

# *Making a difference to the hotel bottom line*

Creating value for Singapore's  
hospitality business

*PwC Singapore  
Hospitality Practice*





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## ***PwC hospitality practice***

PwC Singapore's hospitality practice provides industry-focused Assurance, Tax and Advisory services to build trust and enhance values for our clients and their stakeholders.

We listen to different points of view to help organisations solve their business issues as well as identify and maximise the opportunities they seek. Our team comprises of experienced professionals with comprehensive understanding of industry specific regulations as well as issues distinctive to both local and global environments.

With more than 180,000 people in 158 countries across our network, our cohesive structure combined with the depth of our capabilities, knowledge and expertise, enables us to swiftly mobilise our resources and efficiently manage all aspects of cross-border engagements, delivering first rate quality and meaningful value to your business.

You can be assured of extensive industry insights as we keep ourselves abreast of current issues in the market and constantly invest in highly regarded thought leadership and specialised research activities to ensure that we fully understand the developments in your industry.

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## ***Foreword***

PwC is proud to present our hospitality practice's statement of capabilities. Our practice team is comprised of multi-disciplinary industry specialists who work closely with businesses to solve complex issues, manage risks, improve performances and build value in an increasingly competitive market.

Aimed at bringing you highlights on our firm's comprehensive industry experience and robust technical expertise, this publication presents a series of case studies on the business issues faced by our clients and how PwC delivered value adding solutions in addressing them. Among the challenges covered include issues on initial public offering, segment reporting, internal controls, cost savings, tax efficiencies, enterprise resource planning, procurement, and human capital. Furthermore, we hope that you will find our case studies along with our approaches helpful in addressing the similar issues that you may face.

If you'd like to discuss the issues presented in this publication or talk about other challenges your business may encounter, please feel to contact me. We are always ready to assist you in every way.

Thank you and enjoy the publication.



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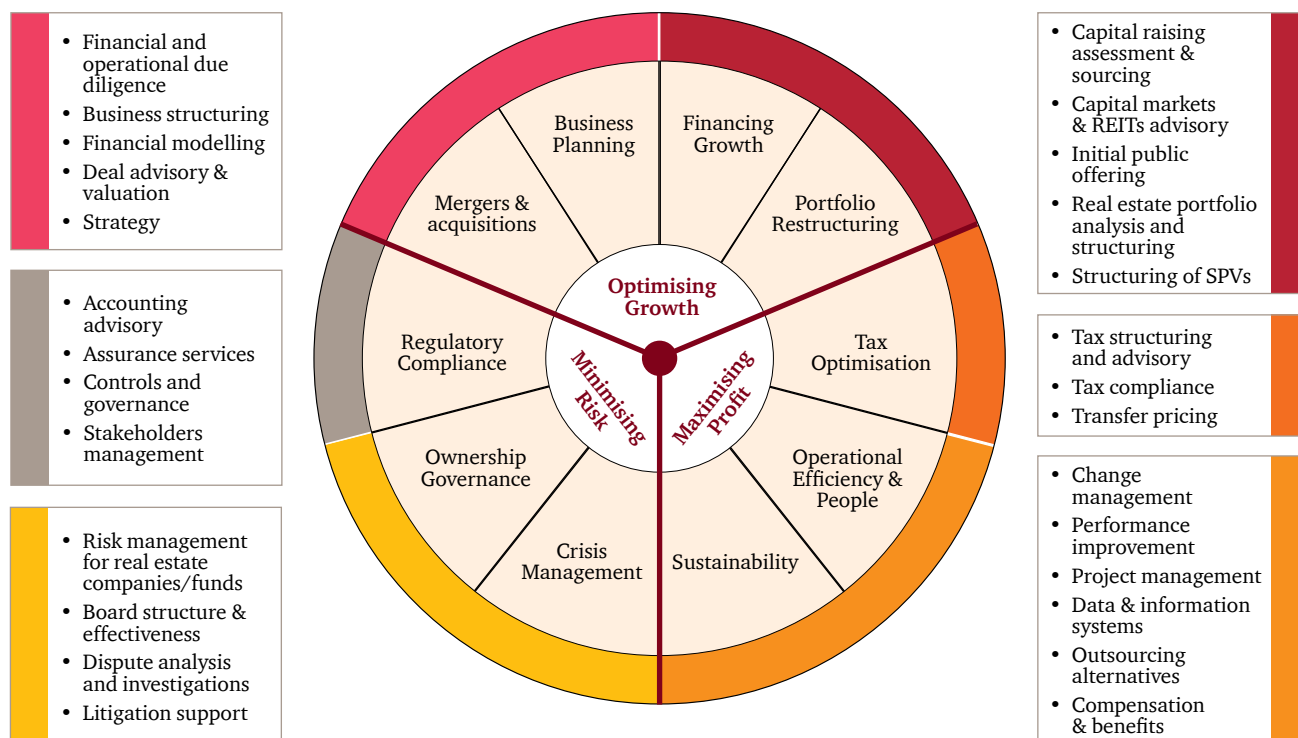
# How we can help

## Aligning ourselves to your business

Prolonged economic uncertainty and intense competition have made it an imperative for hospitality businesses to continuously assess and optimise opportunities to grow revenue, minimise risks, improve operations and performance as well as reduce cost in order to remain competitive.

At the heart of our mission is to assist our clients in identifying, assessing and managing a spectrum of business issues; working with them to develop solutions that address the challenges they face, ultimately, delivering value to their businesses and stakeholders.

Our strategy is aligned across these key functions crucial to all businesses:





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## *How we can help*

Our commitment to delivering high-quality services is at the heart of what we do.

We provide comprehensive audit and assurance services designed to deliver real value and underpin investor confidence.

- **Finance**

- Assurance services
- Financial accounting & reporting
- Accounting advisory
- Initial public offerings
- Finance function effectiveness
- Global investment performance standard (GIPS)

- **Governance, risk & compliance**

- Regulatory compliance
- Governance & board communications
- Risk management
- Internal audit
- Internal controls & revenue assurance
- Forensics & investigation
- Hotel operator operational review

Tax regulatory issues are at the top of mind for companies operating around the world. PwC is the leading provider of tax services worldwide, focusing on helping clients understand tax regimes and develop tax strategies for the various taxes that come into play.

- **Tax**

- Investment tax structuring
- Post-acquisition tax planning & restructuring planning opportunities
- Pre-IPO & warehousing stage tax planning
- Asset vs share deal analysis
- Tax due diligence
- Interest deduction advice & optimisation
- Tax ruling applications
- Fund & REIT structuring
- Tax incentive planning & application
- Stamp duty advice, including relief analysis & application
- Withholding tax planning, including treaty benefit analysis & application
- Transfer pricing
- Tax function effectiveness
- Carried interest taxation
- Capital allowance maximisation study
- Exit tax planning, including documentation development
- Tax compliance
- Tax solutions

Our Advisory team utilises our in-depth financial, analytical, industry and business process skills to provide clients with the advice and assistance to improve stakeholder value, build trust and boost performance, as well as help business challenge conventions. We introduce and deliver strategies that work specifically for your organisation.

- **Operations and transactions**

- Valuation
- Transaction due diligence
- Corporate finance
- Loan origination & securitisation services
- Transaction support & structuring
- Procurement function assessment & development
- Data analytics
- Restructuring & insolvency services
- Asset monitoring & asset management
- Litigation & arbitration
- Financing growth
- Portfolio restructuring
- Financial modelling
- Board structure & effectiveness
- Structuring of Special Purpose Vehicles (SPV)
- Change management
- Performance improvement
- Compensation & benefits
- Sustainability
- Crisis management

- **Technology**

- Reporting & forecasting
- System selection assistance
- System implementation assurance
- Information technology effectiveness
- IT security
- Data privacy & management
- IT asset management
- Business continuity planning



# How we can help

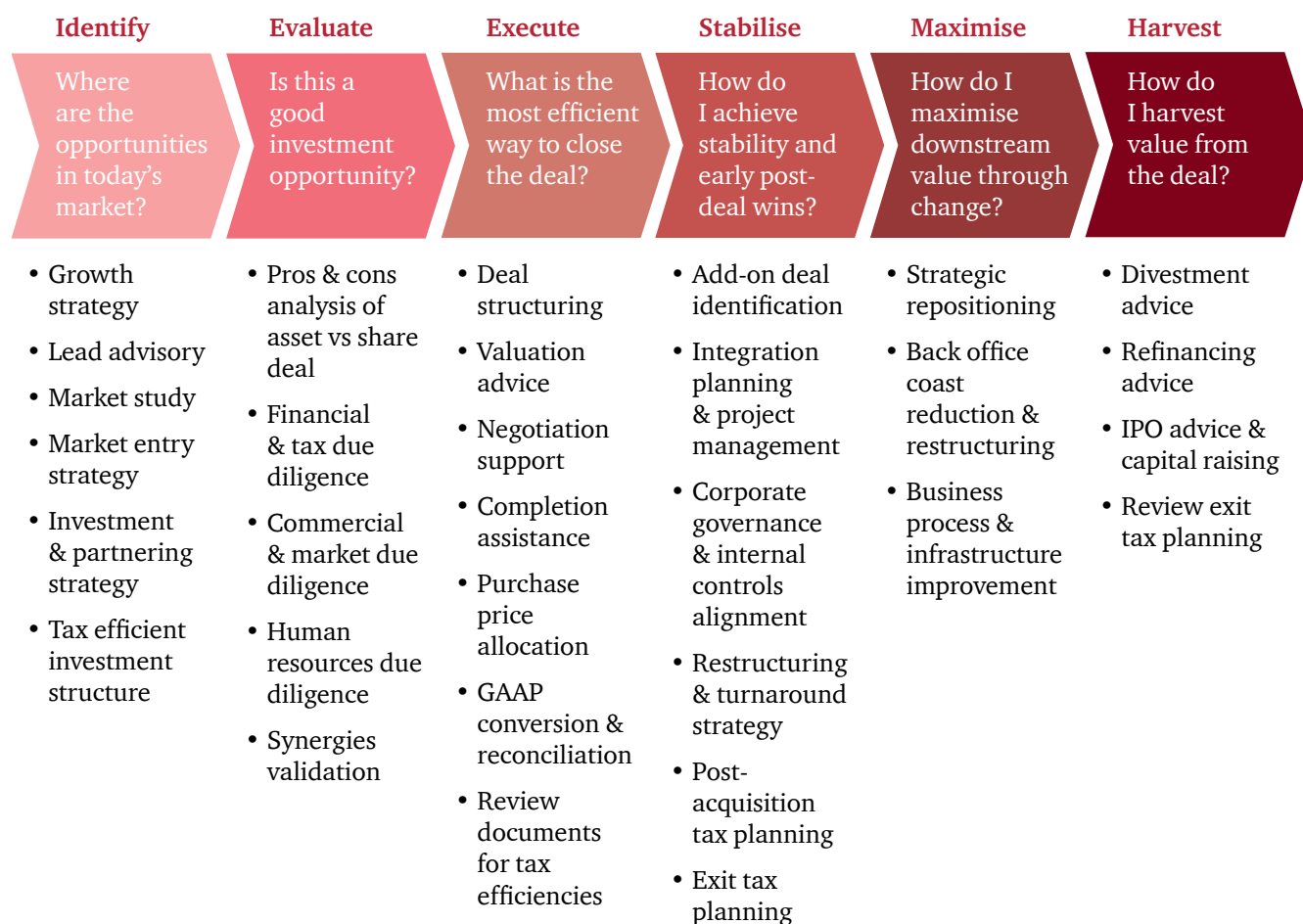
*Start to end support in deals and capital market transactions*

## Deals

With strong network connectivity, we form teams across our lines of services and network to help our clients create value through mergers, acquisitions, disposals and restructuring.

In the event of a M&A, we support our clients through a deal process as follow:

## Deals continuum and summary of services



## Capital market transactions

As reporting auditor or advisors, we advise our clients from the beginning to the end of the IP process order to maximise value out of the transaction.

We add value in an IPO process as follow:

### *IPO (including REITs and business trusts) continuum and summary of services*





# *How we have helped our clients*

- *Turning off the food and beverage revenue leakage tap*
- *Identifying revenue leakages using revenue analytics*
- *Revising procurement for bottom line improvement*
- *Finding tax efficiency at the transaction and operation levels*
- *Document imaging solutions for cost savings and productivity*
- *Study on workforce framework to help meet the industry's future needs*
- *Business process re-engineering study and preparation of enterprise resource planning (ERP) system implementation requirements*
- *Maximising the value out of an acquisition*
- *Navigating reporting complexities as business expands*
  - *Segment reporting and goodwill impairment testing*

## ***Turning off the food and beverage revenue leakage tap***

<b>Client's challenges</b>	An international hotel with food and beverage (F&B) outlets faced uncertainty over the effectiveness of its existing F&B operations' internal controls.
<b>How we helped</b>	<p>PwC's Risk Assurance team performed a risk-focused internal controls review of the F&amp;B process, where we identified revenue leakage incidences and opportunities to reduce them.</p> <p>In particular, we identified a leakage that arose from a system technical error which, as a result, could not be detected by the internal revenue assurance reviews. The loss caused by the revenue leakage was substantial.</p> <p>Furthermore, we provided technical expertise and shared approaches undertaken by similar hotel operators to mitigate key operational risks and enhance the effectiveness of internal controls over other F&amp;B operation areas, to determine which approach is most suited for the client.</p>
<b>Value added</b>	<p>The hotel has since rectified the system technical error.</p> <p>Existing policies and procedures over key F&amp;B outlet management processes have also been enhanced in accordance with our recommendations to address internal control failures and to provide greater transparency during cash handling and revenue reporting.</p>

### **Other solutions we provide**

- Internal audit
- Business controls advisory
- Business resilience
- Corporate treasury and commodities solutions
- Performance assurance

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## *Identifying revenue leakages using revenue analytics*

<b>Client's needs</b>	The revenue of hotels is generally driven by the room rates charged to its clientele. Our client had implemented various promotional activities to attract clients and to increase revenue. Our client's management team wanted PwC to review whether the discounts were reasonable and to obtain assurance on the controls surrounding the revenue cycle.
<b>How we helped</b>	We employed the use of data analytics techniques to identify unusual spikes, irregular patterns, questionable transactions or relationships that may indicate business risk exposures, improvement opportunities and control weaknesses. Various techniques were used in the data analysis such as data filters, visual analysis, digital analysis, parallel simulation, regression analysis, trend analysis, stratification, statistics, duplicates, aging, classification, etc.
<b>Value added</b>	Based on our analysis, a significant revenue leakage was identified. We reported our findings, including the cause of the leakage to the client. This enabled them to investigate and implement measures to prevent such recurrence in the future.

### **Other solutions we provide**

- Personal Data Protection Act
- Master data management
- Information management, benchmarking and governance
- Business intelligence and analytics



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## ***Revising procurement for bottom line improvement***

<b>Client's challenges</b>	A large leisure and hotel group had enjoyed strong top line growth for a number of years. However, margins had been dropping. With cost reduction becoming a major focus, procurement became an avenue for improving value. The group had a decentralised procurement function, spending close to a billion with thousands of suppliers, which were frequently negotiated with in a fragmented manner by different teams.
<b>How we helped</b>	PwC's team identified key spending categories for deep dive analysis as well as conducted a high level operating model review (across processes and organisational designs). Sourcing strategies were also developed for key spend categories (including KPIs, savings timelines and implementation plans) to drive immediate and longer term cost reduction.
<b>Value added</b>	The client achieved annual savings in excess of S\$50m - 7% of overall spend to the bottom line. The engagement resulted in the development of a central procurement department, a clearly defined procurement strategy, and the implementation of streamlined and automated processes to enable continuous improvement initiatives.

### **Other solutions we provide**

- Procurement operating model re-design
- Establish centralised procurement functions
- Provide procurement strategy roadmap
- Review and assess eProcurement function



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## ***Finding tax efficiency at the transaction and operation levels***

<b>Client's challenges</b>	A client was involved in an acquisition of a hotel with substantial retail component another property and needed advice on the most tax efficient structuring of the transaction. Furthermore, they encountered difficulties in finding a satisfactory solution from their existing advisor.
<b>How we helped</b>	PwC's Tax team studied the circumstances surrounding the client's scenario and presented them with the pros and cons of different purchase scenarios (equity purchase and asset purchase). We then proposed an approach for the deal and a restructuring plan, aimed at helping the client achieve tax efficiency for the deal itself along with a more efficient tax structure for future operations.
<b>Value added</b>	The client adopted the recommended approach and enjoyed substantial tax savings as compared to the original acquisition plan.

### **Other solutions we provide**

- Tax optimisation
- Transfer pricing study
- Tax advisory (funds, investments and REITs)
- Conduct tax workshops

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## ***Document imaging solutions for cost savings and productivity***

<b>Client's challenges</b>	A real estate client wanted to implement an electronic document management and repository system to eliminate the need of keeping paper files. In the event of a law suit, some of these electronically stored documents may need to be presented in court as evidence. The question faced by the client was whether their electronic documents can be introduced as evidence in courts of law?
<b>How we helped</b>	<p>PwC helped the client understand the certification criteria as set out in the Evidence Act (the "Act"). Through conducting presentations and workshops, we helped increase stakeholder awareness and identify gaps in their processes.</p> <p>As the appointed Consultant for the system implementation project, we worked closely with management and the legal department in preparing and ensuring the system specifications meet the Act's requirements. We also conducted workshops for our clients and their system integrator. Furthermore, we provided input to ensure that the system and the related processes will be certified under the Act.</p>
<b>Value added</b>	The presentations and workshops clarified the requirements under the Act and helped the client prepare system specifications that would meet the requirements. This helped our client eliminate their paper filing system, which resulted in increased productivity and savings on storage costs.

### **Other solutions we provide**

- Security review of systems which are newly implemented

## ***Study on workforce framework to help meet the industry's future needs***

<b>Client's needs</b>	A Singapore Statutory Board's mission is to enhance the employability and competitiveness of employees and job seekers in order to build a workforce that meets the changing needs of Singapore's economy. Having launched the Tourism sector WSQ in 2006, WDA wanted to conduct a review of the framework to ensure its relevance in meeting the future needs of the industry. The review encompasses the Hotel and Accommodation, Tour and Travel, Attractions and Leisure Management, MICE and Events, Spa Services and Sports Tourism sub-sectors.
<b>How we helped</b>	PwC used a multi-prong approach to analysing the impact of trends on tourism in Singapore. Methods PwC used included interviewing local and global thought leaders, surveying tourists in Singapore, conducting a social media analysis, review current PwC Thought Leadership and leveraging of PwC's proprietary Project Blue framework.
<b>Value added</b>	PwC was able to highlight future jobs in demand through industry trends and manpower analysis and identify skills gaps present in key segments of the workforce such as Rank and File and Professionals, Managers and Executives (PMEs) for the following Singapore tourism subsectors: <ul style="list-style-type: none"> <li>- Hotel and accommodation services</li> <li>- Spa services</li> <li>- Attractions and leisure management</li> <li>- Tour and travel services</li> <li>- MICE and events</li> <li>- Sports tourism</li> </ul>

### **Other solutions we provide**

- Organisation change
- Talent management
- HR Transformation

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## ***Business process re-engineering study and preparation of enterprise resource planning (ERP) system implementation requirements***

<b>Client's needs</b>	The client operates multiple hotels and the management identified the need to seek new efficiencies and to source for assistance in evaluating the existing core business processes in tandem with a new ERP implementation.
<b>How we helped</b>	<p>Our Management Consulting team was engaged to spearhead the review and provide a customised proposal by performing the following:</p> <ul style="list-style-type: none"><li>• Review the existing core business processes in finance, procurement and sales cycles</li><li>• Propose solutions to improve the efficiencies of business processes to align with new ERP system</li><li>• Propose detailed requirement specifications for the core business processes for a seamless implementation of the new ERP system</li><li>• Recommend and identify process improvement opportunities</li><li>• Develop a set of business requirement specifications (BRS) and a set of selection criteria, tailored to the client's business process needs, to source for the most ideal ERP</li></ul>
<b>Value added</b>	Through the study and evaluation matrix that we developed, the client successfully selected a suitable vendor to assist with the implementation of the ERP. The tailored BRS also helped significantly with narrowing and focusing on the implementation of the core functionalities to meet management's deadline of implementation within 6 months upon vendor engagement.

### **Other solutions we provide**

- SAP GRC implementation
- Finance and ERP consulting

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## ***Maximising the value out of an acquisition***

<b>Client's challenges</b>	A client was making a major move into the hotel industry. The client had limited experience in the acquisition of real estate and thus was having different considerations in structuring the deal. Furthermore, the client also needed to consider the options and methods to manage the hotel as well as retail outlets after the transaction and weigh the pros and cons of each alternative.
<b>How we helped</b>	PwC's M&A team worked with the client and conducted a due diligence on the target company to assess the areas to be noted for purchase price and other post deal considerations including the risks and merits of entering a lease-back arrangement vis-à-vis hotel management agreement. These considerations were then used by the client in their decision on how to proceed with the deal.
<b>Value added</b>	The client adopted the recommended approach and was able to negotiate with the seller to achieve significant savings on the purchase consideration.

### **Other solutions we provide**

- Cost and impact analysis for operational overheads and related party transactions
- Study covering impact of lower foreign workers dependency ratio and higher levy rates
- Normalisation of non-recurring expenses and one off items to assess the sustainability of the Target company

## ***Navigating reporting complexities as business expands – segment reporting and goodwill impairment testing***

<b>Client's challenges</b>	<p>A hospitality client was expanding its operations through local and overseas acquisitions of hospitality management businesses as well as real estate assets.</p> <p>The expansion created challenges in the areas of:</p> <ol style="list-style-type: none"> <li>1. Identifying operating segments for an integrated hospitality business in accordance with FRS 108 Operating Segments</li> <li>2. Developing a goodwill impairment model under FRS 36 Impairment of Assets where the identification and allocation of goodwill to cash generating unit (CGU) was complex due to the similarities and linkage between the different businesses.</li> </ol>
<b>How we helped</b>	<p>The engagement team held deep discussions with the client to understand their expanded operations including management's strategy for each business division.</p> <p>For the operating segments, we researched internally and externally on how they are identified for similar businesses and shared with management the considerations surrounding the options available.</p> <p>For the goodwill impairment model, we leveraged on our understanding of our client's business, the potential operating segments, as well as our industry knowledge to assist management with identifying the appropriate CGUs and the allocation basis of goodwill, which are customised to their business structure.</p>
<b>Value added</b>	<p>Based on our recommendations, the client was able to understand and apply the requirements of FRS 108 and FRS 36 in a pragmatic approach which reflects the substance of their business and communicates the value of the acquisitions to their shareholders.</p>

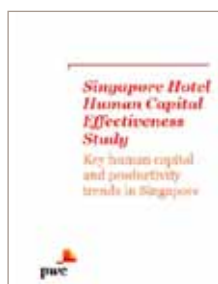
### **Other solutions we provide**

- Accounting for complex business/asset acquisitions
- Application of FRS 36 Impairment of assets for goodwill generated

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## Research and insights

*Sharing our perspectives through thought leadership*



### ***The Singapore Hotel Human Capital Effectiveness Study***

Underpinned by PwC's Talent Management Framework, this report examines the human capital trends in the hotel sector in Singapore to identify key talent challenges. As an inaugural initiative, this report serves to establish a baseline of human capital metrics in the Singapore hotel sector. 30 hotels in Singapore have participated in this study.

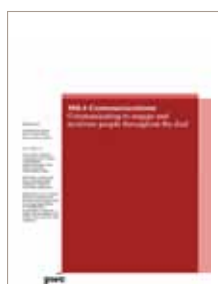
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### ***Value of Sustainable Procurement Practices***

Based on collaboration with INSEAD Social Innovation Centre and EcoVadis, the report is a quantitative analysis of value drivers associated with Sustainable Procurement Practices. Sustainability was mainly taken into account on a risk-based approach in line with the global movement towards low cost country sourcing. But how can this risk protection be quantified? And what is the impact on cost reduction and the development of new offers/products?

<http://www.pwc.com/gx/en/operations-consulting-services/publications/value-sustainable-procurement-practices.jhtml>



### ***M&A Communications***

The need for effective communication is often overlooked or underestimated in the flurry of activity surrounding a deal. Executing a strong and clear communication strategy is critical to successful integration. Dealmakers have a choice; they can communicate honestly and transparently to manage speculation surrounding the transaction, or they can ignore the speculation and watch it turn into fear and confusion.

[http://www.pwc.com/en\\_US/us/transaction-services/publications/assets/communications-integration.pdf](http://www.pwc.com/en_US/us/transaction-services/publications/assets/communications-integration.pdf)



### ***Which market?***

An overview of regulatory listing requirements in London, New York, Hong Kong and Singapore

Having decided that a public offering is the next step in your company's development, choosing 'where' to list is one of the next most important decisions to consider, whether you plan an initial public offering (IPO) or a secondary listing. This brochure identifies the main regulatory requirements involved in a listing in some of the current leading global stock exchanges: London, New York, Hong Kong and Singapore.

<http://www.pwc.com/gx/en/audit-services/publications/stock-exchange-overviews.jhtml>



### **Global IPO Watch publications**

#### ***Global IPO Watch publications***

PwC's list of country-specific annual publications, reporting on the analysis and trends of IPOs in Greater China, the United States, and Europe.

<http://www.pwc.com/gx/en/audit-services/capital-market/ipo-watch.jhtml>



#### ***Cross-border IPOs: Choice in an uncertain world***

The cross-border IPO is here to stay. This in-depth report from PwC and Baker & McKenzie, supported with data and interviews with capital markets players, explores how we got here, what's driving the growth, and where this important trend is leading.

<http://www.pwc.com/gx/en/audit-services/publications/ipo-cross-border-survey.jhtml>



#### ***Executing a successful IPO***

This PwC paper discusses the key issues facing companies contemplating an Initial Public Offering (IPO), including regulatory concerns, access to capital, mergers and acquisitions, talent management and building company brand.

<http://www.pwc.com/gx/en/audit-services/publications/executing-a-successful-ipo.jhtml>



#### ***APEC CEO Survey***

#### ***Towards resilience and growth: Asia Pacific business in transition***

This study surveys nearly 500 business leaders on their attitudes towards doing business in the region and study provides you with the insights to better understand the views of business leaders across the APEC economies as they assess the forces changing the world and their business growth strategies.

<http://www.pwc.com/us/en/apec-ceo-summit/index.jhtml>

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