additional evaluation phase, in order to see if the strategies chosen do work. On the other hand, multiple sources, such as Symons, Merkx and ‘’PWC’’, show the importance of heavy administrative burden once it comes to adapting to fluctuation in VAT rates and present arguments as to why organizations will have to suffer from increased administrative burden, which are as follows: it will cost more time to comply with, correct calculation will have to be made, as well as correct transitional schemes in the ERP – systems will have to be implemented on time. As it can be seen, in reality administrative tasks will increase in amount, however most companies are well structured and, therefore they choose to involve third parties, to avoid any inconveniences as well as to comply with extra administrative burden put on companies.

**Main managerial concerns**

First and foremost, most remarkable result fully supports the opinion of hospitality representatives from all of the Netherlands, which is that in case of reduced VAT increasing by three per cent, hospitality industry is mostly concerned about possible decrease in demand once this change comes. Even though previously mentioned results show that in the past companies did not suffer from the decreased demand, it might be that this fear is only specifically applied to this situation, due to the fact that the change most likely will be implemented during low season for hospitality industry. Members of ‘’Koninklijke Horeca Nederland’’ also suggests that one of the reasons for possible drop in demand can be the fact people will have less money to spend on non – essential items. Furthermore, ‘’Recron’’ additionally states that there are few other areas that which might be in jeopardy when it comes to the rise of VAT, namely decreased employment levels and the danger of sales being under pressure. However, results show that hospitality representatives from Zeeland have other concerns. Firstly, they are slightly concerned with how to comply with administrative tasks, such as obliging the deadlines and correct recalculations. Moreover, on other main concerns for hospitality business is how to equalize the margins, while at the same time not running the risk of decreased customer satisfaction. Basically, the main concern is how to go back to the same profits, with receiving as little negative response as possible, in other words, how to make the transition as smooth as possible.

# Conclusion and recommendations

In the last chapter of this research, conclusion and recommendations are provided. The purpose of this chapter is to form the answer to the main research questions, as well as provide concrete recommendations derived from the results and discussion. At the end of the chapter, a brief suggestion for future research is provided.

## Conclusion

The main question of this report was as follows: What concerns regarding the rise of reduced VAT rate are there within hospitality industry, in the environment of hotel ‘’Golden Tulip Westduin’’? The answer to this question is based on the results and the discussion, where results are compared to the literature review, and is summarized below.

The main concern that representatives of the hospitality industry have when it comes to the increase of reduced VAT rate, is how to equalize the margins in order not to lose any profit. Furthermore, what is also of concerns is how to keep the customer satisfied at the same time. Basically, the biggest struggle for companies is how to adapt to new economic change without putting their profits as well as reputation in jeopardy. In addition, due to the fact that the change is most likely to be implemented during low season, the fear of drop in the demand has been expressed as well. As far as concerns related to communication or administrative burden go, hospitality representative are not concerned too much, as they have already dealt with similar situation before and know how to deal with it from personal experience. It can be seen that there will be additional struggles, but none that cannot be solved easily.

To make concrete conclusions, it can be seen that organizations such as ‘’Recron’’ and ‘’KHN’’ state that the impact of the increase of reduced VAT will be negative and of a big calibre, for example that the total revenue loss will be noticeable, demand will decrease, there will be less expenditure per stay, as well as employment levels will be effected and the economic change will stop the growth the hospitality industry. Even though the results from the interview partially support these statements, the findings are not as dramatic. Managers of hospitality industry agree that there will be certain issues and obstacles to overcome, however they do not share the opinion, that it will hugely effect organizational performance. Mainly, the results show that representatives of the hospitality industry are concerned about the transition itself, namely how to equalize margins and what kind of pricing strategies to choose in order to benefit the company.

## Recommendations

As the answer to the main research question raises other questions, interviews have been constructed in that way, that results also provided insight on further recommended actions. Now that research has been done and has been executed, the results, discussion and conclusion lead to clear recommendations.

**Fully shift the price increase to the end consumer**

All companies have to choose between shifting the increase to the end consumer or not. Based on the results of this research, the best choice according to the representatives of the hospitality industry is to fully shift the price increase to the end consumer. The main reasoning behind that is avoiding the loss of profits. If a company would take the financial burden on companies’ account, it is running the risk of losing profits. In this situation, management should discuss more complicated matters, such as new marketing strategies, which would again cost them time and money. Therefore, based on the actions of direct competitors the recommendation is to fully shift the price increase.

**Raise the prices gradually in a period of one year**

Even though the first recommendation suggests to fully shift the price increase to the end consumer, this specific recommendation focuses on how to the make the transition smoother. Therefore, based on the literature review as well as results from the interviews, recommendation is to gradually increase the prices in a period of one year. Increasing the prices immediately, also increases the chances of negative response from the customers, which could put the demand and occupation rates in jeopardy. Therefore, increasing prices by a smaller margin in few separate times would be the smartest play. It also gives the management the opportunity to adapt their products and services to specific season at the same time. In addition, customers tend to not notice a minor change, in comparison to a few Euro difference. Increasing prices gradually, will help companies to equalize the margins, while protecting their reputation in their customers eyes.

**Add value to the price increase**

Another suggestion would be to add value to existing products or/and services. Every time any company decides to raise the prices, for whatever reason, organizations run the risk of losing some clients. However, if the customer sees any improvements in quality or service, the price increase can be explained and accepted easier. The most important thing is to show your customers, that once the price will get higher, they will receive something extra for it. The psychology of getting what you have paid for is essential here. Therefore, a company can add certain items on their offer list, as well as upgrade certain services. In addition, the quality of existing items can be improved upon.

**Private and personal communication towards loyal guests**

Even though the results show that external communication is not necessary, when it comes to financial changes, the recommendation drawn from the results is that once it comes to loyal clients, it is best to show special attention to them. A private message including information on internal and external changes, can help to make loyal customers feel special. In addition, based on the demographics of the guests at hotel ‘’Golden Tulip Westduin’’, guests do appreciate small personal touches, which make them feel cared about. Despite the fact that the message might not be positive, due to the fact that it is about price increase, honesty is still much appreciated by loyal customers. In addition, certain special offers can be included in the message, showing your guests that you do care about them on a personal level.

**Use third parties to deal with extra administrative burden**

Results show that companies will have to face slightly increased administrative burden, however the best way to deal with increased workload is to contact third parties, such as companies supplying the different systems, such as ‘’MICROS’’ or ‘’Fidelio’’, or use the systems itself to help recalculate and implement the changes. Most likely, there will be a certain charge for it, however it will save plenty of time as well as be done adequately and on time. Therefore, the investment should pay back, by saving on employee costs.

**Make a detailed plan on how to equalize the margins (beforehand)**

Results show that the most important concern that representatives of hospitality industry have, is how to equalize the margins to not lose any profit. Therefore the last recommendation is to make a detailed plan on how to increase the prices, what to do with the costs, at what rate and frequency the prices should be increased, as well as at what specific time. Such a plan would help managers to see the end results and by following the steps, structure the transition. Consequently, this would also provide extra time on the evaluation phase, as well as the time to fix any problems that might arise.

## Recommendations on further research

Initially this research report has focussed on the concerns regarding the proposal to increase the reduced VAT rate of 6% up to 9%. However, due to school assigned time constraint, the focus was put on the perspective from representatives of the hospitality industry, and topic was only analyzed from one out few perspectives. Therefore, a recommendation for the further research, would be to choose similar or the same construct, however choose a different target group of respondents. The suggestion to research from the perspective of customers/guests is made. The research should focus on actual home income situation after the reduced VAT rate is increased, and the spending money of each individual. This data could be used to evaluate the exact current situation and make forecasts, regarding demand, customer satisfaction and financial aspects of the company.

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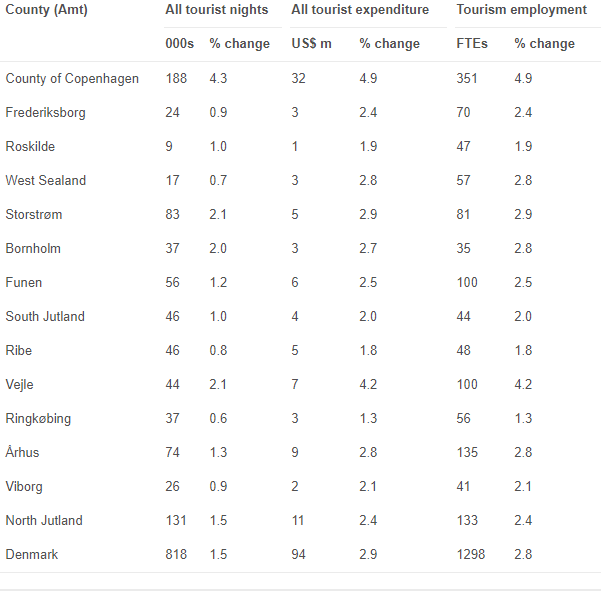
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# Appendix 1



# Appendix 2. Transcripts

**Good morning/afternoon/evening. My name is Dorota Chatkevic and I am currently conducting the research for the hotel ‘’Golden Tulip Westduin’’. As you probably already know, Dutch government is considering to increase the reduced VAT rate of 6% up to 9% in 2019. As hospitality industry falls under the category of reduced VAT rate, this will bring certain changes to certain venues and facilities, such as hotels, restaurants and recreational parks. Therefore, the purpose of this research is to uncover the precise concerns that hospitality industry representatives, such as yourself, might have regarding this economical change, how similar situations were dealt with in the past as well as what are the plans to deal with this upcoming issue. The anonymity of every respondent will be preserved at all time. In addition, all information gathered will only be used for the purpose of this specific research, and will be deleted afterwards.**

**Interview 1. De Dichter (Via email)**

Interviewer: What is your current position? Where?

**Interviewee: ‘’**Bellamypark’’, Vlissingen, the Netherlands

Interviewer: Any previous experience in the industry? How long have you been working in the hospitality industry?

**Interviewee:** Yes, for 15 years

Interviewer: Surely, you remember that in 2012 the general VAT rate of 19% was also raised up to 21%. Did this previous change have any impact on your company (or the company you work for at the time of the change)? If yes, to what extent?

**Interviewee:** Yes, we had to put up the selling prices

Interviewer: What were the main concerns for management of the company, during the previous change?

**Interviewee:** We also had to pay more in purchase

Interviewer: What kind of decisions were made regarding pricing strategies? For example, did you decide to fully shift it to customers or take a certain burden on the company’s account? Why?

**Interviewee:** We had to look how many times the product went over the head for the right selling price in combination with the new tax prices

Interviewer: If the decision to raise the prices was made, did you choose to raise it gradually or immediately? Why?

**Interviewee:** Gradually, to make the transition go smooth for the customers

Interviewer: If the decision to not raise the prices was made, what kind of effects did this decision have on the company financially?

**Interviewee:** We lose money

Interviewer: Were there any positive or negative reactions (regarding the changes in prices) from the clients? Personnel? Any other feedback from parties involved?

**Interviewee:** Yes, always. The people get used to it overtime

Interviewer: Were there any changes noticed in the demand? If so, what mostly effected the change?

**Interviewee:** No

Interviewer: What kind of decisions were made regarding the communication about the increase in VAT, and consequently prices?

* Communication with customers? (for example, via internet, call, personal email, on site, etc.)
* Internal communication? (personnel)

**Interviewee:** Some of the steady customers we informed, told the personnel

Interviewer: Were there any issues noticed regarding the costs of the company? If yes, please elaborate more, giving some specifications.

**Interviewee:** No

Interviewer: Were any additional administrative burden? If so, how were the system changes dealt with and when?

**Interviewee:** Yes, we had to calculate differently

Interviewer: Are there any similar situations (mostly related to price fluctuations) that had happened recently? If yes, could you specify what exactly was happening and why?

**Interviewee:** With products like fish it’s always, the prices go up and down

Interviewer: If the answer to the above question is yes, what actions were taken with regard to:

* Communication?
* System changes?
* Commercial activities?
* Financial decision?

**Interviewee:** Higher up the price

Interviewer: Were there any problems or issues faced during these situations? Please elaborate more on what kind of problems were faced?

**Interviewee:** No

Interviewer: How did you , or management deal with these issues and what were the results of the actions taken?

**Interviewee:** We just deal with it

Interviewer: As mentioned in the introduction to this interview, the reduced VAT might increase by 3% in 2019. Please elaborate, on any and all concerns you have regarding this economical change? In your opinion, which organizational areas will be affected most and how?

**Interviewee:** Everything

Interviewer: On what do you base your fears/concerns if you had any?

**Interviewee:** If people still will spend the money to go out, if the prices Rise Again

Interviewer: Are you already creating plans on how to approach the future increase in VAT rate? If so, what kind of plans are made up until now?

* Regarding communication with both, guests and personnel?
* Regarding administrative tasks?
* Commercial opportunities?
* Prices?

**Interviewee:** No

Interviewer: Which organizational areas, in your opinion, need to be addressed mostly? Why?

**Interviewee:** I don’t know

Interviewer: Do you think you would apply any of the strategies you have used for previous similar situations? If yes, which specific actions would you repeat and why?

**Interviewee:** Probably

Interviewer: Lastly, do you have any other comments or suggestions on how to deal with upcoming increase of VAT rate from the perspective of the hospitality industry?

**Interviewee:** No

**Interview 2. Panta Rhei**

Interviewer**:** I will just put it here and it just goes on.

**Interviewee**: OK.

Interviewer: But it is very casual, so you already read , I think this whole part, what it is about, so we can also just skip it.

**Interviewee**: yes.

Interviewer: so yes, than we only thing that I want to ask from the introduction part is what is your position now and where exactly? If you could just state it for the record.

**Interviewee**: ok. I am working at ‘’Panta Rhei’’. You know where that is?

Interviewer: yeh.

**Interviewee**: yes? Ok. And i am not the big boss, you know Elizabeth’s brother is the big boss. You know that?

Interviewer: yep.

**Interviewee**: ok, so I am below him. So yep, I am the first guy after him.

Interviewer: so like a ‘’leiding gevende’’ basically.

**Interviewee**: yeh yeh, ‘’bedrijf leider’’.

Interviewer: ok. And then did you already worked in this industry before and for how long?

**Interviewee**: from the age of 15 or 16 I have worked in hospitality industry. I even worked here, at GTW, for three years. I have worked with Wibo, Eef, with Jules, so I can say that I am well familiar with the hospitality industry, yes .

Interviewer: ok so let’s move on. First I want to ask about past experiences, so basically what happened in the past. So I already heard that you did not work at ‘’Panta rhei’’, at that time , I mean 2012.

**Interviewee**: no, not there. At that point I was a chef cook. You know you have, at that time, I made the prices of the food,

Interviewer: of the food? So yeh, that is what I wanted to ask about, to like maybe make it easier because if it was nothing to do with the BTW, maybe there were some other price changes?

**Interviewee**: you know, the price of the menu, is going up.

Interviewer: ok, but when you are raising the price , because that is the part in which I am really interested in, mostly, because it is now about btw, but how do you say, btw forces you to rise prices. But at some point you probably just raised just because the market is growing or something.

**Interviewee**: yeh.

Interviewer: so then i want to know what kind of strategies, for example, you used? Did you for example put the burden immediately on the customers, so fully shift the price increase on the end consumer? Or you did it bits by bits?

**Interviewee**: bits by bits. You know, when you go to get a bottle of beer, for example, a bottle of beer, you know it is two Euros, and then out of the sudden the btw is going up, you cannot put immediately 2.20 or three euro price tag. It is not possible. So we do it slowly.

Interviewer: and in how long of a period you would fully raise the prices, in your opinion?

**Interviewee**: I think around two years.

Interviewer: ok so that was more about the raising of the prices, but i would also like to know did the change had any financial effect on your company? For example, did you noticed that you had less customers once you raised the prices?

**Interviewee**: no, I have not noticed any changes in demand.

Interviewer: ok, uhmmm... so also you did not have any clients that were complaining? Or personnel?

**Interviewee**: you know, every client who came a week before and paid two Euros for a bottle of beer, , and the week after that he must pay 2.20. Such people will always complain, but that is normal in hospitality.

Interviewer: ok but it was not the sort of complain that they would not come back again or something like that?

**Interviewee**: no no no nono. Haha...if tomorrow I put 2.60 for a bottle of beer, do not worry about it. They complain, and it is ok.

Interviewer: and also want to know maybe a bit about personnel? Because it is also relevant for us. Did you also communicated it to them? And how? Did you do it before the prices were raised on at the moment itself?

**Interviewee**: no we did not communicate it to them in any way, because we did it slowly. So we did not say anything to them.

Interviewer: so you did not mention it at all to your staff?

**Interviewee**: well yeh, maybe, in a moment of passing by each other. So we, just said we are increasing the prices of the btw, and that is it.

Interviewer: ok. So next question is also kind of about btw, and it about the costs. Did you see any changes in this specific area?

**Interviewee**: you know the cost is the price we pay for a bottle of beer. So always the price is with 21 per cent. So we did also the price go up.

Interviewer: so what you are trying to say is that basically you did not see a difference? Because you just shifted the same price increase you got to pay on the end consumer?

**Interviewee**: yes, so we just put the full price on the bottle of beer.

Interviewer: so basically you calculated it so the margins would stay the same as before?

**Interviewee**: exactly.

Interviewer: I also wanted to ask did you have like any burden, in other words problems or more workload, when it came to adapting the systems ? how did you deal with that? Also did you do it beforehand or just a few days before the change was implemented?

**Interviewee**: no we did not plan anything. We just did maybe a week before the change was implemented. It is easy, everything is done with the computer, so we just put the price up and that is it.

Interviewer: ok

**Interviewee**: but I think, you really need to do it not like on the 1st of January or something, but maybe two or three months later.

Interviewer: So you changed the prices in the system only two or three months later?

**Interviewee**: yes. , no no no no no....you know, when it was the btw...when was that?

Interviewer: 2012.

**Interviewee**: January?

Interviewer: yes.

**Interviewee**: yeh. Maybe we changes the menus and everything in February 2012. Not directly.

Interviewer: so you waited a little bit?

**Interviewee**: yeh

Interviewer: but did you also had any meeting internally, to talk about it? How you are going to do it? How you are going to adapt?

**Interviewee**: accountant. We have an accountant..

Interviewer: so you used him as a help, just to say to him ‘’we have a problem, the btw is going up, do something, that we would not feel the harshness of it all’’? haha

**Interviewee**: no no no, we just said make a normal price for everything.

Interviewer: so it would be reasonable?

**Interviewee**: yes. Just reasonable to customers and in comparison with other companies around us.

Interviewer: so basically you now think that there are no problems that you faced during the process of raising the prices?

**Interviewee**: no not really.

Interviewer: no complaints from customers, from personnel? Nothing?

**Interviewee**: no no difference noticed, but you know you have the btw that is refundable ‘’Belasting’’. So there is not a lot of difference for us.

Interviewer: then just moving on further, so i would like to ask you about the future. It is going to increase again but 3 per cent. But this time it is the reduced btw so it is going to be on food too.

**Interviewee**: yeh, now how much is it?

Interviewer: 6 per cent.

**Interviewee**: 6 per cent... so from six to nine. Yeh.. you know we always, you know.... it is only three per cent. You know if we bought a ‘’broodje kroket’’. For example. ‘’Broodje kroket’’ is 5 Euros. Five years plus three per cent more....it is 30 cents. The it becomes five thirty. So you know, we do not think about it. But then you have a...we have a restaurant, when the prices are sky high, then you put three per cent on 20 Euros, it is 60 cents. So you know everything goes up.

Interviewer: so you think this kind of change customers would notice and not be happy about?

**Interviewee**: as I said before, they are always complaining, but yes, if the difference in price is bigger it is worse.

Interviewer: so let’s say it would happen now. They say you need to pay 3 per cent more. Do you think you would raise the price only by the three percent you need to pay more yourself or even more?

**Interviewee**: I make a price just normal.

Interviewer: so you would just again go to your accountant and ask for his opinion?

**Interviewee**: no no no no no....we just think about it, of course together with the accountant, and we just put the price on it. It is not set, maybe we put 2 and a half, maybe 3 and a half..maybe it is certain product that goes fast out, like hamburger for example. So for such products, maybe instead of raising it by 2 or 3 per cent, I raise by six.

Interviewer: then I want to ask do you have any plans to communicate the changes to the clients? Maybe like via ‘’Facebook’’, or website? Use it as a promotion tool, with special offers of new products (which are already more expensive)?

**Interviewee**: no. That we raise the prices??? Haha... no we would never post anything like that. No no no no...haha..but every once in a while btw increasing. So you know everyone watches the news, everyone knows that the btw is increasing up to 9 per cent. They know. So they know, here, that everybody is raising their prices.

Interviewer: but you would not even consider to not raising the prices to your customers? Because it is also a possible scenario.

**Interviewee**: no no, we would not do that. You know every time, we make new menus, we change it three times in a year. Yeh? And every time we raise the price, maybe 10 maybe 15 cents or on product like hamburger maybe one euro. And we do it always. So it is not...

Interviewer: not noticeable?

**Interviewee**: yeh exactly. We do not talk about it, we just do it.

Interviewer: lastly I wanted to ask, for here specifically, ‘’Golden Tulip Westduin’’, do you have any suggestions on how to deal with this change?

**Interviewee**: here? ‘’Westduin’’ you mean?

Interviewer: yes, because here it touches more points, such as conference rooms and accommodation will also be affected. So these are bigger amounts, and three per cent difference is more visible.

**Interviewee**: so now let’s say the room costs 100 Euros per night, so if it goes up by three per cent, it is going to be 103, right? So I think they will make the room price of 110eu at that moment.

Interviewer: you think they will just raise the price even more? If you would be in their place, would you have some sort of plan? Would you prepare beforehand? Especially related to loyal guests?

**Interviewee**: yes with loyal guests it is different.

Interviewer: would you maybe send them a private email informing about changes? Or make a certain discount for them, something like a voucher for free coffee? Something like that? Would you consider it?

**Interviewee**: I think you have to do it. I think you have to do it. These months we have, not 9 per cent btw but 6 per cent. Like a promotional thing. That is what you can say to your guests. We take the 3 per cent for you on our account.

Interviewer: so that is what you would do?

**Interviewee**: yes. If you go the ‘’Mediamarkt’’, you know it?

Interviewer: yes.

**Interviewee**: they have twice a year, they have ‘’btw vrije dagen’’. You know? So I think they have to do it here.

Interviewer: do you also think they should make changes beforehand internally as well? Like communicating to staff or making system changes, so the staff is prepared beforehand to answer any arising questions?

**Interviewee**: I do not think you have to say it to the customers. That you are raising the prices.

Interviewer: but if someone complaints?

**Interviewee**: then you have a head of the restaurant , or head of the kitchen or head of the reception.

Interviewer: so you think they should deal with these complaints?

**Interviewee**: yes, not somebody who is working as a waitress, who is putting glass on the table.

Interviewer: so in this case, you would say that it is even better if the staff does not know anything about this? And if they have any problems they should just call their superior?

**Interviewee**: do you think that the 3 per cent, that people will complain about that?

Interviewer: well honestly, I do not know, that is what I am trying to figure out haha.

**Interviewee**: they know the prices on the menus, so they should not complaint about that.

Interviewer: but as this company markets itself as a budgeting hotel, and the demographics are more elder couples and families, do you think they also will not negatively react to the price increase?

**Interviewee**: I think it is the job of reception. I think for the most people it is going to be troublesome because of the room price. I think that is an important thing for them. I think they have a room price, including dinner or breakfast, or everything. So I think reception has to say it to the guests, like ‘’listen the btw went up to 9 per cent, so they know that the company cannot do anything about it, it comes from the government.

Interviewer: so to summarize it, you think that the reception has to be the one to communicate it to the guests, therefore management most importantly has to communicate the changes to the staff at the reception, that the change should be implemented slowly, and not immediately, and if even possible to take the burden of three per cent on the companies account for the first months?

**Interviewee**: yeh sure. Maybe two or three months. Maybe they can raise the prices beforehand. Like instead of 60 Euros per room, charge 70 Euros, but when the time of the increase comes, say that you take the burden of increase on the company. Then you will not lose profits, but at the same time will look good to the guests, especially loyal customers.

Interviewer: well thank you for your time, this information will help us a lot.

**Interviewee**: yes, no problem haha.

**Interview 4. ‘’Amadore’’**

Interviewer: what is your current position and where?

**Interviewee**: ok, so I am the general manager in the ‘’Amadore’’ group.

Interviewer: and your previous experiences? Just for how long do you work in hospitality industry?

**Interviewee**: I have been doing this job for over twenty five years. And yeh, I have seen a lot of places haha.

Interviewer: Surely, you remember that in 2012 the general VAT rate of 19% was also raised up to 21%. Did this previous change have any impact on your company (or the company you work for at the time of the change)? If yes, to what extent?

Interviewer: for which company you were working for at that time?

**Interviewee**: ‘’Amadore’’.

Interviewer: so did it have any impact on the ‘’Amadore’’ group and to what extent?

**Interviewee**: yes it did. Umhhh...the impact at that moment was that, what we call the margins , yes? Uhmm...lowered, because you cannot increase your prices at the same time and at the same amount. So the underneath uhmmm.. the bottom line , that there was less income, and it takes a little bit of time to get the things back up to the standard that we were used to.

Interviewer: what were the main concerns, or was that the main concern for the management, during this previous economical change?

**Interviewee**: how to go back to the margins we had before, basically loss of the profit and how to fix it.

Interviewer: What kind of decisions were made regarding pricing strategies? For example, did you decide to fully shift it to customers or take a certain burden on the company’s account? Why?

**Interviewee**: we started out with taking full cost on the companies account. And slowly moved it up.

Interviewer: as you mention slowly moving, it brings us to the next question, which is exactly about that. Did you decide to increase the prices gradually or immediately?

**Interviewee**: yes, gradually.

Interviewer: and in how long of a period?

**Interviewee**: within a year.

Interviewer: so within a year you went back to the normal margins?

**Interviewee**: yes exactly.

Interviewer: If the decision to not raise the prices was made, what kind of effects did this decision have on the company financially?

**Interviewee**: well the the...when it came, we did not immediately pulled up the prices, so there was less profit.

Interviewer: Were there any positive or negative reactions (regarding the changes in prices) from the clients? Personnel? Any other feedback from parties involved?

**Interviewee**: every price raise will give you negative response.

Interviewer: so there were no major complaints then?

**Interviewee**: no not really.

Interviewer: and from personnel? For example that they did not know about the increase and therefore the guests were wrongly informed?

**Interviewee**: well everything is computerized nowadays, so no...about 90 per cent of the personnel does not even see that the price went up.

Interviewer: Were there any changes noticed in the demand? If so, what mostly effected the change?

**Interviewee**: no, there was no change. It stayed the same.

Interviewer: What kind of decisions were made regarding the communication about the increase in VAT, and consequently prices?

* Communication with customers? (for example, via internet, call, personal email, on site, etc.)
* Internal communication? (personnel)

**Interviewee**: none.

Interviewer: so you did not use social media like ‘’Facebook’’ or something?

**Interviewee**: no, you are not going to post on ‘’Facebook’’ ‘’hey, we are going to increase our prices’’, you post on ‘’Facebook’’ ‘’we are going to give you a special discount or something’’, but you are definitely not going to promote ‘’hey, we are getting more expensive’’... that would not be a really smart advertisement I guess...

Interviewer: and internally? Is it as you said before, that there was no communication towards the staff?

**Interviewee**: no no....it is just new menus, new price list, stuff like that, this is what you need to do.

Interviewer: so but then you still introduced the new menus to the personnel?

**Interviewee**: yeh, but just as a new menu, we did not mention that because of VAT now the new menu has higher prices.

Interviewer: Were there any issues noticed regarding the costs of the company? If yes, please elaborate more, giving some specifications.

**Interviewee**: yeh well...for us as a company, the VAT is a tax deductable, we do not pay VAT. Yeh? What we pay to our suppliers, we get back from the government. What the customers pay us, we need to give it back to the government.

Interviewer: so it is more related to the fact that you took the burden of extra per cents? So was that still the biggest issue financially?

**Interviewee**: yes exactly.

Interviewer: Were any additional administrative burden? If so, how were the system changes dealt with and when?

**Interviewee**: uhmmm....nooo... it is not a really big burden. Yes, you have to fill in new menus and computerize your systems again, so yeh...that is all you need to do.

Interviewer: and how much time before you did it? What is of interest to me here, is when did you start preparing to deal with this economical change?

**Interviewee**: no, yeh...you know how it works..with us, we do not sit down haha...yep we do not sit down, we just discuss while working: what should we do? How should we do it? And then we just do it. Is there a timetable? No, there is not. We do not sit down for it and discuss about it, no we just do it.

Interviewer: Are there any similar situations (mostly related to price fluctuations) that had happened recently? If yes, could you specify what exactly was happening and why?

**Interviewee**: uhmm...in restaurant not really. Yes, sure you have every season you got a new menu, and with the new menu, you also got a new pricing, because you have to do your costs before. But that is not really different than what we have been doing for the last couple of years. The biggest difference that we see now, is that we computerized the revenue control systems for the hotel rooms. So the pricing of the hotel rooms, before we did by intuition, and by experience. And now we have a computerized advice, based on what we have done before, and what the competition around us is doing. And the vacancy and the demand in the market at the moment, based on all those five/six pillars of dat. The computer gives us an advice like ‘’this would be the best price’’ for that day. Especially for a day. It is daily based. And it is up to us to follow the advice or not to follow it. But the pricing that we do now, is also based on computer data that is updated every 24 hours.

Interviewer: If the answer to the above question is yes, what actions were taken with regard to:

* Communication?
* System changes?
* Commercial activities?
* Financial decision?

**Interviewee**: but are you searching for the answers in the restaurant business or in the hotel business?

Interviewer: hospitality overall, which includes both.

**Interviewee**: yes, but it is....well you cannot compare them together. In the hotel business, price fluctuations are daily based. Can even be hourly based. The pricing in the hotel business nowadays, is based on demand. Because of computerized programs , because of booking engines, because of stuff like that. It is fully functional. You cannot put a price on a room nowadays. You can put in a maximum price and a minimum price. Yeh? But everything in between is just optional and changes by the daily rate. So that is...uhmm...you cannot put a fixed price on it. In the restaurant business, the cost of coffee yeh? You put a price on it. And it does not change. If it a really slow business, the cost will still be the same even when it is really busy. In the hotel business communication about your price is really important, and the financial aspects behind the prices are really important. The revenue control in the hotel business is really important, and being out there, especially on the internet, on the right place, at the first page of every booking engine (preferably in the top five), that is important. Communication wise and computer wise it is really important to be up there. If you are on page three on the booking site, you will not get booked. Because people do not search beyond page 2. If you are on the page one, and on the top five, you are one of the first things they see. So the amount of revenue you get from your booking engine is much better. And that is for all kind of booking agencies, ‘’Trivago’’, ‘’Booking.com’’, and your own website of course. But you have to be up there in all the booking engines. Also in Google. You have to be up there. So in communication that is really important. But that is also in pricing. You have to be ...you do not have to be the cheapest one, but you have to be on top in value for money. That in the hotel business is really important. To have a good communication, to have all those points, communication, system changes, commercial activities, financial decisions, that you point out. In the restaurant business, it is not that important. You have to be good in your communication and you have to be out there, especially in social media. And in the hotel business it is a lot less. In the restaurant business social media is really important, social media influences surroundings close by. You do not go on Facebook to find a restaurant in Groningen. But you do go on Facebook to find a restaurant in the area. Or you get , in your timeline, on Instagram or on Facebook, you see ads from restaurants in the area, or you see people checking in, or tagged in a restaurant in the area, but you do not see them tagging or checking in Groningen, or Utrecht, or Amsterdam. So social media is much more important to be top in the mind of the guest in the restaurant business, because social media is really regional, and the internet is much more for the hotel business. You do not get a room in the same city you live. So that is really different, in social media you do not or hardly ever put pricing things. You say ‘’we have got a new menu’’, you do not say that you went up 25 per cent. ‘’come on over and check our new menu’’ – that is what you post. So, in the restaurant business, pricing is not something you communicate to your guests. It is just not necessary. Sometimes you use a little bit as a trigger, something like special high tea or special offer, but that is really not often. It is not where you use the communication assets.

Interviewer: Were there any problems or issues faced during these situations? Please elaborate more on what kind of problems were faced?

**Interviewee**: no not really.

Interviewer: so from all what you have told me, all these actions that you have taken, would you mind to elaborate more on the results of these actions? For example, did you occupation rate increased, etc?

**Interviewee**: especially in hotel pricing, revenue per available room is the most important pricing aspect. So sometimes it is not just being fully occupied, but it is much more about being occupied the amount that gives you the best available price. If you have a constant occupancy in your hotel of 95 per cent, you are too cheap. And the best revenue you will get is between 85 and 95per cent. Then you get the best revenue per available room. If you got an occupancy between 95 and a 100 per cent, maybe you are too cheap. If you raise the price, by let’s say 10 Euros a night, you occupancy will maybe lower a bit and go down by two per cent, but the rest of the rooms, will be giving you ten per cent revenue, or ten Euros more revenue. This will give you much more money, than the two rooms that are empty. So it is always about trying to find the balance between occupancy and pricing. And that gives you the revenue per available room. That is what is important for a hotel. If you go the bank to get a big finance (loan) from the bank, the first thing they ask is what is your revenue per available room. It is pricing for the room, but it is also about up – selling that is necessary to get the revenue up. You can sell a room just as a room, but you can also sell it including breakfast, bottle of wine in the room, three course diner, etc. Therefore up – selling a the reception is very important. What people buy in the restaurant is also important for the revenue that comes out of the room. So up – selling on the terrace, as in selling a cake with a cup of coffee, is also important for the revenue in the hotel.

Interviewer: As mentioned in the introduction to this interview, the reduced VAT might increase by 3% in 2019. Please elaborate, on any and all concerns you have regarding this economical change? In your opinion, which organizational areas will be affected most and how?

**Interviewee**: organization wise, which will be affected mostly is administration, because they have to change everything, not just in the register with the prices, but also in the computerized systems, and everything there needs to be changed. So that is the first thing that needs to be done when it is necessary. After that, gradually everything will change, so the menus will change again, the drink menus will change again, the food cost will change again, the drink costs will change again, the personnel cost will change again, everything has to find a new balance again. While finding the new balance, it will cost us profit. Because you cannot raise your price again and by a lot much. In the restaurant business there is something called the maximum price.

Interviewer: so what you are trying to say is to look in the market and what is happening there?

**Interviewee**: yes. If VAT increases, then profits go down. At least in the first period. After that it will stabilize again, and because of the evaluation of money, prices will go up again. And then the new balance will be found again.

Interviewer: On what do you base your fears/concerns if you had any?

**Interviewee**: previous experience mostly and previous loss of profit. That is always the main concern. But it is a short term concern.

Interviewer: Are you already creating plans on how to approach the future increase in VAT rate? If so, what kind of plans are made up until now?

* Regarding communication with both, guests and personnel?
* Regarding administrative tasks?
* Commercial opportunities?
* Prices?

**Interviewee**: no we know what is ahead, we know already what to do because we have done it before, but to answer, we are not planning or organizing already, because it is just yeh... it is in the future. We do not know exactly when, we do not know exactly how, nothing has been said, so we have to wait and see until everything is has a date and stamp on it. Then we can work ahead until that day comes.

Interviewer: so let’s just say it happened, in your opinion, what would be the first steps you take in regard to all the things we talked about before, like administration, communication and such?

**Interviewee**: administration is the first. And all other things will take place gradually. The administration is the first thing that you need to do., because from that moment that it will be the ‘’D – day’’, you administration has to be there. And after you can change prices, after you can change menus, but that is only after. At ‘’D – day’’, you have to have the right VAT numbers in your computer, in the computer systems. You cannot gradually do that. The tax consultants, they say strictly, from that day, that moment it will be this percentage and that is it. And you cannot say that you will do it gradually in a month, no. It is that moment. So administration is always the first.

Interviewer: Do you think you would apply any of the strategies you have used for previous similar situations? If yes, which specific actions would you repeat and why?

**Interviewee**: I would do it exactly the same as we did it last time.

Interviewer: so even if you lose some profit in the beginning it is better to do it gradually and first take the financial burden on the companies account?

**Interviewee**: yes

Interviewer: and why is that? I mean what is your reasoning behind it?

**Interviewee**: reputation and loyalty of your guests is much more important than you short – term profit. If you lose your reputation and the loyalty of your guests, you will lose long – term profit. So take a short pain, because it is much better than losing in a long run.

Interviewer: Lastly, do you have any other comments or suggestions on how to deal with upcoming increase of VAT rate from the perspective of the hospitality industry?

**Interviewee**: I think the strategy that we are following is the best strategy to do it. Everybody knows about the increase in the VAT, because it is not only in the hospitality industry. It is everywhere, so you know I do not think it would be smart idea to get advertisement campaigns around it. I think 80 per cent of the hotels and stores will take the costs, so it is not really special what you are doing then, therefore no need to advertising.

Interviewer: well thank you very much for your time.

**Interviewee**: you are welcome. In the end, just take the short loss and move further.

**Interview 3. Restaurant/B&B ‘’Duinlust’’**

Interviewer: What is your current position? Where?

**Interviewee**: well it is here at the ‘Duinlust’’. I am a manager, not overall manager, but particularly for the restaurant.

Interviewer: Any previous experience in the industry? How long have you been working in the hospitality industry?

**Interviewee**: before I have worked on the golf course, for three years, in Middelburg. Started just as a normal worker and worked my way up the management. I did that for one and a half year, and then I switched to this company. So I do not have many years of experience, but I am starting to learn.

Interviewer: so as you say that you have not been in the industry for that long, I do not know if this question is still relevant and do you still remember it, but surely, you remember that in 2012 the general VAT rate of 19% was also raised up to 21%. Did this previous change have any impact on your company (or the company you work for at the time of the change)? If yes, to what extent?

**Interviewee**: yes, I remember. It happen when I already worked on the golf course. It happened. But I cannot really remember that it had a lot of impact on a lot of things. Except for the prices, which we changed. But I think most of the companies will count the changes to their guests. I think so. I do not think they take increase on their shoulders. Maybe some will of course, I cannot talk for everyone. But if I remember correctly, they did it slow. So the guests would not really feel the difference so much. If you do this one – on – one they will probably think what is going on.

Interviewer: What were the main concerns for management of the company, during the previous change?

**Interviewee**: the main concerns there probably that the guests maybe get a little angry or...uhmmm....that is of course what you fear the most is that your guests might be concerned about it. But like I said, we already knew that within the couple months the price.....the profits will going to be the same again, because we changed the prices in the way that it would not be so visible, but at the end the profits would stay the same. It takes a couple of months, but then your profit will be equal (equalized). Just like before.

Interviewer: well actually that is kind of my next question to you, what kind of decisions were made regarding pricing strategies? For example, did you decide to fully shift it to customers or take a certain burden on the company’s account? Why? And also did you decide to raise the prices immediately or gradually?

**Interviewee**: I remember with the drinks we did it all in once. We raised five or ten cents on each drink. With the drinks we did it from the beginning, but with the food, and other things we did it slowly back then. We did it like that. With the food because we decided to raise by two or three Euros at once, so we thought it is better to do it gradually.

Interviewer: If the decision to not raise the prices was made, what kind of effects did this decision have on the company financially?

**Interviewee**: so there was a certain loss in the profit, small one in the beginning only. But you want to know how much the loss was?

Interviewer: not precisely how much, but was it visible and did the company as an organization felt it?

**Interviewee**: no no, we took the loss for granted for a certain amount of time. Because yeh, like a told you, we already knew that in the short time everything will be going back to normal. Maybe very big companies, like hotels or something, for them it is more visible, but this was quite small company. So I think, maybe therefore, it was not so visible for us.

Interviewer: Were there any positive or negative reactions (regarding the changes in prices) from the clients? Personnel? Any other feedback from parties involved?

**Interviewee**: the clients they accepted it, because it was commonly known that this was going to happen and I think that all the clients, all the people know that this will have effect on their wallet. They knew if you go outside for a drink or a diner it will be more expensive. That year the Dutch government was pen to everybody on the news, I think everybody knew that this was going to happen, so therefore the reactions were not so negative. Of course there were some employees, for example from the kitchen, talking that now they have to be more careful with prices and cost numbers. But it is also a fear that faded away fast.

Interviewer: as you mentioned a little bit about negative response from certain employees, could you tell me more about it? Was there any other feedback you received from the staff?

**Interviewee**: yeh, well a little bit. They were a little bit afraid to go to the customers. Like they knew that this dish is now more expensive and they were worried how are people going to react, especially the customers who come here weekly. But then again, it was only in the beginning. After short time we realised that everybody were aware of the changed and people will probably always complaint if they have to pay more, but yeh we do not have any other choice. If you do not count the increase on the guests, then maybe in couple of years, we will go bankrupt. One way or another, we all have to carry this change (burden).

Interviewer: Were there any changes noticed in the demand? If so, what mostly effected the change?

**Interviewee**: no not really.

Interviewer: What kind of decisions were made regarding the communication about the increase in VAT, and consequently prices?

* Communication with customers? (for example, via internet, call, personal email, on site, etc.)
* Internal communication? (personnel)

**Interviewee**: yes when I was working in the golf course (at that time), you know it is a small world. We work a lot with the same people, day – in day – out. So yeh... we talked about it with the customer and told that this and this is going to happen, and we also have to raise the prices accordingly. We talked about it.

Interviewer: so basically, you chose to tell them beforehand? I am talking about the loyal customers then.

**Interviewee**: yes, because they already saw it on the news so they already would come asking themselves what is going to happen here. So yeh, we chose to be honest, we said we have to change the prices, and we are going to do it step by step and in the first couple of months not so much, but in the summer, once more tourists will come we will raise it a little more again. Then some of them haha....tried to strike a deal for loyal customers. But of course it did not happen. They can always try.

Interviewer: and internally?

**Interviewee**: I tried to prepare them for the confrontation with the guests. So I said please take notice that the prices are higher and people are going to complaint, and just try to explain why.

Interviewer: so you did kind of briefing before certain shifts?

**Interviewee**: yes. Just to tell them that probably people are going to be more aware of prices these few months, so just try to be honest with them and act in a calm and professional way. Especially with foreign guests that come here for couple of years, so they do not know anything about changes in Dutch law. That their surprise might be bigger.

Interviewer: Were there any issues noticed regarding the costs of the company? If yes, please elaborate more, giving some specifications.

**Interviewee**: well, if talking about products, yep I remember, they changed few things. Especially with the fish. They changed the fish to a little bit cheaper, and with the meat they did the same. Yes, especially with the meat and fish, they tried to look for products that were cheaper. With drinks of course you cannot do it haha. You cannot say you sell ‘’CocaCola’’ and then bring them cola from ‘’Lidl’’ haha...so they tried to save margins with reducing the quality but also the costs.

Interviewer: and did it go up back again?

**Interviewee**: after a while they raised the quality again, to match the increased prices.

Interviewer: Were any additional administrative burden? If so, how were the system changes dealt with and when?

**Interviewee**: what systems do you mean?

Interviewer: I mean systems like POS, also management systems, I do not know what you use, but I am familiar with such as Fidelio and Micros.

**Interviewee**: to be honest, we did it after. We were a little bit late with it haha...but I cannot say that we have any extra problems with administrative tasks.

Interviewer: Are there any similar situations (mostly related to price fluctuations) that had happened recently? If yes, could you specify what exactly was happening and why?

**Interviewee**: no we did not change any prices here over the last time. But of course we have every year. We raise it a little, by five per cent or something. But we have so many customers here, that come twice a week or even more often, so we cannot change the prices too much....no...and we do not need it here, the prices are good, we have low prices...

Interviewer: so let’s take an example of your yearly price increase.. what actions were taken with regard to:

* Communication?
* System changes?
* Commercial activities?
* Financial decision?

How did you prepare basically?

**Interviewee**: no no. But what you mean with preparing?

Interviewer: let’s say even in register the price or new menus, stuff like that, how long before you plan it?

**Interviewee**: oh yeh, that we do before of course. Not so long before, we are kind of late with all these kind of stuff, but we leave ourselves a week or so to sort things out.

Interviewer: and what about promotional activities? Certain discounts or something?

**Interviewee**: no not really.

Interviewer: so I think we can skip the other two questions, as you already mentioned that did not really face any troubles.

**Interviewee**: no, you know we just raise the prices, communicate it to our staff, and maybe say it to our loyal guests, maybe a post or something on ‘’Facebook’’ about new items. But for the rest we also do not do any discount or special offers to attract people. This is what happens, I think you have to deal with it, as a customer too. Maybe it is not the nicest way but this is business. It is just that sometimes people do not understand that ‘’horeca’’ business is about service, so if you want to sit nice on the terrace you will also have to pay for service, so the price is higher. It is simply business.

Interviewer: As mentioned in the introduction to this interview, the reduced VAT might increase by 3% in 2019. Please elaborate, on any and all concerns you have regarding this economical change? In your opinion, which organizational areas will be affected most and how?

**Interviewee**: I think the main concern is the confrontation with the guests, because they are already paying more, and in couple of years they will have to pay more again. I am maybe concerned that less people will go out for dinner or drinks, because like you said, it is not only this what is going up, their whole life is going to be more expensive, everything. Their daily products, so there will probably be less money for people to spend on restaurant or hotels. So I think we will maybe feel that. Unless we do not change the prices and take the loss on ourselves, but that would also results in less profit.

Interviewer: Are you already creating plans on how to approach the future increase in VAT rate? If so, what kind of plans are made up until now?

* Regarding communication with both, guests and personnel?
* Regarding administrative tasks?
* Commercial opportunities?
* Prices?

**Interviewee**: yeh to be honest, I did not think about it already, but it might be a good idea to communicate this upfront and not wait for the last moment, like maybe already starting soon. It is already coming in less than a year, you know. But I must be honest, I did not already make plans for this change, but it might be time to.

Interviewer: Which organizational areas, in your opinion, need to be addressed mostly? Why?

**Interviewee**: hmmm...that is difficult... I am not sure. Maybe we need to see how to deal with our guests. Because you know the people that come here are older, so they like special attention and they also are more sensitive to everything.

Interviewer: Do you think you would apply any of the strategies you have used for previous similar situations? If yes, which specific actions would you repeat and why?

**Interviewee**: I think still that it is the best to do it gradually, to raise the price gradually. Yeh, for the rest I would do it probably the same way they did at the golf course. I cannot say if that is what we actually are going to do, cause I am not the only one that makes the decisions here, but I think what we did there is a good way how to deal with guests, and show your clients that you also a heart and not only think about the business. I think that is also important to your guests to see that you not only care about the business. But of course I need to hear what the owner says. I think this system worked properly there, I think it will work here as well. I will definitely going to try to do it this way again.

Interviewer: Lastly, do you have any other comments or suggestions on how to deal with upcoming increase of VAT rate from the perspective of the hospitality industry?

**Interviewee**: for Westduin. I think for every company it is good to show your customers that you are open and honest. Tell them well we have to change the prices and we are going to do it step by step, so when you visit our hotel or restaurant you might notice that some things are going to get more expensive step by step. Anyways, for any company it is good to be open and honest. Communicate before time to your customers, because the biggest fear is....you know surprising guests is not a good thing actually. It sometimes can be that it is positive but most of the time surprising guests in hospitality is not such a good thing. It is always about that it is more expensive, or portions are smaller, or staff unfriendly, etc. But then again, it is only here, only in this region, if we would talk about Amsterdam or something no one would really care.

**Interview 5. ‘’Golden Tulip Westduin’’ restaurant manager**

Interviewer: What is your current position? Where?

**Interviewee**: I am restaurant manager at ‘’Golden Tulip Westduin’’.

Interviewer: Any previous experience in the industry? How long have you been working in the hospitality industry?

**Interviewee**: I have been working for 17 years in the hospitality industry and I have been working from my first job as a dishwasher, to service employee, receptionist...uhmm....up until hotel manager. So all around.

Interviewer: Surely, you remember that in 2012 the general VAT rate of 19% was also raised up to 21%. Did this previous change have any impact on your company (or the company you work for at the time of the change)? If yes, to what extent?

**Interviewee**: my current company I do not know, because I obviously was not here yet, but in the previous companies..uhmm.... all costs were higher, and as far as I know, we did not raise the prices for anything.

Interviewer: so basically you to the costs on the companies behalf?

**Interviewee**: yes we took the costs. The drinks were a little, well of course, the drinks were a little higher, but, for example, the rates for the rooms, were not any higher because there is a psychological value to the rooms. And our customers at that time, only looked at the value for the money they pay. And uhmm.. before the raise, we asked like 95 Euros, depending on the occupation rate, so the higher the rate, the higher the demand, the higher the prices were. We were just only looking at the market. And that is all that mattered. So if we, if the demand was low, the prices were low, and we did not even think about the raise of the VAT. It did not matter to us at the time. Because we needed to push the occupancy rate, we needed more people coming in to the hotels, the more they would spend. So that is all we cared about.

Interviewer: What were the main concerns for management of the company, during the previous change?

**Interviewee**: the main concern was to make sure that all the VAT percentages were right on every single product or service. You know we needed to make sure that we received all the VAT back, and we needed to make sure that the VAT was right on the bills of the guests. So in the back office, were was a lot work.

Interviewer: What kind of decisions were made regarding pricing strategies? For example, did you decide to fully shift it to customers or take a certain burden on the company’s account? Why?

**Interviewee**: so we took the costs on the behalf of the company when it came to the rooms, but for the drinks we have raised it.

Interviewer: If the decision to raise the prices was made, did you choose to raise it gradually or immediately? Why?

**Interviewee**: honestly, I do not remember. Because we had the headquarters, and they made all the decisions.

Interviewer: If the decision to not raise the prices was made, what kind of effects did this decision have on the company financially?

**Interviewee**: uhmm....of course the costs there higher, so the ‘’netto’’ income was a little bit less, but that is all.

Interviewer: Were there any positive or negative reactions (regarding the changes in prices) from the clients? Personnel? Any other feedback from parties involved?

**Interviewee**: the first few months customers were only talking about it, about that VAT is going up. But there was nothing we could do, so.....

Interviewer: so they were complaining but not like complaining in that way that they would not wish to come back to your hotel?

**Interviewee**: yes. Because you know, it is what it is. And I think everybody understands that we need to make money, as well as any other has to. So there is nothing to complaint about, and it was only for few months, and then it was all over. It was finished, the complaining was finished, everybody got used to the fact that the VAT was higher, and then it all ended. Like before we used to have 17 per cent, and then it got up to 19, and then it got up to 21, so.... everybody knows we have to pay.

Interviewer: Were there any changes noticed in the demand? If so, what mostly effected the change?

**Interviewee**: no, because we did not care about the room rates, so they were coming anyway. And we were always looking at the market.

Interviewer: What kind of decisions were made regarding the communication about the increase in VAT, and consequently prices?

* Communication with customers? (for example, via internet, call, personal email, on site, etc.)
* Internal communication? (personnel)

**Interviewee**: nothing. Not in particular. We just changed it and that was it.

1. Interviewer: as you have already mentioned certain things about the costs of the company, we can skip the next question, as it is about the same thing. Then moving on were any additional administrative burden? If so, how were the system changes dealt with and when?

**Interviewee**: uhmm...that was not my concern, because we had the headquarters. But I can tell you what plan is for this upcoming VAT raise, because there are no headquarters here, at the moment. So I am already thinking about this issue and I am planning to raise the price for the drinks and menu items in the upcoming few months, so we are ahead, and then we do not have to raise the prices at the moment the VAT is going up.

Interviewer Me: so you are trying to stabilize the margins now, during the high season?

**Interviewee**: yes exactly. And uhm.... of course, we need to make sure that on every single bill the VAT numbers are correct, and we have to program this in the computer system, and in the registration system.

Interviewer: I have an additional question for you, what if you would hear that other companies around are not planning to raise their prices, or at least not immediately? Would that have influence on your plans, as you would run the risk of becoming more expensive while your competitors are not?

**Interviewee**: I think our pricing at this very moment is already pretty low. I mean I see other companies charging way more money for exactly the same items, so I am trying to pick it up with everybody else, and then we will see what happens.

Interviewer: Are there any similar situations (mostly related to price fluctuations) that had happened recently? If yes, could you specify what exactly was happening and why?

**Interviewee**: when I decide to raise the prices it is because I do not....uhmmm... I am... My sight is on my target, if you know what I mean. I have to get a certain margin here, 80 per cent on drinks, and if I do not make it, then I make the decision to raise the price. Or if I have the feeling that we could gain some percentage, even though, the margins are perfect already, I raise the prices as well. For example, I think you know that, I am planning on a new wine map. When we start with this new wine map, all prices are getting higher. Some of the bottles of wine, the former price was so low, so that is why we rename the wines, exactly the same wines, just give them another name, on the menu I mean, and then make sure that the margin is a little higher. So it is better for us. For example, on our beers at the moment, ‘’Brugse Zot’’ is kicking our butt. But if I want to sell ‘’Brugze Zot’’ with the right margins, I have to ask like 8 Euros. So it is too expensive. So we except the fact that we lose money there but it is such a nice product, and especially our guests from Belgium really appreciate it, so we accept the loss of money there, and we try to compensate on the other items, like ‘’Heineken’’ or ‘’Alfa’’, or whatever. So balance everything. But we are a little of scale at the moment, so i am trying to figure out what can we do, what is emotionally correct for our guests, it is....uhmmm...you see, I cannot sell ‘’Brugse Zot’’ for 8 Euros. But maybe I can raise the price somewhere else, of course while looking at other companies, what are they doing and what are we doing, and how can I fix this. So we get our margins back.

Interviewer: If the answer to the above question is yes, what actions were taken with regard to:

* Communication?
* System changes?
* Commercial activities?
* Financial decision?

**Interviewee**: at this particular moment I do not think that we need to communicate it to our staff, I mean the changes.

Interviewer: and if focusing on the changes that just happened? How did you communicate and what happened?

**Interviewee**: everybody, reads the newspaper, everybody knows when something is happening it is happening. And at this very moment, some of my staff do not even know what is on the menu, let alone knowing the prices. So in I imagination they do not care. Either they ask 2.50 for a bottle of CocaCola, or 3 Euros. It does not matter. The only thing is that when the customers start to complaint, then they start to care. Because when they get a complaint about expensive something, then it is getting hard for them.

Interviewer: did you do something to avoid these kind of things?

**Interviewee**: well not much. You know if you want to get like a real fine Argentina stake, you have to pay for it. It is more expensive, and some of our dishes, or some of our drinks, are simply more expensive, because it is a higher quality, or better tasting, or whatever. So yeh...it is what it is.

Interviewer: As mentioned in the introduction to this interview, the reduced VAT might increase by 3% in 2019. Please elaborate, on any and all concerns you have regarding this economical change? In your opinion, which organizational areas will be affected most and how?

**Interviewee**: the only concern I have is how are our customers going to react. That is all. Is there a certain balance between quality and pricing. If there is a balance, everything is fine. If it is off balance, then I have a situation, and maybe a raise of 10 cents or 20 cents can make a difference between quality and pricing. So that is my main concern. For example, ‘’Chablis’’ it is fine quality wine, the price on the menu is 37,50eu, and we pay 20 Euros. So the margin is off scale and by a lot, so pricing it a little higher makes sure that I am getting my percentage. That is the point. I accept the fact that I will not....if I want to make the 80 per cent , which I need to have, then I have to put it for 120 Euros on the menu. Nobody will buy it, but if I make it 45, or maybe 50, or 60 Euros, then I think there is a better pricing – quality balance. For us, and our customer also will know that they are getting high quality wine for a proper price.

**Interviewee**: I think when you pay 3.95 for a glass of wine, that is pretty cheap right? And if I make it 4.25 now, I do not think people will really notice. But then the margin is so much better. Accept that we do not meet the 80 per cent margin on every item, but because we sell much more house wine, the balance will be found, and an average will be achieved.

Interviewer: ok I think I got the all the information I needed, so thank you very much for your time.

**Interviewee**: no problem, it is for our company after all haha....

**Interview 6. ‘’Golden Tulip Westduin’’ assistant restaurant manager**

Interviewer: What is your current position? Where?

**Interviewee**: I am assistant restaurant manager at ‘’Golden Tulip Westduin’’, in Koudekerke.

Interviewer: Any previous experience in the industry? How long have you been working in the hospitality industry?

**Interviewee**: so, I am working in the industry since I was 20, I am 31 years old now, so eleven years now in the business. Most of them hotels, so I think at least 10 years in a hotel business.

Interviewer: Surely, you remember that in 2012 the general VAT rate of 19% was also raised up to 21%. Did this previous change have any impact on your company (or the company you work for at the time of the change)? If yes, to what extent?

**Interviewee**: to be honest, that year I was outside of the country, I was working in another country, with other taxes so...but, I was working for a bigger company, with European properties as well, so that means that I know a little bit out of that year. I was working at ‘’Van der Valk’’ at that moment and I know in the Netherlands they increased prices also.

Interviewer: What were the main concerns for management of the company, during the previous change?

**Interviewee**: uhmmm...well they decided to increase the prices because of the VAT, so they calculated everything on the selling prices for the customers and their main concerns were that because of that price increase maybe they would sell less. Especially when you look at drinks at the bar and that kind of stuff. But that was the high tax category, right?

Interviewer: yes 19 per cent to 21 per cent.

**Interviewee**: so that is on the alcohol and stuff.

Interviewer: What kind of decisions were made regarding pricing strategies? For example, did you decide to fully shift it to customers or take a certain burden on the company’s account? Why? And also did you do it gradually or immediately?

**Interviewee**: No, they just did it immediately, in once..uhmm...they calculated every product and just made up new prices, and then they rounded them up to 5 cents. So when you increase the price on ‘’Wodka’’ of five Euros, so it could be 5.28 with the increase, and then they made it to 5.30 instead.

Interviewer: If the decision to not raise the prices was made, what kind of effects did this decision have on the company financially?

**Interviewee**: well I can imagine that if the companies need to pay more taxes then they have less profit. So smaller margins.

Interviewer: Were there any positive or negative reactions (regarding the changes in prices) from the clients? Personnel? Any other feedback from parties involved?

**Interviewee**: well I do not think so, because in that company it was in the different area, at that time I was coming from Utrecht, so because it is bigger city and every company did it over there, so because everyone did it we did it too, and then you do not get any competition regarding the prices.

Interviewer: and personnel?

**Interviewee**: no, I think in that company the menus changed every three months anyway and that was done with good communication to the staff with explanations. So everybody knew it. When VAT would not increase prices, sometimes they would increase prices anyway, because it was very busy company, that means that they were full for every lunch, seven day a week, and every dinner seven days a week. By full I mean we also had to tell customers that we did not have any place for them, that we cannot serve them that day, so with that luxury position you can increase prices more than other companies.

Interviewer: Were there any changes noticed in the demand? If so, what mostly effected the change?

**Interviewee**: no, but like I said, it was in ‘’Van der Valk’’ and they were busy anyway, because of their reputation, so it did not really have any consequences.

Interviewer: and in your opinion if it would be a smaller company? Would it also not affect the demand?

**Interviewee**: Like the company I am working for now? Haha...hummm..well it is now going to be the low taxes increasing, so that means it is going to have consequences on food, and soft drinks and coffee and all that kind of stuff. I think in this area, working in Zeeland, it really is going to depend on what other companies are going to do, so for example if we increase prices, for example we have coffee for 2.25 now, and it is going to be 2.50, and the other companies in this area are not going to do that , then it can be....it will have consequences on how busy we are going to be. Maybe the demand is going to be a little bit less, but on the other side most of our guests, I mean in the restaurant, are our hotel guests, so they will keep coming anyway, and we do not really have a lot of customers from outside, so...I am not really worried that it is going to be like, a lot changes in revenue.

Interviewer: What kind of decisions were made regarding the communication about the increase in VAT, and consequently prices?

* Communication with customers? (for example, via internet, call, personal email, on site, etc.)
* Internal communication? (personnel)

**Interviewee**: no, I think when we are going to increase the prices, then we will just make new menu cards, and with new prices on it, and we will remove the old ones, and I do not think we really communicate to our customers, but of course, if they have questions we of course will answer them. But this VAT rate is going to have consequences for also supermarkets, and all that kind of stuff. So I think they will understand anyway, because everything will go up.

Interviewer: and for the internal communication?

**Interviewee**: well we will tell our bar staff and restaurant staff. Like, for example, if the coffee changes from 2.25 to 2.50, we need to tell our staff, because of course we can change menu cards and systems, but if we do not tell them, they will communicate prices out of their head. They will say ‘’oh the coffee is 2.25’’ but in reality it is already 2.50. So we need to communicate about that. It is a lot of work anyway. It is not only going to be the new menus, we also need to change all the systems, the VAT rates, especially for the business bookings, because they get the tax back from their companies. So it will have consequences on a lot of work for the management anyway.

Interviewer: Were there any issues noticed regarding the costs of the company? If yes, please elaborate more, giving some specifications.

**Interviewee**: uhmm...well...for us, when we buy things, for example coffee again, we buy it, we get the tax back from what we buy in. We only thing we are going to have is that when we sell it, we are going to pay more tax. But because I think we will increase the prices we are not going to lose a lot of profit. So we are just going to make the margins equal.

Interviewer: Were any additional administrative burden? If so, how were the system changes dealt with and when?

**Interviewee**: uhmmm....the system changes need to be done in the night before the new tax rate is going to go in, if you can say it like. Uhmmm..and because we are working with different systems, then for the reception it has to be done, and also for the restaurant it has to be done. Uhhhmmmm...but I think for us it is just the call to the company who we have the systems from and I think they will do it for us.

Interviewer: Are there any similar situations (mostly related to price fluctuations) that had happened recently? If yes, could you specify what exactly was happening and why?

**Interviewee**: hmmmmm.........not that I can think of, to be honest....hmmm......any similar situation??....ohh well we did increase the menu prices, but that is more because we did not do that in a long time, so ...wel...what we see these past couple of years is that we are getting more busy and busy and busy...hm..therefore we have more customers, we can see that, for example, from how many breakfast we do. We are now doing over 55.000 a year...uhmm... and we are coming from 45.000. so yeh, we see an increase in the guests. Already for the past two and a half to three years. Uhmm.....and before we went really cheap just to keep the hotel guests in house, so we want them to eat here. But now we are getting full more and more, so this year we have increased the prices on our menus, but so far we are still busy, so I do not think we really have a lot of loss on that one. It is just an example, but yeh..

Interviewer: If the answer to the above question is yes, what actions were taken with regard to:

* Communication?
* System changes?
* Commercial activities?
* Financial decision?

**Interviewee**: yeh I think it is a management decision to do it. So mostly we try first, so we just increased the price, we tell our staff, and then over a period of two months we evaluate if we are still that busy, or are we losing customer, because of the price increase. But that is a management thing to do. And ok, if we lose customers because of the price increase, when maybe we would have turned it back. But we did not. So, so far we are still having the prices since the increase. For system we did not really changed a lot, just changed the prices, changed the menu cards and that kind of stuff. Well, for commercial activities, we did not have a lot, so there are not a lot of consequences on that one. And for the financial decision, yeh...like again it is a management decision to do it. Of course, when we do such a thing, we really need to evaluate all the time, but when it goes how it should go, then we do not change anything anymore. But if we would have seen that because of the price increase we have less revenue, then of course we would turn it back. Yeh...

Interviewer: Were there any problems or issues faced during these situations? Please elaborate more on what kind of problems were faced? How did you , or management deal with these issues and what were the results of the actions taken?

**Interviewee**: no not really, I think the only thing that you know are now talking about F&B, so only food and beverages, but this change, this tax rate is also for the meeting rooms and this kind of stuff. And I am not sure what are they going to do with that one. So, I think we need to think about that. Because these are higher, like coffee is 2.25 and it is going to be 2.50, but if you have a meeting room, and we sell it for maybe 400 Euros and you do the tax increase of that one, then that is going to be maybe 80 Euros extra. So that is another amount and I am not sure if they are going to do everything on top of it. Especially the bigger meetings, when they have arrangement for maybe 40 people, and then they need to stay here in a hotel room, and they need to have breakfast and they need to have dinner, and lunch, and then the drinks, so that is going to be bigger amounts. So I am not sure what they are going to do with that one.

Interviewer: do you have any suggestions? What you would do?

**Interviewee**: uhmm....normally I would say just to calculate it to the customers, but because they have done the price increase already, in the beginning of this year for the meeting rooms, maybe I would say to take it on our account, or just increase a little bit, but not everything, for the bigger meetings eehh....so for the small ones I would just calculate it to them. Because it is business, they get the tax back anyways. Uhhmmm..but for the bigger companies, like for example sometimes we have meetings for four days, for a big group of like 100 people, including breakfast, lunch and dinner, and maybe some activities, so these are amounts of like 10.000 Euros. Yeh...well when you calculate that to the customer, especially if other companies will not calculate it to the customers, but take it on their account, then we could lose business. So I think that one is really depending on what other companies in the area are doing with the prices of meeting rooms and hotel rooms.

Interviewer: As mentioned in the introduction to this interview, the reduced VAT might increase by 3% in 2019. Please elaborate, on any and all concerns you have regarding this economical change? In your opinion, which organizational areas will be affected most and how?

**Interviewee**: well like I said, I think for F&B department it would not change that much. I would say once concern, like I did before, it would be meeting rooms, the bigger meetings, the international meetings, and the ones lasting for more days, and the most expensive ones. What would they do with the prices for that one. Uhmmmm....because it is just bigger amounts. I mean when they will ask for the bill, of course they will not be happy. And they will not be only calling us, when they have bigger international meeting, they would also call ‘’Van der Valk’’, and maybe ‘’Amadore’’. And then it is really depending on what they do with their prices.

Interviewer: On what do you base your fears/concerns if you had any?

**Interviewee**: I am not really concerned. I mean in this business, we are doing the competition check all the time, so I think over here also....I mean you can see it in hotel rooms, in meeting rooms, and you keep an eye on what is happening in the area anyway, on the market, every month. And you need too, because otherwise if someone does like a special offer, and we do not do it, then of course it is still about the money. Well not only money, also quality, but if someone has a company quite the same as we are, and the prices are going to be lower, then we will lose business. But it actually never happens haha...

Interviewer: Are you already creating plans on how to approach the future increase in VAT rate? If so, what kind of plans are made up until now?

* Regarding communication with both, guests and personnel?
* Regarding administrative tasks?
* Commercial opportunities?
* Prices?

**Interviewee**: no not yet, because it is only April now...uhmmm..and so far the plans are....wait so it is going to change from the January 2019, so we still have time, seven or eight months to go, and the decision on what to do is not really there yet. So far there are plans to do it, we think the plans how to deal with it will go through, so uhmm... of course after summer, so that means in the end of August or beginning of September we start planning on that one. But so far no, I think we just had the increases in prices so until August we will not have any problems anyway. And then we need to check up for the winter. We are the season company anyway. So of course in the winter we need to check what are we doing.

Interviewer: Which organizational areas, in your opinion, need to be addressed mostly? Why?

**Interviewee**: I think in this company every department has its own manager, and every department does its own thing, so when the prices are really going to be increased because of VAT from the 1st of January, 2019. Of course I will do it with the colleagues from F&B department. Sales will do it for the meeting rooms, and the reception for the hotel rooms. As for the system changes, as I said before I think it will just go through the company that we have the systems from. And for finance, we have an accountant, and they are getting paid to do this kind of stuff. I think that will go automatically.

Interviewer: Do you think you would apply any of the strategies you have used for previous similar situations? If yes, which specific actions would you repeat and why?

**Interviewee**: not...well....I think for the F&B department we will just increase it by the percentage that is given by the government straight away, and not in parts or anything like that. The only thing I can imagine is for example we have a new menu card every three to six months, just in case if we change menus in November, of course we will change the prices then too. But it can also happen that if we change in February, then we will take it on our account. Of course all the costs of new prints and stuff also needs to be done, so I think we need to do it just before, like two or three months before. So we will basically just try to work it out with the margins.

Interviewer: Lastly, do you have any other comments or suggestions on how to deal with upcoming increase of VAT rate from the perspective of the hospitality industry?

**Interviewee**: no I do not really think so, jus basically checking what other companies do in the area and that is basically it.

Interviewer: well thank you for your time, this information will be very useful to me.

**Interviewee**: you are welcome.

**Interview 7. Manager of restaurant ‘’Tafelen’’ in Middelburg. (via email)**

1. What is your current position? Where?

**Restaurant manager in Middelburg.**

1. Any previous experience in the industry? How long have you been working in the hospitality industry?

**10 years.**

**Pats experiences**

1. Surely, you remember that in 2012 the general VAT rate of 19% was also raised up to 21%. Did this previous change have any impact on your company (or the company you work for at the time of the change)? If yes, to what extent?

**Before it was changing we raised the price in total.**

1. What were the main concerns for management of the company, during the previous change?

**There was no concerns because after the raise that we did we inform our customers that the VAT changes and because of that we raise the price before we could say that we change the VAT but the price stay the same.**

1. What kind of decisions were made regarding pricing strategies? For example, did you decide to fully shift it to customers or take a certain burden on the company’s account? Why?

**We made a decisions before the VAT changes that we raise the price so that we could take the 2% raise counted**

1. If the decision to raise the prices was made, did you choose to raise it gradually or immediately? Why?

**We did it immediately we counted the difference in to our raise so we could keep the price longer at the same .**

1. If the decision to not raise the prices was made, what kind of effects did this decision have on the company financially?

**Then it will be counted off from the profit**

1. Were there any positive or negative reactions (regarding the changes in prices) from the clients? Personnel? Any other feedback from parties involved?

**There were clients because we raised the price they were not happy with it after telling them after this raise we don’t raise again for the VAT**

1. Were there any changes noticed in the demand? If so, what mostly effected the change?

**No**

1. What kind of decisions were made regarding the communication about the increase in VAT, and consequently prices?

* Communication with customers? (for example, via internet, call, personal email, on site, etc.)
* Internal communication? (personnel)

**We did not say anything to the customers, no one says it when the prices is going up. And to staff we just said that it was raised and because the VAT was raised.**

1. Were there any issues noticed regarding the costs of the company? If yes, please elaborate more, giving some specifications.

**We put the VAT on the price before, so no, no issues with costs.**

1. Were any additional administrative burden? If so, how were the system changes dealt with and when?

**We only had to put different price in the system. And you can call the company from system, and they will do it or explain how to do it.**

**Current changes**

1. Are there any similar situations (mostly related to price fluctuations) that had happened recently? If yes, could you specify what exactly was happening and why?

**I mean we raise the price maybe once a year, and always do it before summer.**

1. If the answer to the above question is yes, what actions were taken with regard to:

* Communication?
* System changes?
* Commercial activities?
* Financial decision?

**Communication we did not do anything like before. System we just changed the price in the system and changes menu. And we just raised it. You don’t need a lot of preparing. We are used to it so we know what to do.**

1. Were there any problems or issues faced during these situations? Please elaborate more on what kind of problems were faced?

**No.**

1. How did you , or management deal with these issues and what were the results of the actions taken?

**We had no issues.**

**Future increase of VAT**

1. As mentioned in the introduction to this interview, the reduced VAT might increase by 3% in 2019. Please elaborate, on any and all concerns you have regarding this economical change? In your opinion, which organizational areas will be affected most and how?

**I think it will maybe change, because people will not go out so much. Everything will be more expensive, supermarkets too, so they will maybe not have enough money for dinner in the restaurant.**

1. On what do you base your fears/concerns if you had any?

**It’s simple, people need to have money to go out. If I don’t have money, I never go to eat in the restaurant, I go buy something from Jumbo, right?**

1. Are you already creating plans on how to approach the future increase in VAT rate? If so, what kind of plans are made up until now?

* Regarding communication with both, guests and personnel?
* Regarding administrative tasks?
* Commercial opportunities?
* Prices?

**No, we are not creating any plans at this moment. But we are probably going to again put the VAT on the price, so 3% this time. But maybe we can do it a little after, because last time customers were not happy.**

1. Which organizational areas, in your opinion, need to be addressed mostly? Why?

**Just prices, you need to know what to do with the prices.**

1. Do you think you would apply any of the strategies you have used for previous similar situations? If yes, which specific actions would you repeat and why?

**Yes, I would put the VAT on the price.**

1. Lastly, do you have any other comments or suggestions on how to deal with upcoming increase of VAT rate from the perspective of the hospitality industry?

**No.**

**Interview 8. Manager of the restaurant ‘’Sake Sushi’’ in Vlissingen. (via email)**

1. What is your current position? Where?

**Restaurant manager ‘’Sake Sushi’’.**

1. Any previous experience in the industry? How long have you been working in the hospitality industry?

**More than 10 years.**

**Pats experiences**

1. Surely, you remember that in 2012 the general VAT rate of 19% was also raised up to 21%. Did this previous change have any impact on your company (or the company you work for at the time of the change)? If yes, to what extent?

**Yes, at that time it was only for alcohol mostly, so we raised the price by the same amount as the VAT raise. So the impact was that we needed to change our prices.**

1. What were the main concerns for management of the company, during the previous change?

**Of course, it is natural that every business owner worries about the fact that if prices increase, less people are going to buy it. So it was also the main worry for us.**

1. What kind of decisions were made regarding pricing strategies? For example, did you decide to fully shift it to customers or take a certain burden on the company’s account? Why?

**At that point we have raised the price with added 2%.**

1. If the decision to raise the prices was made, did you choose to raise it gradually or immediately? Why?

**If I remember correctly we did it before, and we changed it twice.**

1. If the decision to not raise the prices was made, what kind of effects did this decision have on the company financially?

**I think we lost a little bit of profit on the first months, cause the calculation was to perfectly covering the VAT, and also because it was still new to everyone.**

1. Were there any positive or negative reactions (regarding the changes in prices) from the clients? Personnel? Any other feedback from parties involved?

**Well, people did mention it, but it was more about the overall rise of VAT in the whole country. So they were sometimes complaining about that the price increased by too much in their opinion. But it was only for the first months, and once the summer came everyone forgot about it.**

1. Were there any changes noticed in the demand? If so, what mostly effected the change?

**No, not really. Maybe just a little bit, but I cannot say if it was because of the VAT or just not a lot of people coming because of the season.**

1. What kind of decisions were made regarding the communication about the increase in VAT, and consequently prices?

* Communication with customers? (for example, via internet, call, personal email, on site, etc.)
* Internal communication? (personnel)

**We did not really think about that too much. We just raised the prices and printed new menus, so people can see the price on the menu. And to personnel we just explained the situation, that is someone asks they can explain it to them too.**

1. Were there any issues noticed regarding the costs of the company? If yes, please elaborate more, giving some specifications.

**I mean the costs went up, but the prices went up too, so no not really.**

1. Were any additional administrative burden? If so, how were the system changes dealt with and when?

**Well, we did have to change the prices in the systems and we did it maybe few days before. We also had to prepare new menus, so we also made maybe one month before.**

**Current changes**

1. Are there any similar situations (mostly related to price fluctuations) that had happened recently? If yes, could you specify what exactly was happening and why?

**I mean we raise the prices from time to time, but only because we need to follow the market. If everyone does, we do it too. Every year things get more expensive, because it is just the way business is.**

1. If the answer to the above question is yes, what actions were taken with regard to:

* Communication?
* System changes?
* Commercial activities?
* Financial decision?

**I don’t know, just simple things we always do. We decide how much we raise the price, then decide the day, then the menus we change, we put everything to the system and that is it. It starts.**

Were there any problems or issues faced during these situations? Please elaborate more on what kind of problems were faced?

**No not really.**

1. How did you , or management deal with these issues and what were the results of the actions taken?

**There were not a lot of issues to deal with.**

**Future increase of VAT**

1. As mentioned in the introduction to this interview, the reduced VAT might increase by 3% in 2019. Please elaborate, on any and all concerns you have regarding this economical change? In your opinion, which organizational areas will be affected most and how?

**Well we will have to calculate again, and then we will not know if it will change our sales. We hope that it will stay the same, but we fear that it might go down a little.**

1. On what do you base your fears/concerns if you had any?

**Just on experience in the business. We more or less guess how people are going to react to a change, so for example price raise is never positive.**

1. Are you already creating plans on how to approach the future increase in VAT rate? If so, what kind of plans are made up until now?

* Regarding communication with both, guests and personnel?
* Regarding administrative tasks?
* Commercial opportunities?
* Prices?

**I think we will increase the price, but I don’t know how we are going to do it yet. Maybe before and maybe not everything at once, so people are happier.**

1. Which organizational areas, in your opinion, need to be addressed mostly? Why?

**Sales. I mean the amount of people that come.**

1. Do you think you would apply any of the strategies you have used for previous similar situations? If yes, which specific actions would you repeat and why?

**Yes, like I said maybe we will again raise the price in two or more times.**

1. Lastly, do you have any other comments or suggestions on how to deal with upcoming increase of VAT rate from the perspective of the hospitality industry?

**To probably just raise the price, because I think that is what everyone else is going to do.**

# Appendix 3. Axial coding

Interview 1. Manager of restaurant ‘’De Dichter’’, 15 years of experience. (via email)

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| **Topic** |  |  |
| Managerial concerns and decisions (financial) | Higher prices | ‘’Yes, we had to put up the selling prices’’  ‘’Higher up the prices’’ |
|  | Higher costs | ‘’We also had to pay more in purchase’’ |
|  | Loss of profit | ‘’We lose money’’ |
|  | Gradual raise | ‘’Gradually, to make the transition smooth for the customers.’’ |
| Managerial concerns and decisions (demand and customer satisfaction) | No changes in demand | ‘’No.’’ |
|  | Minor complaints | ‘’Yes. Always.’’ |
|  | Short term complaints | ‘’The people get use to it overtime.’’ |
| Managerial concerns and decisions (communication) | Loyal customers | ‘’Some of the steady customers we informed.’’ |
|  | Staff members | ‘’...told the personnel.’’ |
| Managerial concerns and decisions (administration) | Re-evaluation | ‘’We had to look how many times the product went over the head for the right selling price, in combination with the new tax.’’ |
|  | Recalculation | ‘’We had to calculate differently.’’ |
| Main managerial concerns | Less spending money | ‘’If people still spend the money to go out, if the prices raise again.’’ |

Interview 2. Head of the restaurant ‘’Panta Rhei’’ (‘’bedrijf leider’’), over 20 years of experience.

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| **Topic** |  |  |
| Managerial concerns and decisions (financial) | Price increase | ‘’ You know, the prices of the menu, is going up.’’ |
|  | Pre – raise of prices | ‘’ Maybe they can raise the prices beforehand. Like instead of 60 Euros per room, charge 70 Euros, but when the time of the increase comes, say that you take the burden of increase on the company. Then you will not lose profits, but at the same time will look good to the guests, especially loyal customers.’’ |
|  | Gradual raise | ‘’ Bits by bits. You know, when you go to get a bottle of beer, for example, a bottle of beer, you know it is two Euros, and then out of the sudden the btw is going up, you cannot put immediately 2.20 or three euro price tag. It is not possible. So we do it slowly.’’  ‘’I think around two years.’’ |
|  | Full shift | ‘’ You know the cost is the price we pay for a bottle of beer. So always the price is with 21 per cent. So we did also the price go up.’’  ‘’ Yes. We just put the full price on the bottle of beer.’’ |
|  | Equal margins | ‘’Exactly, we calculated the margins to stay the same.’’ |
|  | Reasonability | ‘’..we just made a normal price for everything....reasonable for customers and in comparison with other companies around us.’’ |
|  | Product demand | ‘’ We just think about it, of course together with the accountant, and we just put the price on it. It is not set, maybe we put 2 and a half, maybe 3 and a half..maybe it is certain product that goes fast out, like hamburger for example. So for such products, maybe instead of raising it by 2 or 3 per cent, I raise by six.’’ |
|  | Higher increase | ‘’ So now let’s say the room costs 100 Euros per night, so if it goes up by three per cent, it is going to be 103, right? So I think they will make the room price of 110eu at that moment.’’ |
| Managerial concerns and decisions (demand and customer satisfaction) | No changes in demand | ‘’No, I have not noticed any changes in demand.’’ |
|  | Customer dissatisfaction | ‘’ You know if we bought a ‘’Broodje kroket’’. For example. ‘’Broodje kroket’’ is 5 Euros. Five years plus three per cent more....it is 30 cents. The it becomes five thirty. So you know, we do not think about it. But then you have a...we have a restaurant, when the prices are sky high, then you put three per cent on 20 Euros, it is 60 cents. So you know everything goes up.’’  ‘’ As I said before, they are always complaining, but yes, if the difference in price is bigger it is worse.’’ |
|  | Usual complaints | ‘’ You know, every client who came a week before and paid two Euros for a bottle of beer, , and the week after that he must pay 2.20. Such people will always complain, but that is normal in hospitality. ’’ |
|  | Minor complaints | ‘’...if tomorrow I put 2.60 for a bottle of beer, do not worry about it. They complain, and it is ok.’’ |
| Managerial concerns and decisions (communication) | No internal communication | ‘’ No we did not communicate it to them in any way, because we did it slowly. So we did not say anything to them.’’ |
|  | Non formal communication | ‘’... in a moment of passing by each other. So we, just said we are increasing the prices of the btw, and that is it.’’ |
|  | No social media use | ‘’ No. That we raise the prices? No we would never post anything like that. No, but every once in a while btw increasing. So you know everyone watches the news, everyone knows that the btw is increasing up to 9 per cent. They know. So they know, here, that everybody is raising their prices.’’ |
|  | No necessity for external communication | ‘’... You know every time, we make new menus, we change it three times in a year. Yeh? And every time we raise the price, maybe 10 maybe 15 cents or on product like hamburger maybe one euro. And we do it always....’’  ‘’We do not talk about it, we just do it.’’ |
|  | Personal touch for loyal customers | ‘’I think you have to do it.’’ (question regarding personal emails to loyal guests) |
|  | Promotional opportunity | ‘’ These months we have, not 9 per cent btw but 6 per cent. Like a promotional thing. That is what you can say to your guests. We take the 3 per cent for you on our account.’’  ‘’ If you go the ‘’Mediamarkt’’, you know it?..... they have twice a year, they have ‘’btw vrije dagen’’. You know? So I think they have to do it here.’’ |
|  | No external communication | ‘’ I do not think you have to say it to the customers. That you are raising the prices. ‘’ |
|  | Communication on the spot | ‘’ I think it is the job of reception. I think for the most people it is going to be troublesome because of the room price. I think that is an important thing for them. I think they have a room price, including dinner or breakfast, or everything. So I think reception has to say it to the guests, like ‘’listen the btw went up to 9 per cent, so they know that the company cannot do anything about it, it comes from the government.’’ |
| Managerial concerns and decisions (administration) | Computerization | ‘’It is easy, everything is done with the computer, so we just put the price up and that is it.’’ |
|  | No preparations | ‘’ No, we did not plan anything. We just did it maybe a week before the change was implemented.’’ |
|  | Post change | ‘’ But I think, you really need to do it not like on the 1st of January or something, but maybe two or three months later.’’  ‘’ Maybe we changes the menus and everything in February 2012. Not directly. ‘’ |
|  | Third parties recalculations | ‘’ Accountant. We have an accountant. ‘’  ‘’ We just said make a normal price for everything.’’ |
| Main managerial concerns | No difference | ‘’No, not really.’’  ‘’ No difference noticed, but you know you have the btw that is refundable ‘’Belasting’’. So there is not a lot of difference for us.’’ |

Interview 3. General manager in ‘’Amadore’’ group, over 25 years of experience.

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| **Topic** |  |  |
| Managerial concerns and decisions (financial) | Smaller margins | ‘’ The impact at that moment was that, what we call the margins , yes? Lowered, because you cannot increase your prices at the same time and at the same amount. So the underneath , the bottom line , that there was less income, and it takes a little bit of time to get the things back up to the standard that we were used to.’’ |
|  | No shift | ‘’ We started out with taking full cost on the companies account.’’ |
|  | Short term loss of profit | ‘’ ....when it came, we did not immediately pulled up the prices, so there was less profit.’’  ‘’ If VAT increases, then profits go down. At least in the first period.’’ |
|  | Gradual raise | ‘’ And slowly moved it up.’’  ‘’Yes, gradually.’’  ‘’Within a year.’’ |
|  | Refundable costs | ‘’ For us as a company, the VAT is a tax deductable, we do not pay VAT. What we pay to our suppliers, we get back from the government. What the customers pay us, we need to give it back to the government.’’ |
|  | Computerization | ‘’ So the pricing of the hotel rooms, before we did by intuition, and by experience. And now we have a computerized advice, based on what we have done before, and what the competition around us is doing. And the vacancy and the demand in the market at the moment, based on all those five/six pillars of dat. The computer gives us an advice like ‘’this would be the best price’’ for that day. Especially for a day. It is daily based. And it is up to us to follow the advice or not to follow it. But the pricing that we do now, is also based on computer data that is updated every 24 hours.’’ |
|  | Non – fixed pricing for hotels | ‘’ In the hotel business, price fluctuations are daily based. Can even be hourly based. The pricing in the hotel business nowadays, is based on demand. Because of computerized programs , because of booking engines, because of stuff like that. It is fully functional. You cannot put a price on a room nowadays. You can put in a maximum price and a minimum price. Yeh? But everything in between is just optional and changes by the daily rate. So that is, you cannot put a fixed price on it.’’ |
|  | Fixed pricing for restaurants | ‘’ In the restaurant business, the cost of coffee... You put a price on it. And it does not change.’’ |
|  | Broader price scope | ‘’ But that is also in pricing. You have to be ...you do not have to be the cheapest one, but you have to be on top in value for money. That in the hotel business is really important.’’ |
|  | Revenue per available room | ‘’ Especially in hotel pricing, revenue per available room is the most important pricing aspect. So sometimes it is not just being fully occupied, but it is much more about being occupied the amount that gives you the best available price.’’  ‘’ So it is always about trying to find the balance between occupancy and pricing. And that gives you the revenue per available room. That is what is important for a hotel. ‘’ |
|  | Up – selling | ‘’ You can sell a room just as a room, but you can also sell it including breakfast, bottle of wine in the room, three course diner, etc. Therefore up – selling at the reception is very important. What people buy in the restaurant is also important for the revenue that comes out of the room. So up – selling on the terrace, as in selling a cake with a cup of coffee, is also important for the revenue in the hotel.’’ |
| Managerial concerns and decisions (demand and customer satisfaction) | No changes in demand | ‘’No, there was no change. It stayed the same.’’ |
|  | Usual complaints | ‘’ Every price raise will give you negative response.’’ |
|  | No internal complaints | ‘’ Well everything is computerized nowadays, so no, about 90 per cent of the personnel does not even see that the price went up.’’ |
| Managerial concerns and decisions (communication) | None | ‘’None.’’ |
|  | No social media | ‘’ No, you are not going to post on ‘’Facebook’’ ‘’hey, we are going to increase our prices’’, you post on ‘’Facebook’’ ‘’we are going to give you a special discount or something’’, but you are definitely not going to promote ‘’hey, we are getting more expensive’’... that would not be a really smart advertisement I guess...’’ |
|  | Non specific internal communication | ‘’ No, it is just new menus, new price list, stuff like that, this is what you need to do.’’  ‘’ Yeh, but just as a new menu, we did not mention that because of VAT now the new menu has higher prices.’’ |
|  | Big importance for hotels | ‘’ In the hotel business communication about your price is really important, and the financial aspects behind the prices are really important. The revenue control in the hotel business is really important, and being out there, especially on the internet, on the right place, at the first page of every booking engine (preferably in the top five), that is important. Communication wise and computer wise it is really important to be up there.’’ |
|  | Social media for restaurants | ‘’ You have to be good in your communication and you have to be out there, especially in social media. And in the hotel business it is a lot less. In the restaurant business social media is really important, social media influences surroundings close by.’’ |
|  | Differentiation between regional and national | ‘’. So social media is much more important to be top in the mind of the guest in the restaurant business, because social media is really regional, and the internet is much more for the hotel business. You do not get a room in the same city you live. So that is really different, in social media you do not or hardly ever put pricing things.’’ |
|  | No promotional campaigns | ‘’ I do not think it would be smart idea to get advertisement campaigns around it. I think 80 per cent of the hotels and stores will take the costs, so it is not really special what you are doing then, therefore no need to advertising.’’ |
| Managerial concerns and decisions (administration) | Minor administrative burden | ‘’No, it is not a really big burden. Yes, you have to fill in new menus and computerize your systems again, so that is all you need to do.’’ |
|  | No preparations | ‘’ no,...you know how it works with us, we do not sit down, we just discuss while working: what should we do? How should we do it? And then we just do it. Is there a timetable? No, there is not. We do not sit down for it and discuss about it, no we just do it.’’  ‘’ No we know what is ahead, we know already what to do because we have done it before, but to answer, we are not planning or organizing already,..’’ |
|  | Computerization | ‘’ The biggest difference that we see now, is that we computerized the revenue control systems for the hotel rooms.’’ |
| Main managerial concerns | Equalization of margins | ‘’ How to go back to the margins we had before, basically loss of the profit and how to fix it.’’ |
|  | Financial burden | ‘’question: so it is more related to the fact that you took the burden of extra per cents?....that is the biggest issue financially?  Answer: yes exactly.’’ |
|  | More planning for hotels | ‘’ To have a good communication, to have all those points, communication, system changes, commercial activities, financial decisions, that you point out.’’ |
|  | Administration | ‘’ Organization wise, which will be affected mostly is administration, because they have to change everything, not just in the register with the prices, but also in the 0computerized systems, and everything there needs to be changed. So that is the first thing that needs to be done when it is necessary.’’  ‘’ Administration is the first. And all other things will take place gradually. The administration is the first thing that you need to do., because from that moment that it will be the ‘’D – day’’, you administration has to be there. And after you can change prices, after you can change menus, but that is only after. At ‘’D – day’’, you have to have the right VAT numbers in your computer, in the computer systems.’’ |
|  | Gradual balance search | ‘’ After that, gradually everything will change, so the menus will change again, the drink menus will change again, the food cost will change again, the drink costs will change again, the personnel cost will change again, everything has to find a new balance again. While finding the new balance, it will cost us profit. Because you cannot raise your price again and by a lot much. In the restaurant business there is something called the maximum price.’’  ‘’ After that it will stabilize again, and because of the evaluation of money, prices will go up again. And then the new balance will be found again.’’ |
|  | Loss of profit | ‘’ Previous experience mostly and previous loss of profit. That is always the main concern. But it is a short term concern.’’ |
|  | Reputation and loyalty | ‘’ Reputation and loyalty of your guests is much more important than you short – term profit. If you lose your reputation and the loyalty of your guests, you will lose long – term profit. So take a short pain, because it is much better than losing in a long run.’’ |

Interview 4. The manager of restaurant ‘’Duinlust’’, around 5 years of experience.

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| **Topic** |  |  |
| Managerial concerns and decisions (financial) | Full shift | ‘’ Except for the prices, which we changed. But I think most of the companies will count the changes to their guests. I think so. I do not think they take increase on their shoulders.’’ |
|  | Short term loss | ‘’But like I said, we already knew that within the couple months the price.....the profits will going to be the same again, because we changed the prices in the way that it would not be so visible, but at the end the profits would stay the same. It takes a couple of months, but then your profit will be equal...’’  ‘’ So there was a certain loss in the profit, small one in the beginning only.’’  ‘’ We took the loss for granted for a certain amount of time.’’ |
|  | Differentiation drinks and food | ‘’ I remember with the drinks we did it all in once. We raised five or ten cents on each drink. With the drinks we did it from the beginning, but with the food, and other things we did it slowly back then. We did it like that. With the food because we decided to raise by two or three Euros at once, so we thought it is better to do it gradually.’’ |
|  | Gradual raise | ‘’ But if I remember correctly, they did it slow. So the guests would not really feel the difference so much. If you do this one – on – one they will probably think what is going on.’’  ‘’I think still that it is the best to do it gradually, to raise the price gradually.’’ |
|  | Short term lowered product costs | ‘’ Well, if talking about products, yep I remember, they changed few things. Especially with the fish. They changed the fish to a little bit cheaper, and with the meat they did the same. Yes, especially with the meat and fish, they tried to look for products that were cheaper.’’  ‘’... so they tried to save margins with reducing the quality but also the costs.’’  ‘’ After a while they raised the quality again, to match the increased prices.’’ |
| Managerial concerns and decisions (demand and customer satisfaction) | No changes in demand | ‘’No, not really.’’ |
|  | Acceptance | ‘ ‘The clients they accepted it, because it was commonly known that this was going to happen and I think that all the clients, all the people know that this will have effect on their wallet. ’’  ‘’.. the reactions were not so negative..’’ |
|  | Minor complaints | ‘’ .....people will probably always complaint if they have to pay more, but we do not have any other choice. If you do not count the increase on the guests, then maybe in couple of years, we will go bankrupt. One way or another, we all have to carry this change (burden).’’ |
| Managerial concerns and decisions (communication) | Loyal customers (personal) | ‘’ We work a lot with the same people, day – in day – out. So we talked about it with the customer and told that this and this is going to happen, and we also have to raise the prices accordingly. We talked about it.’’  ‘’... say it to our loyal guests...’’ |
|  | Beforehand | ‘’Yes, because they already saw it on the news so they already would come asking themselves what is going to happen here. So yeh, we chose to be honest, we said we have to change the prices, and we are going to do it step by step and in the first couple of months not so much, but in the summer, once more tourists will come we will raise it a little more again.’’  ‘’ it might be a good idea to communicate this upfront and not wait for the last moment, like maybe already starting soon.’’ |
|  | No promotional activities | ‘’No, not really.’’  ‘’ But for the rest we also do not do any discount or special offers to attract people.’’ |
|  | Short internal briefings | ‘’ I tried to prepare them for the confrontation with the guests. So I said please take notice that the prices are higher and people are going to complaint, and just try to explain why.’’  ‘’ Just to tell them that probably people are going to be more aware of prices these few months, so just try to be honest with them and act in a calm and professional way.’’  ‘’... communicate it to our staff...’’ |
|  | Honesty | ‘’ Anyways, for any company it is good to be open and honest. Communicate before time to your customers, because the biggest fear is....you know surprising guests is not a good thing actually.’’ |
| Managerial concerns and decisions (administration) | Post change | ‘’ To be honest, we did it after. We were a little bit late with it.’’ |
|  | Short notice administrative changes | ‘’ That we do before of course. Not so long before, we are kind of late with all these kind of stuff, but we leave ourselves a week or so to sort things out.’’ |
| Main managerial concerns | Increased concern from employees | ‘’ Of course there were some employees, for example from the kitchen, talking that now they have to be more careful with prices and cost numbers. ‘’  ‘’ They were a little bit afraid to go to the customers. Like they knew that this dish is now more expensive and they were worried how are people going to react, especially the customers who come here weekly. But then again, it was only in the beginning.’’ |
|  | Decreased customer satisfaction | ‘’ I think the main concern is the confrontation with the guests, because they are already paying more, and in couple of years they will have to pay more again.’’  ‘’ Maybe we need to see how to deal with our guests. Because you know the people that come here are older, so they like special attention and they also are more sensitive to everything.’’ |
|  | Decreased demand | ‘’ I am maybe concerned that less people will go out for dinner or drinks, because like you said, it is not only this what is going up, their whole life is going to be more expensive, everything. Their daily products, so there will probably be less money for people to spend on restaurant or hotels.’’ |

Interview 5. Restaurant manager of ‘’Golden Tulip Westduim’’, 17 years of experience.

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| **Topic** |  |  |
| Managerial concerns and decisions (financial) | Burden on companies account | ‘’.... and as far as I know, we did not raise the prices for anything.’’  ‘’ Yes we took the costs. The drinks were a little, well of course, the drinks were a little higher, but, for example, the rates for the rooms, were not any higher because there is a psychological value to the rooms. And our customers at that time, only looked at the value for the money they pay.’’ |
|  | Higher costs | ‘’...in the previous companies all costs were higher...’’ |
|  | Market based pricing | ‘’... depending on the occupation rate, so the higher the rate, the higher the demand, the higher the prices were. We were just only looking at the market. And that is all that mattered. So if we, if the demand was low, the prices were low, and we did not even think about the raise of the VAT. It did not matter to us at the time. Because we needed to push the occupancy rate, we needed more people coming in to the hotels, the more they would spend. So that is all we cared about.’’ |
|  | Differentiation hotel and restaurant | ‘’ So we took the costs on the behalf of the company when it came to the rooms, but for the drinks we have raised it.’’ |
|  | Lower ‘’neto’’ income | ‘’... of course the costs there higher, so the ‘’netto’’ income was a little bit less, but that is all.’’ |
|  | Pre – increase of the prices | ‘’ So I am already thinking about this issue and I am planning to raise the price for the drinks and menu items in the upcoming few months, so we are ahead, and then we do not have to raise the prices at the moment the VAT is going up.’’ |
|  | Margin based pricing | ‘’ I have to get a certain margin here, 80 per cent on drinks, and if I do not make it, then I make the decision to raise the price.’’  ‘’... if I have the feeling that we could gain some percentage, even though, the margins are perfect already, I raise the prices as well. For example, I think you know that, I am planning on a new wine map. When we start with this new wine map, all prices are getting higher.’’  ‘’ For example, on our beers at the moment, ‘’Brugse Zot’’ is kicking our butt. But if I want to sell ‘’Brugze Zot’’ with the right margins, I have to ask like 8 Euros. So it is too expensive. So we except the fact that we lose money there but it is such a nice product, and especially our guests from Belgium really appreciate it, so we accept the loss of money there, and we try to compensate on the other items, like ‘’Heineken’’ or ‘’Alfa’’, or whatever. So balance everything.’’ |
| Managerial concerns and decisions (demand and customer satisfaction) | No changes in demand | ‘’ No, because we did not care about the room rates, so they were coming anyway. And we were always looking at the market.’’ |
|  | Minor complaints | ‘’ And I think everybody understands that we need to make money, as well as any other has to. So there is nothing to complaint about, and it was only for few months, and then it was all over. It was finished, the complaining was finished, everybody got used to the fact that the VAT was higher, and then it all ended.’’ |
|  | Short term complaints | ‘’ The first few months customers were only talking about it, about that VAT is going up.’’ |
| Managerial concerns and decisions (communication) | No pre – planned communication | ‘’ Nothing. Not in particular. We just changed it and that was it. ‘’  ‘’ Everybody, reads the newspaper, everybody knows when something is happening it is happening.’’  ‘’ At this particular moment I do not think that we need to communicate it to our staff, I mean the changes.’’ |
|  | No internal communication | ‘’...told the personnel.’’  ‘’ At this particular moment I do not think that we need to communicate it to our staff, I mean the changes.’’ |
| Managerial concerns and decisions (administration) | Beforehand | ‘’... we need to make sure that on every single bill the VAT numbers are correct, and we have to program this in the computer system, and in the registration system.’’ |
| Main managerial concerns | Administrative tasks | ‘’ The main concern was to make sure that all the VAT percentages were right on every single product or service. You know we needed to make sure that we received all the VAT back, and we needed to make sure that the VAT was right on the bills of the guests. So in the back office, were was a lot work.’’ |
|  | Reactions of customers | ‘’ The only concern I have is how are our customers going to react. ‘’ |
|  | Balance between pricing and quality | ‘’ Is there a certain balance between quality and pricing. If there is a balance, everything is fine. If it is off balance, then I have a situation, and maybe a raise of 10 cents or 20 cents can make a difference between quality and pricing. So that is my main concern.’’ |

Interview 6. Assistant restaurant manager ‘’Golden Tulip Westduin’’, 11 years of experience.

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| **Topic** |  |  |
| Managerial concerns and decisions (financial) | Full shift | ‘’ I was working at ‘’Van der Valk’’ at that moment and I know in the Netherlands they increased prices also.’’  ‘’... they calculated everything on the selling prices for the customers...’’ |
|  | Immediate shift | ‘’... they just did it immediately, in once...’’  ‘’ ...they calculated every product and just made up new prices, and then they rounded them up to 5 cents.’’  ‘’ I think for the F&B department we will just increase it by the percentage that is given by the government straight away, and not in parts or anything like that.’’ |
|  | Increase beforehand | ‘’ Of course all the costs of new prints and stuff also needs to be done, so I think we need to do it just before, like two or three months before.’’ |
|  | Loss of profit | ‘’... if the companies need to pay more taxes then they have less profit. So smaller margins.’’ |
|  | Market based pricing | ‘’ I think in this area, working in Zeeland, it really is going to depend on what other companies are going to do, so for example if we increase prices, for example we have coffee for 2.25 now, and it is going to be 2.50, and the other companies in this area are not going to do that , it will have consequences on how busy we are going to be.’’  ‘’ ...when you calculate that to the customer, especially if other companies will not calculate it to the customers, but take it on their account, then we could lose business. So I think that one is really depending on what other companies in the area are doing with the prices of meeting rooms and hotel rooms.’’  ‘’... basically checking what other companies do in the area and that is basically it.’’ |
|  | Equal margins | ‘’ I think we will increase the prices we are not going to lose a lot of profit. So we are just going to make the margins equal.’’  ‘’ So we will basically just try to work it out with the margins.’’ |
|  | Based on demand | ‘’... when it goes how it should go, then we do not change anything anymore. But if we would have seen that because of the price increase we have less revenue, then of course we would turn it back.’’ |
|  | Non or slight increase for bigger meetings | ‘’... normally I would say just to calculate it to the customers, but because they have done the price increase already, in the beginning of this year for the meeting rooms, maybe I would say to take it on our account, or just increase a little bit, but not everything, for the bigger meetings.’’ |
|  | Third parties | ‘’... for finance, we have an accountant, and they are getting paid to do this kind of stuff. I think that will go automatically.’’ |
| Managerial concerns and decisions (demand and customer satisfaction) | No changes in demand | ‘’ No, but like I said, it was in ‘’Van der Valk’’ and they were busy anyway, because of their reputation, so it did not really have any consequences.’’ |
|  | Slight changes in demand | ‘’ Maybe the demand is going to be a little bit less, but on the other side most of our guests, I mean in the restaurant, are our hotel guests...’’ |
|  | No complaints | ‘’Well I do not think so, because in that company it was in the different area, at that time I was coming from Utrecht, so because it is bigger city and every company did it over there, so because everyone did it we did it too...’’ |
|  | Short term complaints | ‘’The people get use to it overtime.’’ |
| Managerial concerns and decisions (communication) | Good internal communication | ‘’ I think in that company the menus changed every three months anyway and that was done with good communication to the staff with explanations. So everybody knew it.’’  ‘’ Well we will tell our bar staff and restaurant staff. Like, for example, if the coffee changes from 2.25 to 2.50, we need to tell our staff, because of course we can change menu cards and systems, but if we do not tell them, they will communicate prices out of their head. They will say ‘’oh the coffee is 2.25’’ but in reality it is already 2.50. So we need to communicate about that.’’ |
|  | No commercial activities | ‘’ Well, for commercial activities, we did not have a lot, so there are not a lot of consequences on that one.’’ |
|  | No external communication | ‘’No, I think when we are going to increase the prices, then we will just make new menu cards, and with new prices on it, and we will remove the old ones, and I do not think we really communicate to our customers...’’  ‘’... VAT rate is going to have consequences for also supermarkets, and all that kind of stuff. So I think they will understand anyway, because everything will go up.’’ |
| Managerial concerns and decisions (administration) | Increased administrative burden | ‘’ It is not only going to be the new menus, we also need to change all the systems, the VAT rates, especially for the business bookings, because they get the tax back from their companies. So it will have consequences on a lot of work for the management anyway.’’ |
|  | Seasonal decision making | ‘’ But so far no, I think we just had the increases in prices so until August we will not have any problems anyway. And then we need to check up for the winter. We are the season company anyway. So of course in the winter we need to check what are we doing.’’ |
|  | Third parties | ‘’....the system changes need to be done in the night before the new tax rate is going to go in, if you can say it like.’’  ‘’... I think for us it is just the call to the company who we have the systems from and I think they will do it for us.’’ |
|  | Simple administrative tasks | ‘’ For system we did not really changed a lot, just changed the prices, changed the menu cards and that kind of stuff.’’ |
|  | Evaluation | ‘’ Over a period of two months we evaluate if we are still that busy, or are we losing customer, because of the price increase. But that is a management thing to do.’’ |
| Main managerial concerns | Decrease in demand | ‘’ Their main concerns were that because of that price increase maybe they would sell less. Especially when you look at drinks at the bar and that kind of stuff.’’  ‘’... if someone has a company quite the same as we are, and the prices are going to be lower, then we will lose business.’’ |
|  | Business meetings | ‘’... I think the only thing that you know are now talking about F&B, so only food and beverages, but this change, this tax rate is also for the meeting rooms and this kind of stuff. And I am not sure what are they going to do with that one.’’  ‘’ I would say once concern, like I did before, it would be meeting rooms, the bigger meetings, the international meetings, and the ones lasting for more days, and the most expensive ones. What would they do with the prices for that one.’’ |

Interview 7. Manager of restaurant ‘’Tafelen’’, 10 years of experience. (via email)

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| **Topic** |  |  |
| Managerial concerns and decisions (financial) | Full shift | ‘’ **...**we raised the price in total.’’  ‘’Yes, I would put the VAT on the price.’’  ‘’But we are probably going to again put the VAT on the price, so 3% this time.’’ |
|  | Immediate shift | ‘’ We did it immediately we counted the difference in to our raise so we could keep the price longer at the same .’’ |
|  | Beforehand | ‘’We made a decisions before the VAT changes that we raise the price so that we could take the 2% raise counted.’’ |
|  | No changes in costs | ‘’We put the VAT on the price before, so no, no issues with costs.’’ |
| Managerial concerns and decisions (demand and customer satisfaction) | No changes in demand | ‘’No.’’ |
|  | Customer disatisfaction | ‘’There were clients because we raised the price they were not happy with it after telling them after this raise we don’t raise again for the VAT.’’ |
| Managerial concerns and decisions (communication) | No external communciation | ‘’We did not say anything to the customers, no one says it when the prices is going up.’’ |
|  | No pre – planned internal communication | ‘’And to staff we just said that it was raised and because the VAT was raised.’’ |
|  | No preparations | ‘’ Communication we did not do anything like before.’’ |
| Managerial concerns and decisions (administration) | Third parties involved | ‘’We only had to put different price in the system. And you can call the company from system, and they will do it or explain how to do it.’’ |
|  | Minor administrative tasks | ‘’System we just changed the price in the system and changes menu.’’ |
|  | No preparations | ‘’ And we just raised it. You don’t need a lot of preparing.’’ |
| Main managerial concerns | Less spending money | ‘’ Everything will be more expensive, supermarkets too, so they will maybe not have enough money for dinner in the restaurant.’’  ‘’It’s simple, people need to have money to go out. If I don’t have money, I never go to eat in the restaurant, I go buy something from Jumbo...’’ |
|  | Drop in demand | ‘’I think it will maybe change, because people will not go out so much.’’ |
|  | Customer satisfaction | ‘’But maybe we can do it a little after, because last time customers were not happy.’’ |
|  | Pricing strategy | ‘’Just prices, you need to know what to do with the prices.’’ |

Interview 8. Manager of restaurant ‘’Sake Sushi’’, more than 10 years of experience. (via email)

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| **Topic** |  |  |
| Managerial concerns and decisions (financial) | Full shift | ‘’Yes, at that time it was only for alcohol mostly, so we raised the price by the same amount as the VAT raise.’’  ‘’At that point we have raised the price with added 2%.’’  ‘’But we are probably going to again put the VAT on the price, so 3% this time.’’  ‘’I think we will increase the price..**’’**  **‘’** To probably just raise the price, because I think that is what everyone else is going to do.’’ |
|  | Divided shift | ‘’ ...we changed it twice.’’  ‘’Maybe before and maybe not everything at once’’  ‘’... like I said maybe we will again raise the price in two or more times.’’ |
|  | Beforehand | ‘’If I remember correctly we did it before’’ |
|  | Short term profit loss | ‘’I think we lost a little bit of profit on the first months, cause the calculation was to perfectly covering the VAT, and also because it was still new to everyone.’’ |
|  | No change costs | ‘’I mean the costs went up, but the prices went up too, so no not really. ‘’ |
| Managerial concerns and decisions (demand and customer satisfaction) | No changes in demand | ‘’No, not really. Maybe just a little bit, but I cannot say if it was because of the VAT or just not a lot of people coming because of the season. ’’ |
|  | Minor complaints | ‘’Well, people did mention it, but it was more about the overall rise of VAT in the whole country. So they were sometimes complaining about that the price increased by too much in their opinion.’’ |
|  | Short term complaints | ‘’ But it was only for the first months, and once the summer came everyone forgot about it.’’ |
| Managerial concerns and decisions (communication) | No specific external communciation | ‘’We did not really think about that too much. We just raised the prices and printed new menus, so people can see the price on the menu.’’ |
|  | No pre – planned internal communication | ‘’And to personnel we just explained the situation, that is someone asks they can explain it to them too.’’ |
| Managerial concerns and decisions (administration) | Additional tasks | ‘’Well, we did have to change the prices in the systems and we did it maybe few days before. We also had to prepare new menus, so we also made maybe one month before. ‘’ |
|  | Usual administrative process | ‘’We decide how much we raise the price, then decide the day, then the menus we change, we put everything to the system and that is it. It starts.’’ |
|  | Recalculation | ‘’ Well we will have to calculate again ’’ |
| Main managerial concerns | Less spending money | ‘’ ...it is natural that every business owner worries about the fact that if prices increase, less people are going to buy it.’’  ‘’It’s simple, people need to have money to go out. If I don’t have money, I never go to eat in the restaurant, I go buy something from Jumbo...’’ |
|  | Drop in demand | ‘’We hope that it will stay the same, but we fear that it might go down a little.’’  ‘’ Sales. I mean the amount of people that come.’’ |

# Appendix 4. Selective coding

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| --- | --- |
| **Theme** | **Labels** |
| Managerial concerns and decisions (financial) | * Full shift to consumers x8 * Margin equalization or increase x6 * Market based pricing x6 * Short term loss of profit x6 * Gradual raise of prices x5 * Pre – increase of prices x5 * Increase in purchase costs x3 * No price raise x2 * No shift to consumers x2 * Involvement of third parties x2 * Differentiation of products/services x2 * Prices based on reasonability x2 * Immediate price raise x2 * Refundable purchase costs x1 |
| Managerial concerns and decisions ( demand and customer satisfaction) | * No changes in demand x8 * Minor complaints x6 * Short term complaints x4 * No complaints x2 * Slight decrease in customer satisfaction x2 |
| Managerial concerns and decision (communication ) | * No external communication x8 * No pre – planned internal communication x6 * Private communication to loyal customers beforehand x4 * No internal communication x3 * Differentiation between regional and national communication tools x3 * Good internal communication x2 * Promotional opportunity x1 * No preparations x1 |
| Managerial concerns and decisions (administration ) | * Minor increase in administrative burden x7 * No major preparations beforehand x5 * Involvement of third parties x5 * Evaluation x3 * Post change administration x2 |
| Main managerial concerns | * Decrease in demand x7 * Equalization of margins x4 * Slightly decreased customer satisfaction x4 * Increased administrative burden x3 * Less spending money x3 * Loss of profit x1 * Concerned employees x1 * No concerns x1 |

# Appendix 6. Table of operationalization

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| Construct | Dimension | Indicators |
| Concerns from hospitality perspective | Demand | * Percentage in nights * Spending money * Growth * Decrease * Increase * Stagnation * Location * Turnover fluctuations * Commercial perspective * No change |
|  |
| Communication | * Internal communication * External communication * Personal * Private * Internet * Social media * No communication * Planned communication |
|
|  | Finances | * Full shift * No shift * Profit fluctuations * Production costs * Price elasticity * Gradual shift * Immediate shift |
|  | Administration | * System changes * Recalculation * Deadlines * Time compliance * Correct transitional scheme * Workload * Print work |